AGRICULTURAL PROGRAM AUDIT

HEARINGS

BEFORE THE

SUBCOMMITTEES ON:
GENERAL FARM COMMODITIES
AND RISK MANAGEMENT;

CONSERVATION, ENERGY, AND FORESTRY;

NUTRITION AND HORTICULTURE;

RURAL DEVELOPMENT, RESEARCH,
BIOTECHNOLOGY, AND FOREIGN AGRICULTURE;

DEPARTMENT OPERATIONS, OVERSIGHT, AND
CREDIT;

AND

LIVESTOCK, DAIRY, AND POULTRY

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

JUNE 24;
JULY 7, 13, 14, 20, 21, 27, 28;
SEPTEMBER 8, 13, 2011

Serial No. 112–20

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AGRICULTURAL PROGRAM AUDIT

(EXAMINATION OF THE FEDERAL CROP INSURANCE PROGRAM)

FRIDAY, JUNE 24, 2011

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

The Subcommittee met, pursuant to call, at 10:02 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, Schmidt, Austin Scott of Georgia, Crawford, Roby, Huelskamp, Gibson, Hultgren, Hartzler, Schilling, Stutzman, Lucas (*ex officio*), Boswell, McIntyre, Walz, Kissell, David Scott of Georgia, Courtney, and Peterson (*ex officio*).

Staff present: Tamara Hinton, Kevin Kramp, Matt Schertz, Pelham Straughn, Suzanne Watson, Bart Fischer, Liz Friedlander, Clark Ogilvie, Anne Simmons, John Konya, and Jamie Mitchell.

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

The CHAIRMAN. We will call the hearing to order. This hearing of the Subcommittee on General Farm Commodities and Risk Management entitled, *Agricultural Program Audit: Examination of Federal Crop Insurance Programs,* will come to order. We are pleased to have before us today the Administrator of the Risk Management Agency Bill Murphy. It is appropriate that our first farm bill audit hearing focuses on the Federal Crop Insurance program, because crop insurance has evolved over 73 years to become a cornerstone of U.S. farm policy. It is as important now as ever. Farmers across the country are dealing with wild fires, droughts, and I am told, extra water in Minnesota, floods. It is also important to observe why the Federal Government is involved in crop insurance. That is because without Federal involvement, America's farmers quite simply would not have crop insurance. Without crop insurance, lenders would not likely make loans to producers. After all, producers are borrowing more money in a single year than many Americans borrow in a lifetime. So if there is ever a role for Federal involvement in what would ordinarily be a private market activity, this is a prime example.

Still, as essential that Federal crop insurance is to most producers, it has been a long road to get to where we are, and we have not yet reached our final destination. Three events helped farm crop insurance become what it is today. First, 100 percent private sector delivery through a strong agent workforce; second, the 2000 reform bill that increased producer access to high levels of coverage at more affordable prices; and third, the approval of revenue products that help producers cope with production losses and better market their crops, while dealing with price volatility. This last improvement was also a private sector innovation.

With these innovations, participation has more than doubled over the past 20 years, and total liabilities protected has increased over 600 percent, reaching an expected total of over $100 billion in 2011. We have witnessed an increase in risk management tools available to producers, most notably the revenue products now on the market.

Despite these successes, there are areas where Federal crop insurance must move forward to meet the risk management needs of U.S. producers, and this is especially true in the current budget climate. Federal crop insurance must be built upon, or it will wither and die because it will fall behind producer needs. For example, it is great that we have producers covered at the 70 to 85 percent coverage levels, meeting deductibles ranging from 30 down to 15 percent. These high deductibles grow even larger when coupled with artificially low actual production histories, or APHs, that further shrink insurable yields. But for many producers, only low levels of coverage are cost effective. This is true, despite the introduction of enterprise units in the farm bill that help producers buy up higher levels of coverage.

Unfortunately, a lot of time has already been lost. Over the last 4 years, the Risk Management Agency has taken its focus off the task at hand in order to implement cuts to the Federal Crop Insurance program, first made in the 2008 Farm Bill, roughly a $6 billion reduction. And then in the renegotiation of the Standard Reinsurance Agreement, which reduced CBO baseline for ag spending by another $6 billion, all of which went to deficit reduction. While I was comfortable with the farm bill, I was not sold on the wisdom behind the SRA. In any case, we do not yet know the full impact of the farm bill and SRA will have on crop insurance. This has created great uncertainty and has preoccupied the time of RMA, and thus agents and companies, with issues that are not the primary goal of Federal crop insurance, which is to serve producer risk management needs. RMA and the industry must pick up where they left off and focus on meeting the needs of farmers and ranchers.

In short, this public-private partnership is necessary. The farmer must pay to play. Risk management tools under Federal crop insurance are tailored to producer price and production risks. Lenders require and the Federal crop insurance has contributed to deficit reduction, and fully complies with the WTO. This is a good deal for the farmer, the agents, the companies creating private sector jobs, and economic activity, and good for the taxpayer.

I look forward to hearing from Administrator Murphy on how we can make things better.

[The prepared statement of Mr. Conaway follows:]

Prepared Statement of Hon. K. Michael Conaway, a Representative in Congress from Texas

We are pleased to have before us the Administrator of the Risk Management Agency, Mr. Bill Murphy.

It is appropriate that our first farm bill audit hearing focuses on Federal Crop Insurance because crop insurance has evolved over 73 years to become a cornerstone of U.S. farm policy. It's as important now as ever. Farmers across the country are dealing with wildfires, droughts, and floods.

It is also important to observe why the Federal Government is involved in crop insurance: it's because without Federal involvement America's farmers quite simply would not have crop insurance. And without crop insurance, lenders would likely not make loans to producers. After all, producers are borrowing more money in a single year than most Americans will borrow in a lifetime.

So, if there was ever a role for Federal involvement in what would ordinarily be a private market activity, this is a prime example.

Still, as essential as Federal Crop Insurance is to most producers, it has been a long road to get to where we are—and we have not yet reached our final destination.

Three events helped Federal Crop Insurance become what it is today: First, 100% private sector delivery through a strong agent workforce; second, the 2000 reform bill that increased producer access to higher levels of coverage at more affordable prices; and third, the approval of revenue products that help producers cope with production losses and better market their crops while dealing with price volatility. This last improvement was also a private sector innovation.

With these innovations, participation has more than doubled over the past 20 years and total liabilities protected has increased by over 600%, reaching an expected total of over $100 billion in 2011, and we have witnessed an increase in the risk management tools available to producers, most notably "revenue" products.

Despite these successes, there are areas where Federal Crop Insurance must move forward to meet the risk management needs of U.S. producers, and this is especially true in the current budget climate. Federal Crop Insurance must be built upon or it will wither and die because it will fall behind producer needs. For example, it is great that we have producers covered at the 70% to 85% coverage levels, meaning deductibles ranging from 30% down to 15%. These high deductibles grow even larger when coupled with artificially low actual production histories, or APHs, that further shrink insurable yields. But for many producers, only low levels of coverage are cost effective. This is true despite the introduction of "enterprise units" in the farm bill that helped producer's buy-up higher levels of coverage.

Unfortunately, a lot of time has already been lost. Over the last 4 years, the Risk Management Agency has taken its focus off of the task at hand in order to implement cuts to Federal Crop Insurance, first made in the 2008 Farm Bill—roughly a $6 billion reduction—and then in the renegotiation of the Standard Reinsurance Agreement, which reduced the CBO baseline for agriculture by another $6 billion, all of which went to deficit reduction.

While I was comfortable with the farm bill, I was not sold on the wisdom behind the SRA. In any case, we do not yet know the full impact the farm bill and the SRA will have on Crop Insurance. This has created great uncertainty and has preoccupied the time of RMA, and thus agents and companies, with issues that are not the primary goal of Federal Crop Insurance, which is to serve producer risk management needs. RMA and the industry must pick up where they left off and focus on meeting the needs of our farmers and ranchers.

In short, this private-public partnership is necessary. The farmer must pay to play. Risk management tools under Federal Crop Insurance are tailored to producer price and production risks. Lenders require it. And, Federal Crop Insurance has contributed to deficit reduction and fully complies with the WTO. This is a good deal for the farmer, the agents and the companies creating private sector jobs and economic activity, and for the taxpayer. I look forward to hearing from Administrator Murphy on how we can make a good thing even better.

But first I would yield to the Ranking Member of the Subcommittee, Mr. Boswell, for any opening remarks he may have.

The Chairman. I would like to yield to the Ranking Member of the Subcommittee, Mr. Boswell, for any comments he may make.

OPENING STATEMENT OF HON. LEONARD L. BOSWELL, A REPRESENTATIVE IN CONGRESS FROM IOWA

Mr. BOSWELL. Well, thank you, Mr. Chairman, and I appreciate you having this hearing. I certainly concur with much of what you have just said. Pay to play, that is a pretty good little term, and I think it rings very true. We will probably talk about some of that.

I also would like to thank everybody for joining us here today, as I look around the gallery and see who is here and the interest level seems to remain high. Mr. Murphy, welcome back, too. We have had a few conversations. It has been a little while, so maybe this is a chance for us to catch up.

But anyway, I come from a state where we have, as you know, 92,000 farms and more than 30 million acres in production. It sounds like we are having an interruption, doesn't it? I understand challenges of farmers and those in agricultural business face today. It is high risk, as you well know.

When I retired from the Army and returned home to farm, I quickly realized that farming had greatly changed over the 20 years that I was away. Back then, I had always said that in order to farm, a producer needs to have access to a bank and a place to buy and sell product, and the inputs. Of course, we have gotten much more sophisticated over the last years. I got caught right in the farm crisis of the late 1970s, early 1980s. After surviving it, which I did, and I also was chairing my local place to buy and sell, the cooperative, I realized how important a good crop insurance agent was to help me manage my risk. I worked with my agent, sure that I was never put in the position that I was during the 1980s farm crisis, because I had an opportunity to do it.

I share that story because I understand the importance of the crop insurance industry, not only in the State of Iowa, but across the country. In 2010, 255 million acres were enrolled in crop insurance. Sign up and buy up levels for crop insurance have proven that farmers appreciate having additional options to help them manage risks; however, certain regions and certain crops are underrepresented, we have found. Looking ahead, we need to see how we can make the program work for more producers.

Additionally, I have to say that I am opposed to cutting funding to the program. Budgets are tight, but tight budgets do not mean we must jeopardize the risk management tools that we have today, or put in question when improvements can be made in the future.

On that note, this Committee has gone a long ways in previous years to address sound fiscal management, and the USDA has decreased costs through the renegotiation of the Standard Reinsurance Agreement, SRA. I have been concerned with these cuts and the effects this negotiation may have on the relationship between farmers and their agents. We must acknowledge that the crop insurance industry is a business, and both the companies and the agents need to make a reasonable profit in order to stay in the market.

Just yesterday, I had an unexpected conversation with a senior agent in a small town surrounded by agriculture. I won't name the place, but I could if we have a conversation about it. He is concerned. It is time to start thinking about passing the business on, and with all the questions, whether it is to family or somebody, to keep, it is a vital part. It is as important as having the bank and the place to buy and sell. That agency is important in that community, is my point.

So with that in mind, at this hearing I will be submitting a question when we get into question time to you, Mr. Murphy, with the request for a written response on this issue. The renegotiation of the SRA has left insurance agents in my state and many others perplexed, worried sick, I guess, by a direct cap in the SRA on commissions private companies are allowed to provide. To me, this is arbitrary and neglects the principle of a free market and the expertise and hard work of insurance agents our farmers rely on. So I look forward to the response and working with you to further enhance the crop insurance industry so it provides maximum benefits to producers and consumers alike.

One of the many farm programs we support are highly valued crop insurance and must be structured to ensure a free marketplace for insurers and agents across the nation. We are making great strides to help the American farmer, and I look forward to hearing more about the crop insurance program today. I thank you again for your testimony, which will be an essential means for us to continue to move forward on the next farm bill.

So thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you, sir. I recognize the Chairman of the full Committee for any comments he might have.

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

Mr. LUCAS. Thank you, and I would like to thank the Chairman and the Ranking Member for holding this first in a series of audit hearings to examine programs authorized in the farm bill.

My goal with these hearings is two-fold. First, I want the Department to present a spending snapshot of farm programs. Our Subcommittees will examine spending trends, confirm whether the purposes and goals of the programs we authorize are being met successfully. We will look for duplication within issue areas to determine program overlap. We will also examine program eligibility and whether those eligibility criteria meet the needs of our constituents. We will scrutinize waste, fraud, and abuse, and look for ways to build on the success the Department has already achieved in this area of program integrity. In essence, this is what I mean by an audit of farm programs.

The second purpose of these audits is educational in nature. I think it is important that our Committee learn just how many programs we authorize in the farm bill, and the amount of money we dedicate in each area. I want the Members of our Committee to have a holistic view of farm policy before we move forward. Too often in the past, Congress has considered a piecemeal approach to farm programs, adding layer upon layer while not looking at the overall picture to see how these programs interact. We are starting with comprehensive audits so we can examine each program within the broader context of farm policy. These audits ensure that we are operating from the same base of knowledge. We represent states ranging from Alabama to Oregon, and the diverse constituencies that come with that, so we all have unique priorities for farm policy. But while our priorities may differ, our facts cannot. So these audits give all of us the same data to use in decision making.

Having the best available data will help us better understand farm programs so we can navigate the tough, and I mean tough, road ahead. I hope that today we can start a dialogue on how to root out inefficiencies so we can continue supporting our farmers and ranchers while spending, yes, fewer taxpayer dollars.

It is also important for all of us to understand our priorities from the last two farm bills. Before we move forward with new policies, we should understand how we got to where we are today. Some of the circumstances that shaped past farm bills are still relevant today. Others have changed. We all know that this farm bill will be developed under a very different fiscal climate than the 2008 Farm Bill. The simple truth is, we must make some difficult decisions. There are no sacred cows, so to speak, and during these tough fiscal times, every program, every title will be on the table. This farm bill gives the Committee an excellent opportunity to prioritize the programs that are working, fix the programs that are broken, eliminate the programs that are duplicative. We will make these determinations with the help of these audits, along with the input from our constituents. We will start this process today by taking a serious look at crop insurance to ensure that our funds are utilized economically, and the program delivery is efficient for farmers and ranchers.

As we begin the process of developing the 2012 Farm Bill, I know the challenge of doing more with less will be foremost in our minds. I believe that we can meet this challenge and develop thoughtful policies to keep American agriculture productive and competitive in the 21st century.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Lucas follows:]

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

Good morning.

I'd like to thank Chairman Conaway for holding the first in a series of audit hearings to examine programs authorized in the farm bill.

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I believe that we can meet this challenge and develop thoughtful policies to keep American agriculture productive and competitive in the 21st century.

The CHAIRMAN. Thank you, Mr. Chairman. We have one vote, and I thought we would just try to do a rolling vote, but it came quicker than I thought it was going to. After—do you have any comments, Ranking Member? Okay.

Why don't we take a quick break, run across the street, vote, and come back? Then all of us will have access to hear you talk, and it won't be as disruptive that way. So we will take—the meeting will recess, subject to call of the chair.

[Recess.]

The CHAIRMAN. I have one piece of administrative duty, the gentleman from Indiana, Mr. Stutzman, is not a Member of the Subcommittee, but has joined us today or will join us in a moment. I have consulted with the Ranking Member, and am pleased to welcome him in joining in questioning of the witness.

So at this point in time, Mr. Murphy, you have the floor for your opening comments. Thank you for being here.

STATEMENT OF WILLIAM J. MURPHY, ADMINISTRATOR, RISK MANAGEMENT AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. MURPHY. Chairman Conaway, Ranking Member Boswell, Members of the Subcommittee, as Administrator of the Risk Management Agency, I am pleased to meet with you today to discuss the latest developments in RMA, and the progress and challenges of the Federal Crop Insurance Program. Along with Secretary Vilsack's leadership, I have the goal to administer the Federal Crop Insurance Program in a manner that provides effective risk management services to all farmers and ranchers, regardless of their location or the size of their operation.

The Secretary and I are aware that in today's economy, it is important that the program be cost effective and give a fair value for taxpayers' dollars. I am proud that I can confidently say that we are doing just that.

Crop insurance has become an integral part of the business life of the large majority of American farmers and ranchers. They would find it difficult, if not impossible, to continue without the protection provided by this part of the farm safety net. Many lenders now require crop insurance coverage in order to make operating loans to crop and livestock producers. Many producers use crop insurance as collateral for loans, as well as provide support for forward pricing their crop.

Today, over 250 million acres of farms and ranches are covered by Federal crop insurance, for an overall participation rate exceeding 80 percent for the major crops. The value of insured crops is at a record high. In 1994, program liability was less than $14 billion. This year, it will exceed $100 billion. More producers buy higher levels of insurance now, and more specialty crop producers participate in the program than ever before.

Our unique and successful relationship with our private partners, 15 insurance companies, and the agents who deal directly with farmers and ranchers is the foundation of this program. Producers purchase crop and livestock insurance from an insurance agency operating and living in their communities. This relationship levers the respective strengths of the public and private sectors. The 2011 crop year, with widespread flooding in some areas and record drought in others, has been a true test to the crop insurance program. My staff and I are closely watching all developments to ensure that producers get all the protection provided by their policies.

The preventive planning coverage available in most policies has been of extreme importance this year in areas where standing water and water-logged soils have prevented producers from getting into their fields. In drought-stricken areas, the compensation provided for reduced yields will be extremely important in helping producers to survive until next year. In years like this one, the value of this critical safety net is made clear.

The $6 billion in savings credit created through the renegotiated Standard Reinsurance Agreement in 2010 went towards reducing the Federal deficit and supporting high priority risk management and conservation programs. By containing program costs, these changes also ensure the sustainability of the crop insurance program for American farmers and ranchers for years to come.

RMA's Comprehensive Information Management System, CIMS, is of clear importance to producers. Working with the Farm Service Agency, RMA began in 2007 to provide access to over 12,000 users of RMA, FSA, and crop insurance companies as the single source of RMA and FSA program information for producers, crop acreage, and production. The next stage of this information sharing is now underway, and the Department's efforts with cross functional representation from RMA, FSA, NRCS, and NASS one-stop reporting for farmers, and standardizing programs across the Department is our goal.

As those of you acquainted with the dairy farmers may be aware, the Livestock Gross Margin dairy plan of insurance ran out of funding this year. Congress makes $20 million available a year for all livestock programs, and the popularity of a newly-designed dairy program exhausted these funds in March, halfway through the fiscal year. We look forward to again funding LGM dairy in the new fiscal year.

RMA continues to make significant progress in preempting fraud, waste, and abuse through the expanded use of data mining. RMA, FSA, and the crop insurance companies have preempted tens of millions of dollars of improper payments through quality control, data mining, and other measures. RMA is constantly identifying ways to balance competing needs to make our product less susceptible to fraud, while seeking to provide responsive, useful risk protection tools for farmers.

Again, thank you for the opportunity to participate in this important hearing. I look forward to discussing the Crop Insurance Program with you, and to responding to any questions you may have.

[The prepared statement of Mr. Murphy follows:]

PREPARED STATEMENT OF WILLIAM J. MURPHY, ADMINISTRATOR, RISK MANAGEMENT AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Conaway, Ranking Member Boswell, and Committee Members, I am pleased to meet with you today to discuss the latest developments in the Risk Management Agency (RMA), the progress and challenges of the Federal crop insurance program, and the status of the Standard Reinsurance Agreement (SRA) and its benefits to the agricultural community and the American taxpayer. My staff and I work daily to validate the utility of current insurance products—making certain we offer the best risk management protection possible for all of America's farmers and ranchers. The agency, along with our fifteen approved crop insurance companies, provide risk management tools that are compatible with international trade commitments, create products and services that are actuarially sound and market driven, harness the strengths of both the public and private sectors, and reflect the diversity of the agricultural sector.

Crop insurance is a vital part of the farm safety net and has become an integral part of business life for a large majority of American farmers and ranchers. They would find it difficult to continue providing the United States and the world with an abundant supply of food, fiber and fuel without the protection provided by this part of the farm safety net. Many lenders now require crop insurance coverage in order to make operating loans to crop and livestock producers, and many producers use crop insurance as collateral for the loans.

There is a unique and successful relationship between RMA and our private partners, the 15 approved insurance companies, and the agents who deal directly with farmers and ranchers. Producers purchase Federal crop or livestock insurance from insurance agents operating in their communities, who sell the insurance on behalf of the 15 insurance companies. This relationship leverages the respective strengths of the public and private sectors. The insurance companies provide Federal crop insurance under reinsurance agreements with the Federal Crop Insurance Corporation (FCIC), administered by RMA.

The 2011 crop year, with widespread flooding in some areas accompanied by severe drought in other areas, has been a test of the crop insurance program. My staff and I are closely watching all developments to insure that producers get the protection provided by their policies. The Prevented Planting coverage available in most policies has been of extreme importance this year in areas where standing water or waterlogged soil prevented producers from getting into their fields until past the time for planting. In drought stricken areas, the compensation provided for reduced yields will be extremely important in helping producers to survive. In years like this one, the value of this critical safety net is made clear.

Brief History

Participation in the crop insurance program increased significantly following changes enacted in 1994 by Congress. For example, fewer than 100 million acres of farmland were insured under the program in 1994. Today, over 250 million acres of farm and ranch lands are covered by Federal crop insurance, for an overall participation rate exceeding 80 percent for the major crops.

As the amount of insured acreage has increased, so too has the liability, or value of the insurance in force. In 1994, program liability was less than $14 billion. Industry estimates suggest 2011 program liability could exceed $100 billion. The crop insurance program has seen sustained growth as demonstrated by the increasing proportion of acres insured at buy up levels over the last decade. Today, over 90 percent of all policyholders purchase buy-up levels of coverage. Of note is the significant level of participation by specialty crop producers. The overall participation rate for specialty crop producers is about 75 percent, which is fairly comparable to the 83 percent participation rate for the major program crops. Important fruit, nut and vegetable states California (71%), Florida (91%), and Washington (68%) each score well in Federal crop insurance program participation.

This growth has been accomplished in an actuarially sound manner as required by Congress and the program is working well. Over the last 2 decades, premiums (producer premiums added to premium subsidies) have been sufficient to cover the indemnities paid to producers plus a reasonable reserve, as directed by the Federal Crop Insurance Act.

In 2000, Congress enacted the Agricultural Risk Protection Act (ARPA) that expanded the role of the private sector allowing entities to participate in conducting research and development of new insurance products and features. With the expansion of contracting authority, RMA can enter into contracts for research and development of new and innovative insurance products. Private entities may also submit unsolicited proposals for insurance products to the FCIC Board of Directors (Board) for approval. If approved by the Board, these unsolicited insurance products are eligible to receive reimbursement for research, development and maintenance costs, in addition to any approved premium subsidies and reinsurance.

ARPA also removed restrictions on the development of insurance products for livestock. Authority was added to allow the Board to create an expert review panel to provide assistance to the Board and RMA in evaluating proposed insurance products for feasibility and actuarial soundness. Premium subsidies to farmers were increased to encourage producers to purchase higher insurance coverage levels and to make the insurance program more attractive to prospective producers. Throughout all of this, RMA has implemented many innovations to keep up with industry advances as well as customer demands.

Standard Reinsurance Agreement

On June 10, 2010, USDA released the new reinsurance agreement and announced that $6 billion in savings were created through this action. Two-thirds of this savings went toward paying down the Federal deficit, and the remaining ⅓ was used to support high priority risk management and conservation programs. By containing program costs, these changes also ensure the sustainability of the crop insurance program for America's farmers and ranchers for years to come.

CIMS & ACRSI

The 2002 Farm Bill required the Secretary of Agriculture to develop a Comprehensive Information Management System (CIMS) to be used by the Farm Service Agency (FSA) and RMA in the farm programs they administer. CIMS was made available for use in September 2007. It provides access for over 12,000 users from RMA, FSA and the crop insurance companies as a single source of RMA and FSA program information for producers, crop acreage and production. The next stage of information sharing is now underway with the Acreage/Crop Reporting Streamlining Initiative (ACRSI). This is a Departmental effort with cross functional representation from RMA, FSA, Natural Resources Conservation Service, andNational Agricultural Statistics Service.

The objective of ACRSI is to establish a common USDA framework for producer commodity reporting in support of USDA programs and to establish common data standards of information used for producer commodity reporting. ACRSI and CIMS will facilitate 'one-stop' reporting of producer information and greater data sharing of data among government agencies. This will provide for greatly improved integrity and accuracy of the data collected and reported to USDA. RMA and FSA will be able to efficiently identify discrepancies, cases of misreporting, and potential fraud, waste, and abuse, thus reducing the potential for improper payments. Furthermore, these efforts will save time and money for the government, producers and companies by reducing reporting and data management burdens.

Livestock Products

ARPA authorized RMA to offer insurance products for livestock producers and provided $20 million in funding to cover administrative and operating (A&O) and premium subsidy costs for pilot livestock insurance plans each fiscal year. RMA currently reinsures eight livestock products, all of which were developed and submitted by private parties through the authorities contained in Section 508(h) of the Federal Crop Insurance Act. There are two basic insurance models used to offer livestock insurance: Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM). LRP provides protection against unexpected declines in the price of certain livestock—feeder cattle, fed cattle, lamb, and swine. LGM provides protection to livestock producers against unexpected increases in feed costs or unexpected declines in prices for the insured livestock product. Gross margin is the market value of the insured livestock product minus feed costs. As we have noted previously, the $20 million in annual funding for all livestock programs was exhausted in March because of the increased popularity of LGM-Dairy. Thus, none of the livestock programs are currently available. They will be offered again in Fiscal Year 2012 when an additional $20 million in funding becomes available.

Program Integrity and Data Mining

In conjunction with the improved quality control requirements in the new SRA, RMA Compliance has revised its work plans to reflect a more balanced approach between quality assurance and investigating program abuses. In a time of declining resources and increased responsibilities, effective internal controls provide a significant cost-benefit compared to identifying and prosecuting program abuse alone. RMA is reviewing company operations and internal controls to determine the success of their efforts to address crop insurance program vulnerability concerns.

RMA continues to make significant progress in preempting fraud, waste and abuse through the expanded use of data mining. ARPA directed RMA to employ data mining technologies to program compliance and integrity efforts, and provided the funding necessary to support these activities. ARPA also provided a role for FSA to assist RMA in further program compliance and integrity. RMA subsequently entered into a contract with the Center for Agribusiness Excellence (CAE) at Tarleton State University to develop and maintain appropriate data warehousing and data mining capabilities. Annually, CAE produces a spot-check list of producers engaging in questionable behaviors which is provided to FSA for further investigation. With the assistance of FSA offices, RMA and the insurance companies conduct growing season spot checks to ensure that claims for losses are legitimate.

These efforts have been highly successful as the cumulative cost avoidance from data mining and related activities from 2001 through 2010 is estimated to be almost $840 million, based on our analysis of the changes in loss experience for those people placed on the spot-check list. In light of the success of the spot-check program, the new SRA broadens the use of data mining to help direct company efforts at detecting and investigating suspect behaviors. We believe the targeted company reviews enabled by data mining will be more effective and efficient than the random review process of previous years.

While RMA, FSA and the crop insurance companies have preempted tens of millions of dollars of improper payments through quality controls, data mining, and other measures, RMA is constantly identifying ways to balance competing needs to make our products less susceptible to fraud while seeking to provide responsive, useful risk protection to farmers. We still have work to do and improvements to make, but we are making good progress in our fight against waste, fraud and abuse in the Federal crop insurance program.

Premium Rates

One of the most important considerations for the Federal crop insurance program is the premium cost for producers. If premium rates are too high, producers will not participate in the crop insurance program. If premium rates are too low, actuarial performance will deteriorate. RMA continually seeks to improve its premium rating methodology and maintain actuarial balance. RMA recently commissioned a comprehensive review of its rating methodology by a panel of outside experts. A preliminary draft of the review was posted for public comment. The final draft, as well as the response to public comments, is available on RMA's website. The review supported RMA's overall approach to generating premium rates based on historical loss experience, and provided a number of recommendations for potential improvements that RMA is pursuing. The most critical of these recommendations is for RMA to determine if all historical losses should be given the same weight in determining current premium rates. Work on the reweighting of historical loss experience is currently ongoing.

Concept Proposals

The 2008 Farm Bill provided an alternative for producers and private entities to submit to the FCIC Board, proposals for insurance coverage for agricultural commodities not traditionally served, and to improve current insurance coverage. Private entities are authorized to submit Concept Proposals for plans of insurance to the Board for approval of an advance payment of up to half of their estimated research and development costs to assist them in developing a completed 508(h) insurance product. Completed 508(h) products receive reimbursement of the balance of their research and development costs and up to 4 years of maintenance expenses if approved by the Board. To date, the Board has received 23 Concept Proposals and approved 11 for advance payments totaling approximately $1.7 million.

Combination Policies (COMBO)

On March 30, 2010, RMA published the final rule for the Common Crop Insurance Policy, commonly known as the COMBO policy, to be effective for the 2011 crop year. The COMBO policy combines five plans of insurance into a single plan of insurance. This new policy makes risk management decisions simpler for the producer and enhances program efficiency by reducing inconsistencies, duplication, and paperwork. Furthermore, by combining the previous five plans of insurance into a single plan RMA eliminated a primary source of confusion and error in the administration of the Federal crop insurance program. Another benefit of the COMBO policy is the use of a single rating and pricing component so all coverage is consistent in terms of protection and cost. Similar efforts are underway to combine RMA's area-based programs (Group Risk Plan—GRP, and Group Risk Income Protection—GRIP) into a single plan of insurance.

Information Technology Modernization

The Information Technology Modernization (ITM) project, RMA's technology re-engineering initiative, began in earnest in FY 2008, based on funding received in the farm bill. Phase I was completed in FY 2010, and included significant achievements to deploy the majority of the actuarial tools required to generate 2011 insurance offers and provide for validation of detailed policy data received from crop insurance companies that is used as the basis for calculation of expense reimbursement and risk sharing between RMA and the companies in accordance with the SRA. Accepted data is also used for future rating and publicly generated reports. Rollover of the 2011 crop year actuarial data was accomplished and the first filing for the 2012 crop year took place on April 30, 2011.

Phase II development continues and focuses on corporate reporting providing data reporting and analysis capabilities. On-demand analysis and standardize reporting will be available on multiple years of actuarial, policy, and financial data. The analytical environment has been set up and development has begun on standardized reports. ITM Phase II also includes Regional Office Exceptions (ROE) written agreement processing. ITM Phase II is progressing towards scheduled operations in July 2011. Enhancements to the ITM production system have been implemented for actuarial processes, policy processing, premium calculations, and other Phase I capabilities.

RMA supports many information technology functions using private contractors. The contract for IT services is generally for 5 years and is due to expire in 2011. In January 2011, RMA competitively awarded a new contract for IT services until 2015. Accounting and other corporate reporting capabilities will be implemented in the new system as part of this contract, and is scheduled to be complete at the end of the calendar year.

Organic Crops

RMA continues to move forward in improving crop insurance coverage for organic producers so they will have viable and effective risk management options like many of the conventional crop programs. Consistent with the 2008 Farm Bill, RMA contracted for research into whether or not sufficient data exists upon which RMA could determine a price election for organic crops, and if such data exists, to develop a pricing methodology using that data. Also included in the contract was research into the underwriting, risk and loss experience of organic crops as compared with the same crops produced in the same counties during the same crop years using nonorganic methods. Three reports have been completed from this study.

The first report outlined research into data that exists today that could support price elections for various organic crops. The second report outlined a proposed methodology for development of a price election for organic cotton, corn and soybeans. The third report presented the results of the contractor's comparative analysis of loss experience for organic crops and conventional crops that were produced in the same counties during the same crop years.

RMA intends to establish dedicated price elections for organic crops where supported by data and sound economic pricing principles. The first of these organic price elections became available for the 2011 crop year. In addition, RMA will continue to capitalize on improved data collection and sharing of organic production and price data occurring throughout USDA, an initiative to better leverage the resources of all of our agencies to address this important segment of agriculture.

RMA will continue to evaluate the loss experience of both organic and conventional practices to ensure that premium rating is commensurate with the level of risk for each. This includes revising surcharges for those areas or situations that merit such consideration.

Quality Adjustment

Another area of continued challenge to the program involves providing coverage for reduced quality in a harvested crop. RMA provides quality adjustment for many crops, based primarily on standards contained in the Official United States Standards for Grain, such as test weight, kernel damage, *etc.* Wheat, for example, is eligible for quality adjustment when poor quality results in a grade worse than U.S. No. 4. While producers and the crop insurance companies have been generally supportive of RMA's quality adjustment provisions, in some instances producers would like to see quality adjustment begin when their grain quality loss is not as severe as current rules require. Additionally, producers contend that quality adjustments in the program do not always reflect what they are actually discounted in the market place. This is most often heard earlier in the harvest season when the extent of poor quality is not fully known and grain buyers tend to have more severe discounts.

One of the challenges for RMA's organic program is to assure that the availability of Federal crop insurance does not inappropriately affect market dynamics, such as buyers imposing larger quality discounts and relying on Federal crop insurance to make producers whole. Similarly, crop insurance is not meant to provide coverage for the marketing errors of producers or for a general deterioration in market conditions—unless, of course, such deterioration is a covered cause of loss. RMA continually strives to provide standard quality discounts that apply to all producers nationwide so everyone is treated equitably and the crop insurance program does not promote or become subject to abusive market practices. RMA has continued to work with grower associations and others to continually improve the effectiveness of its quality adjustment provisions.

* * * * *

Mr. Chairman, this concludes my statement. Thank you for the opportunity to meet with you today. We look forward to working with you and Committee Members and will be pleased to provide whatever assistance you may request. I would be pleased to answer any questions you and other Members of the Committee may have.

The CHAIRMAN. Well thank you, Mr. Murphy, being under the wire at the 5 minute mark. I appreciate that.

The chair reminds Members they will be recognized for questioning in order of seniority of Members who were here at the time of the start of the hearing. After that, Members will be recognized in order of arrival. I appreciate Members understanding.

I will now recognize myself for 5 minutes. In my opening statement, and Mr. Boswell, in yours as well, you talked about the importance of the private-public partnership for delivery of crop insurance. From time to time, we hear rumors of—that partnership may need to go just totally public, and with the public delivery of the system. Are you and your staff committed to this public-private partnership, because it sure looks like it works to us.

Mr. MURPHY. Yes, indeed. In fact, the Secretary reiterated that when meeting with one of the trade groups a couple weeks ago in his office. There is no doubt in my mind that we are enjoying this participation level today, due to that unique relationship with private agents and their companies.

The CHAIRMAN. All right. You mentioned the importance of your information technology improvements. Will you be able to finish all of that under the existing budget authorities?

Mr. MURPHY. We will do the best we can, sir. It is moving along. We are having some very good success. I am glad to see we had it up and running. We were able to bring the COMBO product up this year. So it is functioning. I am concerned for the out-years. Next year, we don't have the funding anymore that was provided in the farm bill. I am sure I will be up here asking for additional funding for that project, but that is of great concern to us.

The CHAIRMAN. Well, I think it is going to be important, Mr. Murphy, that you lay that out for us specifically because we have choices to make, and those need to be informed choices. That information has an impact on that, and the Committee needs to understand that.

Mr. MURPHY. I would like to add that also the more complex our programs become, we really need that IT capacity in order to deliver these programs to farmers.

The CHAIRMAN. Well, also the impact on this budget on FSA and their ability to deliver their side of the house is in the same way impacted by that.

At one point in time, speaking of data mining, there were some barriers between RMA and FSA data so that the folks at Tarleton could not fully exploit everything available. Have those barriers been taken down? Is there anything left that we need to do?

Mr. MURPHY. No, actually we are making a lot of progress. There are—continues to be problems between the data between RMA's data and FSA's. We are actually working through the SURE Program. We are fixing a lot of that data. I think as CIMS comes up and running, it will be extremely helpful in identifying where we have differences between the two programs——

The CHAIRMAN. But in terms of legal barriers?

Mr. MURPHY. Oh, no, we are working through that. In fact, FSA is just about prepared to publish their new rule, which will provide us the flexibility we need.

The CHAIRMAN. Okay. So there is something in that regard to fully exploit that, it benefits all of us.

Mr. MURPHY. Right.

The CHAIRMAN. Can you walk us through a little bit about how the 508(h) program is working, and maybe some examples currently in the pipeline?

Mr. MURPHY. Okay. Actually, we have three different ways that we can develop programs. One of them is that we can go out and contract ourselves for the development. The other way is where the private sector actually comes into the board of directors and presents a program. They can go the 508(h) route, which is that they bring a fully developed program to the board of directors for approval. Another route with the last farm bill was the concept proposals where folks can actually come into the board of directors, explain what they would like to develop, and then we can get partial funding for that development, and then it follows the 508(h) procedure after that.

It seems we are getting new programs out in the street. That seems to be working well to that effect. There are some issues or some concerns being raised about some other programs that are higher priority that should be done first, but that is just the way the system is established. But we are working along at it.

The CHAIRMAN. All right. The Members know that there is a questionnaire that asks about each of the major components. You sent yours in. I would like to go to the question on page 5, number 10. It says *Utilization (Participation) Data.* If you could walk us through that, the number of policies stayed exactly the same for 10 years. Can you just walk across that—those columns and help us understand what each one of them means?

Mr. MURPHY. Okay. I think—actually, I think the next chart is much better for looking at the changes over years.

The CHAIRMAN. Well just tell us what that means. What is the—we talked about $100 billion in coverage out there, but that bottom line for—just says $71 billion.

Mr. MURPHY. Okay, yes. Well that's actually in 2010 it was in the $70 billion range, $78 billion I think is what it is at right now. But with the increase in commodity prices between 2010 and 2011 is where we expect to see the increase to over $100 billion.

The CHAIRMAN. Well, we have talked about participation, but the number of policies has stayed dramatically the same for that——

Mr. MURPHY. No, it is actually—well, there hasn't been a lot of variation since 2001.

The CHAIRMAN. Okay. And then the loss ratio and the loss cost columns, can you explain them to us real quick?

Mr. MURPHY. Okay. Loss ratio is just the experience of the program. That is the ratio of premiums to indemnities paid. The good story here is that you can see the 10 year average, we are at .837. That means for every dollar in premium, we pay out 83¢, so that the program is actually performing very soundly at this time. In fact, if you go back 20 years, you are still under a dollar loss ratio. So we are very proud of the changes in that.

Loss cost ratio is just a measure of how much of the indemnity—how much of the liability is being used by the indemnity. We actually use both of these ratios in order to come up with the rates for the program.

The CHAIRMAN. All right, thank you, and I will yield back. Mr. Boswell, 5 minutes.

Mr. BOSWELL. Thank you.

Again, going to our continuing or running conversation, Mr. Murphy. We found, in our hearings across the country a month ago, what we need out there, available to our producers, is affordable, and viable crop insurance. I think you are trying very hard to do that. I am not—this is extremely important. You think of the high cost inputs, and out in cotton country, wheat country, and so on, but you know, they like to talk about the price per bushel of corn when it is doing well. You never hear any conversation about the cost of input, and I think it has become important for all of us on this Committee that we ought to be making an issue of that. The public out there doesn't really get the idea of what it costs to put that crop in. It is capital intensive and this crop insurance is terribly important.

So anyway, I want to ask you this question that we referred to, and then I will leave it with you. The Risk Management Agency has redefined the definition of *agent compensation* relative to the release of the 2011 Standard Reinsurance Agreement. The restrictions outline the acquisition section of the manager's bulletin on agent compensation are very troubling because they restrict an agent's ability to sell his agency or her agency at the full market value. In many instances, the sales of these family-owned crop insurance agencies are relied upon for retirement income and for future financial planning. In addition, such restrictions will also hinder a company's ability to grow. The only option for company expansion will be through the acquisition process, which favors large companies over small companies, and will lead to less choice for consumers.

So how does the agency acquisition provision in the 2011 SRA improve the Federal Crop Insurance Program and strengthen the safety net for farmers and is the RMA willing to revisit this provision to address these concerns? I will give you this in writing as well after this is over with, but I would like for you to comment on it.

Mr. MURPHY. Actually, that provision is not in the SRA itself. That provision is actually in follow-up procedures that we provided after the——

Mr. BOSWELL. Well, let us address the point then.

Mr. MURPHY. Right. There is nothing in there that restricts the sale of an agency. What they are talking about there, and where this becomes an issue is if a company buys an agency and then employs the principle of that agency and continues to pay the agents—all we are saying there is that that sale, if the principle stays involved in that agency as it becomes part of the company, is that that counts toward compensation. There is a great concern that that particular scheme was being utilized to evade the caps on each commission.

So you know, I want to make clear that there is nothing that restricts it.

Mr. BOSWELL. Well, at least——

Mr. MURPHY. Okay, that——

Mr. BOSWELL. It limits——

Mr. MURPHY. It limits potential sales. You could say that.

Mr. BOSWELL. Okay.

Mr. MURPHY. You could say that. Now this is in a procedure that we actually got—we just finished getting comments from the agents. We sent it out to the agents to get their comments as well. We are incorporating all of that now. We have not issued it yet as a final procedure, but——

Mr. BOSWELL. I hope we can have some conversation on that. I would look forward to that. Seriously, when I share with you the person that I talked to, I didn't call him. He called me. I talked to him for—at any other time during this whole process we have not had conversations.

Mr. MURPHY. I am sure it is because of——

Mr. BOSWELL. But anyway, he comes in with this concern, and coming from this individual, as I am sure many others, it is a genuine concern and we need to talk to him about. So I would trust you to do that, and if you might give us a few points on how—what you might have to say about the pilot program, concerning livestock.

Mr. MURPHY. The livestock programs?

Mr. BOSWELL. Yes.

Mr. MURPHY. Actually, the big news has been the dairy gross margin coverage. Historically, we get $20 million a year for the livestock program since ARPA, since 2000. We have actually only been spending about—of that $20 million, about $3 or $4 million a year. What changed this year is that the dairy industry requested through the developer of that program to make two changes. One of them, to provide a subsidy, which was not in there before and is not really in any livestock programs. We do have a small one in some of the others, but that is just to offset some additional costs. So there is no true subsidy like we see in the crop programs. They requested a subsidy and they also requested that the premium payment be changed from the beginning of the insurance period to the end, like the rest of the Crop Insurance Program. The developers agreed to that and we sent it—we put it out just 4 months ago. Growers were extremely interested in the program. Like I said, they have used up all of the funding that we had available for dairy, which was about 75 percent of that $20 million.

Mr. BOSWELL. Thank you. I will do a follow-up later.

I yield back.

The CHAIRMAN. Thank you, Mr. Boswell.

Mr. Neugebauer, 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Administrator Murphy, this will come of no surprise to you. I want to talk about something that has been a big concern of mine for a number of years, and that is shallow losses. For some of my colleagues that are new to the Committee, basically a lot of producers can purchase an APH policy and get 65, 70 percent coverage, but in many cases if they want to buy up that coverage, when you get above that level, the premium becomes extremely expensive. In fact, it is almost a 1:1, a dollar of premium for a dollar of benefit. Obviously that makes the economics—so what in many cases can happen for our producers, they can have anywhere from a 25 to 30, 35 percent loss, and not receive any coverage from their policy. You know, obviously there are very few businesses I know that can sustain a 30, 35 percent loss in their margin and be profitable.

So there are a lot of potential solutions to that out there, and some have said to offer additional premium support for APH to make it more cost effective to buy up. Others have, as you know, I have a plan that would provide a supplemental opportunity, based on area yield or county yield.

So what are your thoughts? Do we stick with the APH, or do we look at some of these supplemental opportunities?

Mr. MURPHY. Well, I know the SURE Program that was instituted with the last farm bill was actually supposed to address that, and basically utilizing the crop insurance indemnity for an additional payment under—as a disaster payment. I have not gotten too involved in SURE. Anecdotally I understand there are concerns in different parts of the country, whether it is achieving what it was intended to do. You know, how it is actually working day-to-day, I really am not the best person to talk to, but I would be very happy to work with you towards the farm bill and look for some——

Mr. NEUGEBAUER. Yes, I think part of the SURE Program is it is triggered on a state-wide basis, and you know, Texas is a pretty big state, and so you can have one condition in one area of our state and others. Well, I think that is going to be an important part of that, because I think as we begin to look at the basket of safety net for producers, price, it doesn't do you any good to have any price safety net if you don't produce a crop.

Mr. MURPHY. I think also it requires a disaster declaration in the county and the adjacent counties. So if only a small percentage of farmers gets hit with a problem, it potentially is not going to trigger the county.

Mr. NEUGEBAUER. Absolutely, and I want to go on to another area. I know that Plains Cotton Growers initiated an effort on cotton seed, pilot program, and I guess this was the first year of that program. Can you kind of give us a little thumbnail of how that program has worked and the results of that?

Mr. MURPHY. We haven't gotten the acreage information in yet. That is probably going to be another couple months away, but I can tell you anecdotally from our offices down there and the companies there, it is extremely popular. This is something that those growers are very interested in. That seed is becoming—especially when the prices drop, that seed becomes a bigger part of their revenue for the year. So it is critical to not only have the lint, but the seed as well, get the offset for the seed.

So from what I understand, the growers are very happy with it. We worked with the developers and we actually made it extremely simple to administer the program, so I think the agents are happy with it. So overall, I think it has been a success.

Mr. NEUGEBAUER. You know, recently when they renegotiated the SRA, I think RMA kind of divided the country into three groupings. Group one was Illinois, Indiana, then group two was Alabama, soon to be some of the other states, and group three was kind of the hodge podge, all the way from Alaska to Nevada to Vermont.

Can you kind of give me some perspective of how those were grouped?

Mr. MURPHY. Okay. The reason we had done that—and that was something new we introduced for the first time with this array. In the past, the underwriting—the ability to make underwriting gains or loss were equal across the country. What we tried to do this time, as an effort to try to get that same high level of service we see in the Midwest and other parts of the country, we reduced the company's ability to make underwriting gains in the five—what normally are referred to as the I States in the Midwest. Actually, we increased the opportunity to make underwriting gains in other parts of the country, and what—so we just—for the first year in 2011 we are going through it. I think, from the modeling we have so far, it seems to be working. We have talked to agents who were saying that actually in some of the parts that historically had low commissions—that this is actually making it—more companies are becoming interested in getting into these other parts of the country, and that is what we wanted to do. So we wanted to spread that competition as well.

Mr. NEUGEBAUER. Were the premiums different in the groupings?

Mr. MURPHY. Pardon?

Mr. NEUGEBAUER. Were the premiums different in those——

Mr. MURPHY. Only by nature of whatever the experience was for those crops, yes.

Mr. NEUGEBAUER. Nothing to do with groups?

Mr. MURPHY. No, not from the grower's standpoint. No, no difference at all.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Mr. Courtney, from Connecticut.

Mr. COURTNEY. Thank you, Mr. Chairman. Thank you for holding this hearing.

Mr. Murphy, I wanted to go back to the dairy pilot program that you were talking about earlier. Obviously, the high demand is an interesting signal that the interest is there. You know, one of the farms in my district that was one of the subscribers to the insurance was sharing with me his experience with it, which you know, he has a moderate-sized herd farm. He signed up for it kind of as a test run, because looking out on the horizon, it is pretty clear that risk insurance is going to be part of the world of that industry.

His concern obviously was cost, a little bit, which I think a lot of the smaller farms are nervous about, but the other issue was the complexity of the product. I mean, he was describing to me the system for calculating the monthly premiums, and you know, we are pretty comfortable in Connecticut with insurance products——

Mr. MURPHY. Right.

Mr. COURTNEY.—as you can imagine, but this one was pretty sophisticated. The message was that they got to run a farm. I'm trying to sort of calculate what their payments are. It took some fairly difficult and time consuming efforts.

I wonder if you could walk through about whether that is a complaint that you are hearing, and whether there are ways to address it. You know, simplicity is always a good thing.

Mr. MURPHY. Yes, indeed. You know, I haven't heard too many complaints about that, but it does not surprise me, because it is a great Gilmore complex and our normal Crop Insurance Program for corn or soybeans or something like that. Because what you are actually doing, you are looking forward into the next 11 months and you are comparing the prices of the feed *versus* the price of the milk itself using the futures contract, and that is what makes the margin. So you are insuring that margin month to month in the out-years.

So instead of looking at—if I was a corn grower, I am looking at one insurance period. When you are actually a dairy farmer, you are looking at potentially 11. They have to go out there, so it has a great deal of complexity.

The program has not been evaluated yet. That will probably occur within the next couple years. What I encourage is they can either send comments in to us and we can share them with the developer, or we can get the address of the developer and the grower can go directly to them. But like I said, these—they instituted a major change just this year, so I believe they will be open to looking at comments that growers might have, but I think the very nature of that type of a program is going to be more complex than something like the corn the guy probably insures already.

Mr. COURTNEY. I mean, is it too soon to say whether people have been actually filing claims?

Mr. MURPHY. Yes, it is.

Mr. COURTNEY. Okay.

Mr. MURPHY. Yes, it is too soon now, definitely. But I think it certainly shows their concern with the volatility that they have been seeing in pricing for the product. And I understand that the industry has put forward something very similar, something that they would like to see potentially in the farm bill. I have not seen what they are suggesting, but I know they have been working on a product.

Mr. COURTNEY. Right. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. I thank the gentleman. Before we move to our side, the Ranking Member of the full Committee has slipped in. Do you have any comments?

Mr. PETERSON. Yes, thank you, Mr. Chairman.

I guess what I would like to know, we made these significant changes in the farm bill and the SRA. When are you going to have solid information about how this actually sorted out? You probably don't have that yet, I assume.

Mr. MURPHY. No, no. We are already seeing some of the effects, Congressman, especially in the area of agent compensation. This has been a bit tricky for the companies who try to get through. We are doing it new for the first time at cap and how it is implemented. We are exceeding the cap, as no surprise for 2011, with the way the commodity prices are going. We are seeing areas like California, where commissions had dropped a good deal more than we thought they would. The industry, the companies themselves have expressed some concern here, so we are going to take a look at that to try to even out the pain of reducing the A&O overall in the program. Some of the companies are interested in having that discussion.

On the underwriting gains side, all I have seen is some studies that have been done on the new underwriting gain potential, underwriting loss potential, and they have not been bad at all, especially with the prices we are seeing this year. Now we are getting off to a bad start, and so I guess—I imagine that has the companies nervous. But it is probably going to be, I would say, November or December before we have a good handle on what the impacts would be on underwriting, gains or losses.

Mr. PETERSON. Okay. And then how about on the agent situation, the same timeframe?

Mr. MURPHY. Yes, we are already hearing the concerns from the agents on it, and we are already talking to some agents. They are coming up with some ideas. We are getting questions, can anything be done since this is sort of locked in place? Basically, as long as we don't increase the costs, we do have some flexibility, all right, but it would require all the companies to agree to make the change. And those discussions will probably just get started within the next couple months.

Mr. PETERSON. So you know, depending on when we actually write the farm bill, but say it is next year, we will probably have pretty good information?

Mr. MURPHY. Certainly on the A&O side, yes, the administrative and operating expense side that would provide the companies, and we will have some preliminary information on the underwriting gain potential, underwriting loss potential as well.

Mr. PETERSON. Okay. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Peterson.

Mr. Austin Scott, of Georgia, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman, and Administrator Murphy, thank you for joining us today.

Thinking back to when I was a child, I can remember quite vividly my grandfather, who was a producer, telling me that he thought the insurance program was the most important thing that the Federal Government did for the farmer, and was, quite honestly, maybe the only thing that we would have to do for the farmer if we had it right. I also majored in risk management and insurance at the University of Georgia, which is the best school on the face of the Earth, I might add.

But my question gets back to this. One is I would say, and you can check these numbers, while the average loss ratio is 83.7 percent, the total loss ratio over 10 years is even a little better and closer to 77 percent, is that——

Mr. MURPHY. Yes.

Mr. AUSTIN SCOTT of Georgia. So our total loss ratio is even a little better than our average loss ratio, because of the years where we got hit so hard. I also remember my grandfather talking about people who had learned to game the insurance system, if you will, and so as we work forward with this insurance program, I want to make sure that we have the best program possible for the good farmer. It gets back to something you have talked about a little bit before and I would like you to expand on. Is somebody whose claims ratio—and I know you have talked about it more from the standpoint of a discount for consistently good producer——

Mr. MURPHY. Right.

Mr. AUSTIN SCOTT of Georgia.—but virtually every insurance product out there in America is risk-adjusted, based on the conduct of the individual. And so, as we go forward with that, would you talk with us about your ideas for having somebody who makes multiple claims *versus* somebody who is not making those claims, someone whose loss ratios are out of line, if you will, consistently. How do you intend to handle them paying more into the system, the risk adjustment there?

Mr. MURPHY. Okay. Overall, first I will just say that from a standpoint of integrity, it is actually imbedded in every function for the program. It is critical that we continue to try to do the best we can to combat fraud, waste, and abuse. We have some very advanced tools, data mining, which has been very successful, which has helped us identify schemes going on. We have some very large cases occurring right now with tobacco in North Carolina as a result of the findings of data mining. That is an important tool, so that will help us, but you are absolutely right. When you get down to the county level of this program, if somebody is abusing that program, that county is paying for it. The neighbors are paying for it. We rate on a crop county basis in this program, and so as a result, next to data mining, probably the most important tool that we have in identifying and fighting fraud are neighbors who do not want to see their premiums go up because of something somebody is doing.

We keep working more and more. We work very closely with FSA on a spot-check list that we use to identify anomalies through data mining. FSA spot-checks those through the year. That has been extremely effective. And so I think as long as we try to keep up with the new schemes, because as you tighten things up, a certain group of people will always look for ways to get money for doing little. We will keep addressing that, going forward.

Mr. AUSTIN SCOTT of Georgia. I think you are right, I mean, with what you said. I think my FSA agents could probably predict for you who was going to file the claim.

Mr. MURPHY. Who you need to watch.

Mr. AUSTIN SCOTT of Georgia. And so could the majority of the farmers in the community. And so I guess I hope that we will work towards an adjustment in that, and make sure that we are creating the program that works for the good producer. And I understand that a good producer is going to have some losses. That is just the facts of life, but I just hope that you will keep moving down that path and keep us informed. And I do, again, want to point out the importance, I believe, in the private-public partnership here where we are the insurer, but we have private agents out there actually handling the insurance product.

Thank you, I yield back the rest of my time.

The CHAIRMAN. Thanks, Mr. Scott.

Mrs. Roby for 5 minutes.

Mrs. ROBY. Thank you, Mr. Chairman, and thank you, Mr. Murphy, for being with us today.

Just to build upon what Mr. Scott was talking about, in preparation for this hearing we heard from our folks back home who shared similar concerns, that we should be rewarding farmers for good performance history with crop insurance, either through lower premiums or increased coverage levels. More consideration needs to be given to the individual experiences that would not disadvantage good producers in a bad county experience situation.

I want to ask you a specific question about the group risk insurance program. It was very, very popular throughout the South and was used pretty heavily in Alabama. And the RMA stops the program in many counties, due to insufficient data. So I want to know is RMA currently exploring any avenues that would allow reintroduction of this program, or a similar program in areas that previously lost access to those products?

Mr. MURPHY. Right. I think there is a two-part answer. One of them is I think NASS is working harder with farm groups, realizing the importance of getting this data into NASS. So I think there is an emphasis on growers of making sure that everybody in the county reports to NASS the correct numbers.

The second thing we are doing is we are looking at our group risk plan, as well as a few other changes to the actual production history basis of the program. One of the things we will be looking at is perhaps having area group plan participants provide their yields every year, that way we would be able to use our own data instead of having to rely on NASS's program alone. So we are looking at that as a way to address that.

Another thing we could do is look at combining districts. That gets a little tricky if you have a lot of changes in the geography of the area, but that is another thing we can take a look at. But we are very aware of that and we are looking at ways that we can bring the program back into those counties, as well as expand into other counties.

Mrs. ROBY. Good. Thank you for that.

I just want to make this as a comment. You can respond if you want, but right now under the current rules, in some situations a farmer is required to carry a failed crop to harvest, and you know, this comes from our groups back home, so they spend more money to actually harvest the crop than the crop is going to bring. I just want to point that out, that that needs to be addressed. It is detrimental in some situations.

But I want to go back and—let me see, I have a little bit more time. You mentioned in your testimony that lenders now require crop insurance coverage in order to make operating loans, and many producers use collateral for loans. Can you tell us why crop insurance has become so important to the producers in securing financing?

Mr. MURPHY. I think it is because the grower knows up front what his protection is going to be, and the banker knows up front that the production is there. It is not only their knowledge of the crop insurance, but bankers have become extremely knowledgeable of the actual mechanics of the programs, and so they will suggest certain types of products that they want the grower to purchase.

Another thing that they can do is that they can have the indemnity sent to the bank, or make the indemnity payable to both the bank and the grower. Now the grower does not always like that, but if it helps secure a loan, I think it is a good thing. So it has just become something the bank can depend on. Now with the advance of revenue coverage as well as yield coverage, I mean, for a grower to be able to go into a banker and say I am guaranteed to make this much money per acre, that is pretty powerful source of collateral for that bank. So I believe that is why it has become—we don't need Congress to take any action during the year. We don't need the Secretary to take action. The program just works, and if a grower has a loss, he gets paid.

Mrs. ROBY. Thank you so much, Mr. Chairman. I yield back.

The CHAIRMAN. I thank the gentlelady.

Mr. Schilling for 5 minutes.

Mr. SCHILLING. Thank you, Mr. Chairman.

What I wanted to just address—thank you for coming out—duplication and overlapping of services, basically. One of the concerns about the duplication of the acreage reporting, including the cost of administering and the frustration that it causes our producers. Given that many of the producers have multiple farms with differing acres and crop rotations on each farm, it seem the process drastically increases the margin of error and creates twice as many opportunities for the mistakes. Why can't we just avoid—I think you know where I am going with that.

Mr. MURPHY. Yes, I understand your point exactly, sir, and I am very pleased to tell you we are making progress in this area. Through the Comprehensive Information Management System, the CIMS Program, we are pulling together the acreage reporting dates for both FSA and RMA. I think next year, spring crops 2012, will see the first dates of that, and they will be in the northern tier of the country. That has always been a source of angst to growers out there.

We are working toward, through that same project, a single port reporting. If the farmer wants to go to his FSA county office and report, why can't the agent download that information and use it himself, and *vice versa?* If it is a rainy Thursday afternoon, why can't the grower sit and certify at home and have it sent to both programs? That is the end goal of the CIMS project. Under Secretary Scuse is the primary proponent of it in the Department, and I am happy to say that we are moving very quickly toward that.

Mr. SCHILLING. Very good. And then just my last—have there been any issues in reconciling a crop insurance reduction? We talked a little bit about that, so I am going to pass on that. One of the things I am a big proponent, like Mr. Scott had indicated, is the public-private partnerships. I think those are huge. One of the things in the Illinois 17th District where I am from, that is the one thing I continue to hear from the farmer is leave our insurance alone. But with that, I appreciate your time, sir.

Mr. MURPHY. Thank you.

The CHAIRMAN. I thank the gentleman.

Mr. Crawford, from Arkansas, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman, and thank you, Mr. Murphy, for being here.

Can you provide any insight into differences in participation rates between crops and/or regions? For example, in 2010, according to RMA data about 68 percent of rice, particularly in Arkansas, acres were insured. By contrast, nearly all of Texas cotton acres were insured. Are there unique concerns with certain crops or regions?

Mr. MURPHY. Actually, there is indeed. I am happy to report that we are seeing increases. One of the concerns we often get is between major program crops and specialty crops. We are at 83 percent participation on the major program crops. We have come up to 75 percent for specialty crops, so we are seeing progress there.

I think the introduction of the additional subsidy for enterprise units has also been extremely helpful, especially in your area, for both rice and cotton down there. It reduces the premium tremendously. Growers have flocked to those programs and we are seeing increases there. That alone is not going to solve it. We are seeing probably Arkansas, Mississippi, Alabama, that area is where we are seeing lower participation than other parts of the country. We are actively working with commodity groups down there to try to improve the programs. We are looking at the dates in the program to make sure that they are the correct dates we should or should not be using, such as planting dates, reporting dates, end of insurance dates. We are taking a look at that. We are even getting into the policies themselves. We have been having great meetings with the rice growers and working at some additional coverage the growers would like to see for downed rice, which results when hurricanes come through the area and they have to deal with the additional costs of harvest. Hopefully that is going to see some progress in the next couple years. It has been very successful work between us and the group down there.

So we are using multiple ways to do it. I think it is slowly coming along, I just think we have to keep working with it. Program integrity is another big issue. There have been issues with program integrity in the past. Farmers have to be convinced that their premium dollars that they are paying out is going only to the legitimate losses. Our compliance office is putting extra effort into that area to show that.

So we are doing a number of things, going forward, and as we get into the farm bill, I would be more than happy to work with you and your staff in additional ways we could look at increasing participation.

Mr. CRAWFORD. Excellent. I have just got half of my time left here, so let me ask you this. Is that flooding that has resulted from the Army Corps of Engineers breaching levies along the Mississippi and Missouri Rivers an insurable cause of loss under the Federal Crop Insurance Program?

Mr. MURPHY. Yes, it was, and there was some consternation at the beginning when the Corps first had decided to intentionally breach some of those levies. We worked with the Corps. They provided us with some information of what would happen if they did not breach the levies where they did. Additional damage would occur to crops downstream, uncontrolled damage where they couldn't tell us what additional damage would occur, especially in the northern part, the Missouri levy. The water was actually topping the plugs at the point that they blew them. If a levy is topped, the integrity of that structure is compromised severely and will probably fail anyway. As we moved further down along the Mississippi, the Corps was able to show that actually if they did not breach those levies where they did, the potential for the levies alongside with more intensive cropping, higher value cropping would be compromised. We were able to make the determination up and down the Mississippi River that they were insurable events. The companies have been informed. They tell me that they are moving loss adjusters in now to start working with the growers there.

Yes, we were able to address all those concerns.

Mr. CRAWFORD. Excellent. Okay. Real quick, back to rice. You covered that pretty well, but I just want to ask, what is the current participation rate of rice and buy-up coverage and levels of protection, and how does this participation rate compare to other major crops like corn, soybeans, wheat, and cotton?

Mr. MURPHY. I don't have that information right with me. I can tell you it is lower than you see in the major crops. I will get that to you, though.

[The information referred to is located on p. 35.]

Mr. CRAWFORD. Any ideas what we can do to increase that?

Mr. MURPHY. Again, I think it is working with the growers and seeing how we can improve that program. I mean, it was the development of revenue coverage that brought in the corn and soybean growers to the levels we have seen, so program improvements will bring in growers, once they believe their risks are being addressed by our programs. So I think it is a matter of just continuing to work until we get it right.

Mr. CRAWFORD. Excellent. Thank you, Mr. Murphy. I appreciate it, and I yield back.

The CHAIRMAN. I thank the gentleman.

Mr. Huelskamp, for 5 minutes.

Mr. HUELSKAMP. Thank you, Mr. Chairman. I appreciate your appearance here today, Mr. Murphy, and I come from a fairly large district, and doing town halls across the district, you learn not to complain about certain things. You complain about water, in my area it is a drought, and in the other end of the district it is flooding. We had both of those. But here consistently is the important piece, crop insurance and the product you produce and we will be watching that very closely.

As one proponent noted, that given the situation, this is really going to test the program and we are really going to have to perform like we never have before.

With that in mind, particularly with the—not only the currently higher but much more volatile commodity prices, how does that impact, in your mind, and how do you adjust for that and maintain the solvency of a program with the type of changes we have seen and are likely to see in the next 6 months.

Mr. MURPHY. Right. Actually, there is a lot of data available for us to go back and stress test our rates against historic results of the futures market, which we do. In 2008, I think we saw the biggest drop ever for the major commodities on the futures market from the beginning of the year to the end of the year. We actually ended up with a positive loss ratio nationwide, even though the companies probably did a claim on just about every corn or soybean policy out there that had revenue. And so we ended up with a positive price.

We continue to work with—have others review our actuarial rating methods, so we have outsiders look at what we are doing and validate or suggest changes, which is done and we incorporate the changes. It is a constant work in progress, and I am very happy that it has been successful to date. With the commodity prices we are seeing today, if a farmer goes ahead and forward contracts his price, he has a massive risk and crop insurance is just necessary to protect that grower in the event that the price is to drop or go considerably higher.

Mr. HUELSKAMP. I appreciate that. How much room for margin of error do you have? I mean, there are suggestions out there with the current economic environment with items—whether it is in this building or the Federal Reserve, that impact volatility. How much margin of error—I mean, 2008 was a year, 2011 might be one for the books as well.

Mr. MURPHY. Yes, indeed. We take volatility into account when doing the rating of the program. That is what—in 2008, that is what led to such large premium bills for farmers. It wasn't the yield portion of the risk, it was the volatility factor associated with the revenue portion of the risk that they saw. So I think we have well-addressed the margin of error. Only experience will let us know, but like I said, we have a lot of data we can go back and take a look at, and again, stress test the program, which we do.

Mr. HUELSKAMP. I appreciate that, and 2008 is a good year—an appropriate year to talk about. I think 2011 might be one we talk about for many years as well.

The second question would be—and I had looked through the materials closely and didn't see this—but as far as taxpayer costs and other programs, how does that vary across the crops, and is that in the information you provided us?

Mr. MURPHY. We can provide more information on that. The taxpayer costs of the program changes dramatically on the experience that we have for that year. For the last 10 to 20 years, except for a little blip in 2002, we have had positive loss ratios, so I think the program is well worth the money. The subsidy—the premiums are subsidized and average between 60 or 70 percent—60 and 65 percent. So if we have $10 billion in premium this year, well the subsidy is going to be up about $6 billion in the program. So the cost goes along with the commodity prices as well. There are a lot of variables in the program, the loss ratio, the losses that the companies pick up *versus* the government, so——

Mr. HUELSKAMP. And the high cost over the last decade would have been how much in what year?

Mr. MURPHY. As far as the total cost of the program? I would have to pull that together for you. I can do that, the last 10 years.

[The information referred to is located on p. 35.]

Mr. HUELSKAMP. Okay, I appreciate that.

Thank you, Mr. Chairman. I yield back my time.

The CHAIRMAN. Thanks, Mr. Huelskamp.

Mr. Gibson, 5 minutes.

Mr. GIBSON. Thanks, Mr. Chairman, and I appreciate, Mr. Murphy, you being here today.

I represent a district in upstate New York, and your agency enjoys a good reputation up there for how quickly you process claims and—so given the current climate, the natural disasters that have hit across the country, including in my district, we have had flooding along the Hudson River. It mentioned in your assessment whether or not you will be able to keep up with the timeliness of the pay-outs and is there something about that program that I should carry back? I am about ready to meet with all my farmers; I have a quarterly panel. So if you want to give me some assessment as to how you think that is going to go, and if there are any best practices that you think I should carry back, I would welcome them.

Mr. MURPHY. Okay. Because of the nature of the losses we are seeing this year, just about every part of the country is dealing with something this year. I don't think I have ever seen anything like it, and I have been with the program for 30 years. A lot depends on how the rest of the year goes, the total amount of claims that will have to occur. I have talked to the companies. They feel very confident that they have an adequately trained workforce. They are moving people around the country, which they routinely do to be able to address situations like this. I do believe we will be able to make the 30 day turnaround required, once the insured signs the claim to the payment of the claim. The companies have told me that they feel good about it, so I am confident going through we will be able—the companies will be able to provide that same level of service that growers have become accustomed to.

Mr. GIBSON. That is encouraging. Is there anything that in this period that would be helpful for me to convey to the farmers in terms of best practices?

Mr. MURPHY. If they have a loss, notify their company immediately. That is probably the most important thing you could bring back. You don't want to get into a situation where the company is notified late in the year and they don't have the ability to look at that crop. That becomes extremely problematic, so I would say stay in touch with your company, stay in touch with your agent.

Mr. GIBSON. Thanks very much.

The second area I would like to cover is, like every place else around the country, our dairy farmers and beef farmers, the beef industry in the 20th, we are having issues with input costs. I am curious to get your assessment as the ongoing activities in the Senate with regard to ethanol. Your assessment, how significantly that would impact input costs?

Mr. MURPHY. Okay. Again, that is a little bit out of my area of expertise. I usually look toward economists for their advice on it, and I will continue to do so. I am happy to report that we do have programs for livestock that are gross margin. Basically you are insuring that margin between the price of the finished product and the price of the input cost. It has been a slower uptake in cattle than we have seen in dairy, but it is an excellent program for times like these, so I would encourage growers to take a look at that, if they are concerned about both input and future price for their commodity.

Mr. GIBSON. Thanks very much, Mr. Murphy, and I appreciate your being here.

I yield back.

The CHAIRMAN. I thank the gentleman.

Mrs. Hartzler, for 5 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman. Thank you, Mr. Murphy, and I would like to echo the comments that have already been said here by my farmers. Your part of the farm bill is probably the most popular part, and everyone, all of us—I am a farmer, too—appreciate what you do.

I wanted to ask regarding the cost—of course, we are looking at budget issues now. In Fiscal Year 2010, it says the crop insurance costs were $4.7 billion. I just wondered, can you give me kind of a rough breakdown of how much of that went to claims and how much went to the administrative costs and operating costs?

Mr. MURPHY. Actually, we are a very small agency. We have less than—we have about 500 employees overall, so when you are talking discretionary costs of the program, we are only talking $78 million to $80 million being the overall cost of the program of discretionary.

The major costs that we see in the program are the producer's subsidy that they get paid, the potential underwriting gains that the companies can make on a good year, and then the administrative and operating expense that we provide to the companies in order to deliver the program. Crop insurance, unlike private property and casualty insurance, you don't—the farmers don't pay that in their premium bill. We provide a separate payment to the companies to deliver the program for it. In the negotiation of the Standard Reinsurance Agreement, we actually reduced both the potential underwriting gains for the companies, as well as the administrative and operating costs provided to the companies, so we are certainly going to see a reduction. Probably the wildcard in the whole thing is the premium subsidy, going forward. Like I said, as we have seen these record commodity prices, that brings up the producer premium subsidy payment.

Mrs. HARTZLER. But in Fiscal Year 2010, how much money for those various things, or maybe you could get that to me later?

Mr. MURPHY. I can provide that to you on a year basis. I will break it out for 2010 and get that up to your office.

The information referred to is located on p. 36.]

Mrs. HARTZLER. Yes, that would be fine.

Another question, we have about an 80 percent crop insurance participation, right, on your major crops, and Fiscal Year 2009, about $79 billion worth of crops were insured, but yet, the overall value of crops in the U.S. that year was $169 billion. So in other words, about 53 percent of the value of crop production was actually insured. So how does that reconcile that 80 percent participation rate, and given the price volatility and extreme weather, does that concern you?

Mr. MURPHY. Yes, it always concerns me. There are quite a few crops we haven't reached yet. That is a priority with the Agency, to figure out how we can expand coverage to the remaining crops out there. Another thing to keep in mind is that our yield guarantees are based on a 10 year average, all right, so that basically makes the APH guarantee lower than expectations. If you have seen some of the modeling on how yields have been increasing, especially over the last 10 years, so you are going to see a lag with the guarantee compared to what expectations of the crops are today. I think that adds a lot to it.

Mrs. HARTZLER. Definitely, that is true. Your testimony states there is only $20 million available annually to cover administrative and operating costs and premium subsidy costs for the pilot livestock insurance plans, so can you tell me a little bit about that? Are there pilot livestock insurance plans generally available, are they limited geographically now? How are they—given the finite resources, are they based on a first come, first served principle to sign up? How much would livestock insurance plans cost the government if it was widely available, given its popularity? Three questions there.

Mr. MURPHY. Well, I think there are a couple issues available here. I wouldn't look at livestock programs that we have, such as the revenue programs and the dairy program being the only—we have a pasture range land forage program out there now, that is widely available. We are expanding it as we have the funding to do so. That is something I think livestock folks generally participate in. A lot of livestock farmers also grow corn, alfalfa, soybeans. They can insure those.

We only got the authority to actually start insuring livestock in the ARPA Act in 2000, so it has been a slow ramp-up. I think Congress wanted to limit how much we wrote until they could see the experience of the programs. I think that impacts—that is why they limited it to $20 million. That is something I think I would be very interested in discussing with the Committee as we get into the farm bill, taking a look at that and seeing if that is realistic anymore.

I think cattle guys have been slow to come into the program overall. Cattle folks are very independent, as I am sure you are aware, if you work with cattle guys out there. It is a different breed. I think that is maybe a barrier as well.

Mrs. HARTZLER. Okay. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thanks, Mrs. Hartzler.

Mrs. Schmidt, 5 minutes.

Mrs. SCHMIDT. Thank you, Mr. Chairman, and thank you, Mr. Murphy, for coming today.

In the last few years of higher commodity prices, and given the flooding and drought across the country this year, including the flooding in my own district, how do you ensure that farmers claims are adjusted, processed, and reviewed in a timely manner, and are there ways to speed up that process?

Mr. MURPHY. Well, the companies themselves who reentered into the reinsurance agreement, they are responsible for that part of the program. They keep a core of well-trained individuals in claims adjusting on board. When we have a year like this, they bring others in the community who have worked in the past on loss adjustment, have been farmers themselves or farm managers. They bring them on to help to bring their numbers up, and they get it done. Rarely do I hear, even in 2008, do I hear concerns that it has taken too long to get a claim paid.

There are some concerns that the audits that have to go on in some of these claims, that has been voiced in the past. What I do to address that is I do what I can to inform farmers that this whole program is predicated on you having records to support your yields. Please make sure you have those together, and that way the audit will go quicker in the event that the grower is chosen.

So I think overall the industry is well geared up to address these challenges across the nation. I think things will go smoothly, as they have in the past.

Mrs. SCHMIDT. Thank you. Along the same lines, I understand that risk sharing between the USDA and the private insurance companies is spelled out in the Standard Reinsurance Agreement. However, can you please give a general explanation of the risks borne by the government and those borne by the insurance companies, and do you think the current arrangement is an appropriate balance of risk sharing?

Mr. MURPHY. Yes, I can do my best. We take a look at, of course, the lower the loss ratio of the year, the lower the claims, the more the companies assume the risks; the higher it gets, the more the government assumes the risks. That is why the government is involved in this program. If there wasn't a need, we would not be here. The industry would be able to handle the problem. They are concerned that such a systemic loss would occur in the Midwest and the high plains that they would not be able to address it, that is why we are here. So that is where we put the majority of our protection on the higher levels, once you get above $1.20 loss ratio where we are paying $1.20 for every dollar we get in.

What we have seen over the last 10 years, the companies have been picking up most of those losses because it has been very good loss ratios nationwide. It is a very complex formula in the program, but I think generally as the higher the loss ratio is, the more the government assumes, the more risk the government assumes.

I think it is also important that the private reinsurance market worldwide participates in this program by taking some of that residual risk after it passes through the SRA, so we actually have some of that being sent off into the worldwide international market.

Mrs. SCHMIDT. Thank you. For several crops, while a large percentage of planted acres are insured, they are insured at a minimum CAT or buy-up coverage levels. Cotton and rice are good examples of this. What can be done to increase coverage for these crops?

Mr. MURPHY. Yes. I think, especially if you look at geographical areas, that is where you see the lower amount of coverage. Rice growers, especially in the central South, they have wells to get their water so they are always going to be able to get water. It is a perception of risk. Their big concern is hurricane or disease that comes through, and how often that occurs? It is all in perception of risk. I think it is just continuing working with the growers, that is what we can do? We have not always had high participation in corn, soybeans and wheat. It is only by making changes to the program, ensuring that the program addresses their risks that they have to deal with that we have seen the participation increase. I think it is the same with these other crops. It is just constantly working with them.

Mrs. SCHMIDT. Thank you, and one final—and this is more a personal view. Some of the critics back home that are fiscal hawks think that all of this is nonsense and it is not needed. How would you address that?

Mr. MURPHY. I think this year is an excellent example of how important the farm safety net is to farmers out there. Food security is a priority with this country. I would say all these programs are extremely important.

Now, I agree the cost of government has gotten high. I think everybody does. We are looking for ways to become efficient and ways to reduce the costs to taxpayers, but the farm safety net is critical. I would hate to be put in a position where we do not have these programs available, and there would be widespread losses across the country.

Mrs. SCHMIDT. Excellent answer, thank you.

The CHAIRMAN. I thank the gentlelady.

Mr. Murphy, on the statutory loss ratio is one, I guess, which would mean we lose a dollar for every dollar of a premium we put in. Right now, it comes to average 83¢ on every dollar. If we push that 83¢ up to a dollar, do you think that would increase—would that have an impact on participation, getting other people into the program by lowering the costs?

Mr. MURPHY. You mean if you get——

The CHAIRMAN. Lower the premium down to that 83¢——

Mr. MURPHY. Yes, I think once you get under—our target loss ratio now over time is $1. Once you start getting below that as your target, it starts getting very complex.

The CHAIRMAN. How do you push it up? How do you get to that dollar?

Mr. MURPHY. You—there are a number of different ways, participation, working with the rate itself. Now, we also have a reserve in there, okay, because the law requires we keep a reserve. So even though the 83¢ is there, that means we have a 20¢ reserve for future years.

The CHAIRMAN. Well, let me ask if the—I get that, because you are going to have a year like 2 years ago when it was $1.40. If your loss ratio was closer to the dollar, would you have greater participation in the program because the premiums would be lower?

Mr. MURPHY. Yes, I think generally you can say that.

The CHAIRMAN. Okay.

Mr. MURPHY. But again, you have to look at the length of time you are looking at to do that analysis. When we do rate making, we actually use about 30 to 35 years of data.

The CHAIRMAN. Okay. The reserve is pegged at what?

Mr. MURPHY. The reserve is just required by statute that we have so much money——

The CHAIRMAN. How much? Is that per——

Mr. MURPHY. It doesn't actually say in the law. We try to stay around 10 to 20 percent.

The CHAIRMAN. Of premium?

Mr. MURPHY. Of premium reserve in there, yes. That means you want to be around 90¢ loss ratio. Once you start getting up above 90¢, then we would be concerned that we had the correct——

The CHAIRMAN. All right. You never ever hardly hear about actual production histories, I bet. What are you doing to try to—given how long it takes those to move and the impact it has, and continued droughts in our part of the world, pushing those down. What is on the table?

Mr. MURPHY. Okay. We are doing a number of different things. We are taking a look at the rating itself, and how we weight the years. Like I said, we use 30 years of data to rate the program. There has been a big issue we have had, especially with soybean and corn growers, is how you rate those individual years. I think we all now are on the same page, and that is probably the most recent years need to be weighted more than the earlier years. We are working in that direction. We are trying to adjust the yield drag on individual yields. If I am a corn grower in Illinois, 10 years ago my yield and my APH, is that really relative to what the expectations are this year? We have movement going on in that, and hopefully growers will see some of that progress in 2012.

So we are doing things like that to try to address it. We are also working with growers, manufacturers, how we can incorporate some of this GPS technology to improve some of the efficiencies in the program. For instance, as a farmer is planting, why can't that information not be sent directly to the agent and start populating the acreage database? As I am harvesting and I have a loss, why can't that data start populating a claims form for me? So it is looking at efficiencies like that in the program to make it more—a better product for farmers out there.

The CHAIRMAN. This may sound a little self-serving. Earlier Mr. Scott made some unfounded specious comments about some small university in Georgia. Tarleton State has the data mining program. Do you know off the top of your head what that value gets pushed back to the taxpayers as a result of that work?

Mr. MURPHY. Sure. We are looking at cost avoidance, since the inception, to now of about $840 million.

The CHAIRMAN. *Versus* the cost of——

Mr. MURPHY. Probably—we are $4 million a year, probably $40 million at the most.

The CHAIRMAN. Okay. I guess the point being that as we move into these austerity programs, I am hopeful that programs that actually—I don't want to say make money—you say cost avoidance.

Mr. MURPHY. Exactly.

The CHAIRMAN. Exactly. Most of the folks out there want to do it right, and there are a few that don't. And so as you—as we trim your budget, so to speak, I am hopeful that the data mining issue is one that we see value in. It won't score that way necessarily, because of the way our complex rules work, but that data mining program, wherever it is, is fully exploited, not only in this part of the farm bill, but I suspect there is some applications in food stamps or SNAP and other programs in which that data mining concept could be used and exploited.

Mr. MURPHY. Yes, indeed.

The CHAIRMAN. Mr. Boswell, do you have any further questions?

Mr. BOSWELL. No further questions.

The CHAIRMAN. Mr. Murphy, thank you. This is one of those rare circumstances where we actually got the entire hearing done in a reasonable time, in spite of a vote. I have some official words to read here somewhere.

All right. Before we go on, I want to ask the Ranking Member if he wanted to say anything. Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional materials, supplementary written responses, a couple of questions that were asked, from the witness to the questions posed by a Member.

This hearing on the Subcommittee on General Farm Commodities and Risk Management is adjourned.

[Whereupon, at 11:38 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

Supplementary Material Submitted by William J. Murphy, Administrator, Risk Management Agency, U.S. Department of Agriculture

During the June 24, 2011 hearing entitled, *Agricultural Program Audit: Examination of Crop Insurance Programs,* requests for information were made to William J. Murphy. The following are the information submissions for the record.

Insert 1

Mr. Crawford. Excellent. Okay. Real quick, back to rice. You covered that pretty well, but I just want to ask, what is the current participation rate of rice and buy-up coverage and levels of protection, and how does this participation rate compare to other major crops like corn, soybeans, wheat, and cotton?

Mr. Murphy. I don't have that information right with me. I can tell you it is lower than you see in the major crops. I will get that to you, though.

For information on program participation by crop, see spreadsheet entitled, *Largest Crops Insured by Federal Crop Insurance, Reinsurance Year 2010,* follows.

Largest Crops Insured by Federal Crop Insurance, Reinsurance Year 2010

Crop	Liablilty	Share of Liability	Premium	Share of Premium	Subsidy	Share of Subsidy
Corn	$31,673,245,782	41%	$2,854,569,648	38%	$1,748,845,970	37%
Soybeans	$17,968,268,248	23%	$1,746,840,208	23%	$1,068,744,370	23%
Wheat	$6,426,634,955	8%	$1,123,672,475	15%	$685,193,684	15%
Cotton	$2,986,974,144	4%	$488,627,636	6%	$319,399,594	7%
Nursery	$2,310,476,269	3%	$49,806,802	1%	$40,080,416	1%
Citrus	$2,053,384,518	3%	$64,728,939	1%	$44,317,648	1%
Rice	$1,226,342,119	2%	$69,298,862	1%	$50,108,540	1%
Grapes	$1,049,323,716	1%	$46,628,400	1%	$33,311,279	1%
Potatoes	$962,357,453	1%	$81,774,552	1%	$54,825,864	1%
Other	$10,949,219,926	14%	$1,066,169,977	14%	$663,500,752	14%
Total All Crops	$77,606,227,130		$7,592,117,499		$4,708,328,117	

Insert 2

Mr. Huelskamp. I appreciate that, and 2008 is a good year—an appropriate year to talk about. I think 2011 might be one we talk about for many years as well.

The second question would be—and I had looked through the materials closely and didn't see this—but as far as taxpayer costs and other programs, how does that vary across the crops, and is that in the information you provided us?

Mr. Murphy. We can provide more information on that. The taxpayer costs of the program changes dramatically on the experience that we have for that year. For the last 10 to 20 years, except for a little blip in 2002, we have had positive loss ratios, so I think the program is well worth the money. The subsidy—the premiums are subsidized and average between 60 or 70 percent—60 and 65 percent. So if we have $10 billion in premium this year, well the subsidy is going to be up about $6 billion in the program. So the cost goes along with the commodity prices as well. There are a lot of variables in the program, the loss ratio, the losses that the companies pick up *versus* the government, so——

Mr. Huelskamp. And the high cost over the last decade would have been how much in what year?

Mr. Murphy. As far as the total cost of the program? I would have to pull that together for you. I can do that, the last 10 years.

See worksheet "Program Expenditures Table" that follows. As regards program costs by crop, in general those would be roughly proportionate to their share of program liability/premium/subsidy, as provided in the worksheet "Largest Crops Table." It is otherwise difficult number to obtain as only premium subsidy is calculated and directly available on a by-crop basis. We do not directly calculate A&O by crop. Underwriting gains/losses are based solely on a state's underwriting performance, not on that of any individual crop.

Other Program Expenditures, Fiscal Years 2001 to 2010

Fiscal Year	RMA A&O	ARPA & FCIA Initiatives	Interest & Other *
(Million Dollars)			
2001	$65.60	$43.78	$0.00
2002	$73.73	$40.68	$0.95
2003	$70.22	$48.61	$0.00
2004	$70.99	$46.22	$35.59
2005	$70.48	$45.23	$0.00
2006	$75.94	$37.51	$0.00
2007	$75.44	$39.61	$0.00
2008	$75.17	$47.79	$0.00
2009	$76.83	$53.37	$0.00
2010	$79.99	$53.05	$0.00
2011 **	$78.84	$68.50	$0.00

* Related to the dissolution of American Growers Insurance Company.
** Estimated.

Insert 3

Mrs. HARTZLER. Thank you, Mr. Chairman. Thank you, Mr. Murphy, and I would like to echo the comments that have already been said here by my farmers. Your part of the farm bill is probably the most popular part, and everyone, all of us—I am a farmer, too—appreciate what you do.

I wanted to ask regarding the cost—of course, we are looking at budget issues now. In Fiscal Year 2010, it says the crop insurance costs were $4.7 billion. I just wondered, can you give me kind of a rough breakdown of how much of that went to claims and how much went to the administrative costs and operating costs?

Mr. MURPHY. Actually, we are a very small agency. We have less than—we have about 500 employees overall, so when you are talking discretionary costs of the program, we are only talking $78 million to $80 million being the overall cost of the program of discretionary.

The major costs that we see in the program are the producer's subsidy that they get paid, the potential underwriting gains that the companies can make on a good year, and then the administrative and operating expense that we provide to the companies in order to deliver the program. Crop insurance, unlike private property and casualty insurance, you don't—the farmers don't pay that in their premium bill. We provide a separate payment to the companies to deliver the program for it. In the negotiation of the Standard Reinsurance Agreement, we actually reduced both the potential underwriting gains for the companies, as well as the administrative and operating costs provided to the companies, so we are certainly going to see a reduction. Probably the wildcard in the whole thing is the premium subsidy, going forward. Like I said, as we have seen these record commodity prices, that brings up the producer premium subsidy payment.

Mrs. HARTZLER. But in Fiscal Year 2010, how much money for those various things, or maybe you could get that to me later?

Mr. MURPHY. I can provide that to you on a year basis. I will break it out for 2010 and get that up to your office.

See worksheet *Program Expenditure* table.

Federal Crop Insurance Program Expenditures, Reinsurance Years 2001 to 2010

Reins. Year	A&O+LAE Paid to AIPs	Premium Subsidy	Cost Share Subsidy	Premium Discount	Program Under-writing Gain or Loss *	Company Share of Gains & Losses	Cost of Crop Insurance Program
(Million Dollars)							
2001	$635.87	$1,781.22	$0.42	$2.81	−$10.99	$346.00	$2,755.33
2002	$625.89	$1,737.94	$0.38	$0.00	$1,150.42	−$47.31	$3,467.33
2003	$733.66	$2,044.94	$0.37	$0.00	−$174.68	$377.85	$2,982.15
2004	$889.42	$2,472.26	$4.22	$0.00	−$893.62	$689.43	$3,161.71
2005	$829.25	$2,334.66	$4.11	$0.00	−$1,604.41	$914.97	$2,478.58

Federal Crop Insurance Program Expenditures, Reinsurance Years 2001 to 2010—Continued

Reins. Year	A&O+LAE Paid to AIPs	Premium Subsidy	Cost Share Subsidy	Premium Discount	Program Under-writing Gain or Loss *	Company Share of Gains & Losses	Cost of Crop Insurance Program
2006	$958.58	$2,779.01	$0.00	$0.00	−$1,167.48	$818.85	$3,388.95
2007	$1,332.53	$3,812.23	$0.00	$0.00	−$3,082.33	$1,572.47	$3,634.89
2008	$2,009.25	$5,678.56	$0.00	$0.00	−$1,112.57	$1,095.14	$7,670.38
2009	$1,618.51	$5,424.16	$0.00	$0.00	−$3,732.14	$2,297.77	$5,608.30
2010 *	$1,367.74	$4,708.61	$0.00	$0.00	−$3,409.89	$1,930.38	$4,596.84

Reinsurance Year = July 1 to June 30 of following year.
* Negative number = program underwriting gain, positive number = program underwriting loss.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE

1. Program Name

The Federal crop insurance program is managed by the Risk Management Agency (RMA) which is under the Farm and Foreign Agricultural Services mission area of the United States Department of Agriculture.

2. Subprograms/Department Initiatives

None.

3. Brief History

FCIC was created in 1938, under the Federal Crop Insurance Act (Act), to carry out the crop insurance program to help agriculture recover from the combined effects of the Great Depression and the Dust Bowl. The program was started as an experiment and was delivered by the FCIC until 1980. During the formative years of the program, participation was low and crop insurance activities were limited to major crops in the main producing areas.

The crop insurance program continued to evolve and the Federal Crop Insurance Act of 1980 expanded the program and introduced the public-private partnership whereby private insurance companies would sell and service Federal crop insurance policies reinsured by FCIC. To encourage participation in the expanded crop insurance program, the Act authorized a premium subsidy be paid on behalf of insured producers. In 1994 the Federal Crop Insurance Reform Act of 1994 was enacted, which introduced the catastrophic risk protection (CAT) level coverage. Producers did not pay a premium for CAT coverage and instead paid a small per crop, per county administrative fee. The Federal Crop Insurance Reform Act of 1994 introduced the concept of linkage within the program. Linkage required a producer to purchase crop insurance at least the CAT level of coverage in order to qualify for the benefits of another farm safety net program in an effort to increase participation and eliminate the need for competing ad hoc disaster programs. The linkage requirement was eliminated after 2 years, though there have since been numerous "linkage" requirements for disaster assistance or other farm safety net programs. The Federal Crop Insurance Reform Act of 1994 also introduced higher subsidy rates for "buy-up" coverage (insurance coverage above the CAT level for which producers pay some portion of the premium), as well as providing authority for revenue insurance products. Further, the Federal Crop Insurance Reform Act of 1994 expanded the role of the private sector, allowing entities to participate in research and development of new insurance products and features. A process was also created to allow private entities to submit unsolicited proposals for insurance products to the FCIC Board of Directors (Board) for approval. This allowed the introduction of the first revenue products.

In 1996, the Risk Management Agency (RMA) was created to administer FCIC programs and other non-insurance-related risk management and education programs that help support U.S. Agriculture. In 2000, Congress enacted legislation that allowed private entities to be eligible for reimbursement of research, development and operating costs for their private submitted products approved by the Board. This legislation also removed restrictions on the development of insurance products for livestock; provided authority for the FCIC Board to create an expert review panel to assist the Board in evaluating new insurance products for feasibility and actuarial soundness; and significantly increased premium subsidies, by more than 50 percent, to encourage producers to purchase higher insurance coverage levels, and to make the insurance program more attractive to prospective producers.

4. Purpose/Goals

Federal crop insurance serves America's agricultural producers through effective, market-based risk management tools and solutions to strengthen the economic stability of agricultural producers and rural communities and provides world class agricultural risk management products, tools, education, and outreach.

5. Success in Meeting Programmatic Purpose/Goals

In the 2010 crop year, Federal crop insurance was available for approximately 350 commodities, in over 3,141 counties, covering all 50 states and Puerto Rico. Insured acreage in the program exceeded 256 million acres. As the amount of insured acreage has increased, so too has the liability, or value of the insurance in force. In 1994 program liability was less than $14 billion. Industry estimates suggest that for 2011 program liability could exceed $100 billion. Of special significance is the level of participation in specialty crops programs. Seventy-five percent of producers are participating, which compares well to the 83 percent participation levels for the major program crops. Important fruit, nut and vegetable states like California (71%), Florida (91%), and Washington (68%) each score well in Federal crop insurance program participation.

Many banks now require or at least encourage crop insurance coverage in order to make operating loans to producers. Federal crop insurance has become a fact of life for many farmers—without which American farmers would find it difficult to continue providing America and the world with an abundant supply of food, fiber and fuel. The crop insurance program has seen sustained growth as demonstrated by the increasing proportion of acres insured at buy up coverage levels over the last decade to a record-high of 90 percent.

The type of coverage being purchased is also shifting to the more comprehensive revenue coverage. In 2010, revenue coverage accounted for 65 percent of the insured acres, compared to just 33 percent in 2000. In addition, the average coverage level (percent of the total crop covered) for buy up insurance has increased to approximately 73 percent for 2010, compared to 68 percent in 2000. Improvements to the program have been accomplished in an actuarially sound manner. Over the last 2 decades, premiums (producer premiums added to premium subsidies) have been sufficient to cover the indemnities paid to producers plus a reasonable reserve. For example, the program's loss ratio from 1994 through 2010 has averaged about 0.82.

6. Annual Budget Authority (FY 2002–FY 2011)

(dollars in thousands)

FY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
A&O	$74,232	$70,248	$71,001	$71,468	$76,278	$76,658	$76,121	$77,177	$80,325	$78,842
FCIC Fund	$2,820,926	$2,910,966	$3,366,433	$2,242,167	$3,295,458	$4,379,256	$4,145,091	$6,765,663	$6,898,215	$6,992,896
Total Authority	$2,895,158	$2,981,214	$3,437,434	$2,313,635	$3,371,736	$4,455,914	$4,221,212	$6,842,840	$6,978,540	$7,071,738

The FCIC fund includes Budget Authority only. It does not include carryover balances or offsetting collections.

7. Annual Outlays (FY 2002–FY 2011)

(dollars in thousands)

FY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
A&O	$83,801	$75,849	$71,482	$66,739	$73,824	$79,091	$76,254	$72,799	$78,002	$82,000
FCIC Fund	$2,946,551	$3,254,184	$3,197,568	$2,883,272	$3,371,615	$3,471,225	$4,074,814	$7,888,892	$4,706,125	$6,989,000
Total Outlays	$3,030,352	$3,030,033	$3,269,050	$2,950,011	$3,445,439	$3,550,316	$4,151,068	$7,961,691	$4,784,127	$7,071,000

Outlay amounts differ from Budget Authority due to timing. The general rule of thumb for FCIC outlay spend rates (current year/past year) is 90/10 for ARPA, Delivery Expenses, and Underwriting Gains/Losses and 35/65 for Indemnities. For the A&O Account, RMA currently estimates a 90/10 split.

8. Annual Delivery Cost (FY 2002–FY 2011)

*See [*following tables*] from Explanatory Notes provided to the Congress in recent years as part of the President's annual budget proposal. The pages provided display information on program costs including costs associated with program delivery. Note that in each case, the earliest fiscal year shown is an actual amount and the other 2 years are estimates.*

Explanatory Notes, President's Budget Proposal for RMA (FY 2009), p. 22–25

Risk Management Agency

Full Cost By Strategic Objective

Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers

Program / Program Items	FY 2007 ($000)	FY 2008 ($000)	FY 2009 ($000)
Federal Crop Insurance Corporation Fund			
Research and Development Program	$40,000	$40,000	$40,000
Pilot Programs	$21,000	$21,000	$21,000
Policy Consideration and Implementation	$3,500	$3,500	$3,500
Premium Program	$2,727,720	$3,846,559	$4,100,446
A&O Expenses/Delivery Expenses	$1,110,750	$1,479,566	$1,471,876
Risk Management Assistance Program	$5,000	$5,000	$5,000
Excess Crop Losses	$466,286	($1,250,534)	$936,123
Total	$4,374,256	$4,145,091	$6,577,945
Administrative and Operating Expenses			
Administrative Costs (direct)	$58,369	$62,332	$63,461
Information Technology	17,075	13,716	13,716
Total	$75,444	$76,048	$77,177
Performance measure: Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in billions)			
Performance target:	$50.7	$53.7	$54.8
Unit Cost:	N/A	N/A	N/A
Total Program	**$4,449,700**	**$4,221,139**	**$6,655,122**
Total FTEs	**488**	**553**	**553**

Explanatory Notes, President's Budget Proposal for RMA (FY 2010), p. 19–22

Risk Management Agency

Full Cost By Strategic Objective

Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers

Program / Program Items	FY 2008 ($000)	FY 2009 ($000)	FY 2010 ($000)
Federal Crop Insurance Corporation Fund			
Agricultural Risk Protection Act Initiatives	$42,791	$68,500	$68,500
Premium Program	$4,377,350	$6,892,983	$8,837,530
A&O Expenses/Delivery Expenses	$1,994,615	$1,621,679	$1,545,767
Risk Management Assistance Program	$5,000	$6,000	$6,000
Excess Crop Losses	$1,577,759	$967,415	$914,732
Total	$7,997,515	$9,556,577	$11,372,529
Administrative and Operating Expenses			
Administrative Costs (direct)	$61,863	$63,606	$66,754
Information Technology	$13,303	$13,571	$13,571
Total	$75,166	$77,177	$80,325
Performance measure: Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in billions)			
Performance target:	$53.7	$54.8	$50.7

	FY 2008 ($000)	FY 2009 ($000)	FY 2010 ($000)
Unit Cost:	N/A	N/A	N/A
Total Program	**$8,072,681**	**$9,633,754**	**$11,452,854**
Total FTEs	**480**	**553**	**568**

Explanatory Notes, President's Budget Proposal for RMA (FY 2011), p. 23–24

Risk Management Agency

Full Cost By Strategic Objective

Department Strategic Goal: USDA will assist rural communities to create prosperity so they are self sustaining and economically thriving.

Program / Program Items	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Federal Crop Insurance Corporation Fund			
Agricultural Risk Protection Act Initiatives	$47,371	$68,500	$68,500
Premium Program	$8,416,173	$7,669,250	$9,040,243
A&O Expenses/Delivery Expenses	$1,601,807	$1,567,145	$1,683,633
Risk Management Assistance Program	$6,000	$6,000	$6,000
Excess Crop Losses	$1,962,597	$1,167,759	$1,204,771
Projected Savings from Negotiations of SRA	—	—	−$782,000
Total Costs	$12,033,948	$10,478,654	$11,221,147
Administrative and Operating Expenses			
Administrative Costs (direct)	$63,606	$66,754	$67,493
Information Technology	$13,571	$13,571	$15,571
Total Costs	$77,177	$80,325	$83,064
FTEs	481	568	568
Performance measure: Increase the normalized value of FCIC risk protection coverage provided through FCIC sponsored insurance (in billions)			
BY Performance	$53.7	$54.8	$50.7
Cost per measure (unit cost)	N/A	N/A	N/A
Total for Department Strategic Goal 1			
Total Costs for Department Strategic Goal	**$12,111,125**	**$10,558,979**	**$11,304,211**
FTEs	**481**	**568**	**568**

Explanatory Notes, President's Budget Proposal for RMA (FY 2012), p. 23–24

Risk Management Agency

Full Cost By Department Strategic Goal

Department Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving.

Program / Program Items	FY 2010	FY 2011	FY 2012
Federal Crop Insurance Corporation Fund (FCIC)			
Premium Subsidy	$4,089,811	$4,600,900	$3,082,875
Delivery Expenses	$1,567,145	$1,325,000	—
Underwriting Gains	$1,167,759	$999,496	—
Federal Crop Insurance Act Initiatives	$74,500	$68,500	$59,500
Other Authority Withdrawn	($2,352,096)	—	—
Total Costs	**$4,547,119**	**$6,993,896**	**$3,142,375**
Administrative and Operating Expenses			
Administrative Costs (direct)	$66,045	$66,045	$66,045
Information Technology	$14,280	$14,280	$16,280
Total Costs	**$80,325**	**$80,325**	**$82,325**
FTEs	501	568	568

	FY 2010	FY 2011	FY 2012
Performance Measure: The normalized value of:			
BY Performance	Dollars	Dollars	Dollars
Cost per measure (unit cost)	$51.9	$52.4	$52.9
Total for Strategic Goal			
Total Costs for Priority (program, direct, indirect)	**$4,627,444**	**$7,074,221**	**$3,224,700**
FTEs	501	568	568

9. Eligibility Criteria

In general, anyone producing a crop or livestock for which premium rates have been published in the counties actuarial documents is eligible to purchase crop insurance. Basic requirements such as legal competency and being of legal majority apply. The person purchasing crop insurance must also have an insurable interest in the crop and must provide the required identification number and other required data to the agent from whom the policy was purchased.

Any farmer or rancher can become ineligible to participate in the program. Circumstances that may cause a person to become ineligible include having a delinquent debt, such as unpaid premium or failure to timely repay an indemnity that was overpaid. That person again becomes eligible when the debt is resolved. Persons who are disqualified, suspended, or debarred under the Act and applicable regulation, are ineligible for crop insurance for the period of disqualification, suspension or debarment. Any person who is convicted of violating the controlled substance provisions of the Food Security Act of 1985, as amended, is ineligible for crop insurance from the beginning of the crop year of conviction and the 4 subsequent consecutive crop years.

There are no carve-outs in the Federal crop insurance program.

10. Utilization (Participation) Data

Additional Coverage Only

Reinsurance Year	Number of Policies	Insured Acres	Liability (Value)	Premium	Claims Payments	Loss Ratio	Loss Cost
2001	1.1 million	170.5 million	$30.1 billion	$2.7 billion	$2.9 billion	1.069	0.097
2002	1.1 million	176.6 million	$30.5 billion	$2.7 billion	$4 billion	1.485	0.131
2003	1.1 million	183.8 million	$34 billion	$3.2 billion	$3.2 billion	1.003	0.095
2004	1.1 million	189 million	$39.5 billion	$4 billion	$3.2 billion	0.811	0.081
2005	1.1 million	217.7 million	$37.2 billion	$3.7 billion	$2.3 billion	0.609	0.061
2006	1 million	213.7 million	$45.4 billion	$4.4 billion	$3.5 billion	0.782	0.077
2007	1 million	243.3 million	$59.8 billion	$6.3 billion	$3.4 billion	0.544	0.057
2008	1 million	242.2 million	$81.1 billion	$9.5 billion	$8.6 billion	0.909	0.107
2009	1.1 million	242.5 million	$71.6 billion	$8.6 billion	$5.2 billion	0.597	0.072
2010	1.1 million	236.2 million	$71 billion	$7.3 billion	$4.1 billion	0.565	0.058
Maximum	1.1 million	243.3 million	$81.1 billion	$9.5 billion	$8.6 billion	1.485	0.131
Minimum	1 million	170.5 million	$30.1 billion	$2.7 billion	$2.3 billion	0.544	0.057
Ten-year average	1.1 million	211.6 million	$50 billion	$5.2 billion	$4 billion	0.837	0.084

Catastrophic Coverage Only

Reinsurance Year	Number of Policies	Insured Acres	Liability (Value)	Premium	Claims Payments	Loss Ratio	Loss Cost
2001	236,669	41 million	$6.9 billion	$247.7 million	$48.9 million	0.197	0.007
2002	208,563	38.2 million	$6.8 billion	$229.5 million	$78.7 million	0.343	0.012
2003	175,393	33.7 million		$227 million	$44.1 million	0.194	0.007
2004	156,004	31.7 million		$241.3 million	$95 million	0.394	0.013
2005	138,464	28.1 million		$236.4 million	$81.3 million	0.344	0.012
2006	125,786	28.3 million		$261.2 million	$64.5 million	0.247	0.007
2007	120,100	28.3 million		$268.4 million	$50.6 million	0.188	0.007
2008	120,405	30 million		$332.7 million	$80.4 million	0.242	0.010
2009	93,099	22.3 million		$305 million	$59.3 million	0.194	0.008
2010	79,687	20.3 million		$262.2 million	$39.6 million	0.151	0.006
Maximum	236,669	41 million		$332.7 million	$95 million	0.394	0.013
Minimum	79,687	20.3 million		$227 million	$39.6 million	0.151	0.006
Ten-year average	145,417	30.2 million		$261.1 million	$64.2 million	0.249	0.009

11. Duplication or Overlap with Other Programs

The public-private partnership between RMA and private crop insurance companies for the delivery of subsidized crop insurance is unique. The Federal crop insurance program is different from disaster funding because farmers are contributing to the costs of the program through the payment of premium for an actuarially sound program.

12. Waste, Fraud and Abuse

Waste—The crop insurance program is currently reporting a 4.7 percent average error rate in accordance with the Improper Payments Information Act. This rate is consistent with the program's historically reported error rates of between four to six percent. While the goal is to continue to reduce crop insurance program errors, the closely related private Property and Casualty lines of insurance typically report error rates of all types, intentional and unintentional, between 15 and 20 percent. RMA recently renegotiated the Standard Reinsurance Agreement (SRA) to include targeted quality control reviews to assist in identifying and correcting individual and program errors. RMA also is completing an Information Technology Modernization project that has new built in internal controls and checks of data to identify and correct data errors before indemnities are paid. Advances in technology will continue to provide opportunities to improve the way we assign insurance guarantees and assess loss events that will continue to improve RMA's ability to limit program errors.

Fraud and Abuse—RMA is in its eleventh year of conducting annual spot checks of producers identified through Congressionally authorized data mining as being anomalous when compared to their neighbors. Once identified, these producers are notified that they will be checked during the year by the Farm Service Agency (FSA). RMA has documented that this effort reverses the observed anomalous behavior resulting in a reduction of expected indemnity payments of almost $840 million to date. The 2011 SRA includes an expansion of this effort to include checks of an additional tier of producers by their insurance company.

RMA also dedicates significant resources to assisting USDA's Office of Inspector General (OIG) in investigating and prosecuting criminal program violations and imposing administrative sanctions when indicated. Although RMA continues to believe the percentage of producers engaged in criminal behavior is relatively small, these producers create a negative impression of the program with the public and as such RMA believes the aggressive identification and prosecution of those who abuse the program is essential to maintaining program integrity. Currently, RMA is assisting OIG and the Department of Justice with identifying violations in the tobacco insurance program that includes criminal activity by a significant number of producers, agents, and loss adjusters across several states. The termination of the tobacco quota program created vulnerabilities in the tobacco marketing system that left the insurance program exposed to abuse. RMA is working to correct these vulnerabilities, while identifying those who have taken advantage of them in the interim and prosecuting and sanctioning those persons to the fullest extent of the law.

13. Effect of Administrative PAYGO

In 2005, the Office of Management and Budget released Memorandum M–05–13 ("Budget Discipline for Agency Administrative Actions") requiring that for "any proposed discretionary agency administrative action that would increase mandatory spending, the agency must include one or more proposals for other administrative actions to be taken by the agency that would comparably reduce mandatory spending". This is commonly referred to as "PAYGO."

There have been a number of Administrative PAYGO actions in the crop insurance program. For example, last year's renegotiation of the Standard Reinsurance Agreement generated a significant amount of budgetary savings, $2 billion of which was applied to Administrative PAYGO (the remainder was applied to debt reduction). Conversely, a number of crop insurance products have been added or expanded, like the Pasture, Rangeland, and Forage product—a critical product for livestock producers—using Administrative PAYGO offsets.

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF CONSERVATION PROGRAMS)

THURSDAY, JULY 7, 2011

SUBCOMMITTEE ON CONSERVATION, ENERGY, AND FORESTRY,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:04 a.m., in Room 1300 of the Longworth House Office Building, Hon. Glenn Thompson [Chairman of the Subcommittee] presiding.

Members present: Representatives Thompson, Goodlatte, Gibbs, Southerland, Roby, Huelskamp, Hultgren, Ribble, Noem, Lucas (*ex officio*), Holden, Schrader, Owens, McIntyre, Walz, Pingree, Fudge, and Peterson (*ex officio*).

Staff present: Brent Blevins, Tamara Hinton, Josh Maxwell, Debbie Smith, Lauren Sturgeon, Suzanne Watson, Nona S. Darrell, Liz Friedlander, Anne Simmons, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

The CHAIRMAN. Well, good morning, everyone. This hearing of the Subcommittee on Conservation, Energy, and Forestry entitled, *Agricultural Program Audit: Examination of Conservation Programs,* will come to order. I will start out with my opening statement.

I want to welcome everyone to this Subcommittee hearing to examine the farm bill conservation programs. This is one of a series of hearings the six Subcommittees of the House Agriculture Committee will be holding to audit farm bill programs in advance of writing the next farm bill. Though the current farm bill doesn't expire until September of 2012, it is important that we begin the review process now. I believe it is imperative that we have a sound knowledge base from which to make responsible decisions as we address these programs.

Now, I don't think I need to remind anyone in this room that we face many challenges in drafting the next farm bill. In the current fiscal environment, we will be faced with some difficult decisions regarding the fate of programs in all parts of the farm bill, including Title II. Moreover, Title II programs, including the Wetlands Reserve Program and the Grasslands Reserve Programs do not have a budget baseline beyond the expiration of the current farm bill. Given the challenging decisions ahead of us and a number of new faces on the Subcommittee, I think this is an excellent opportunity for everyone to ask questions about specific programs, as well as general program delivery and familiarize themselves with programs under the Subcommittee's jurisdiction.

Congress offered the first conservation programs for farmers and ranchers in the 1930s and we have seen a tremendous growth in programs since then. The conservation title was first introduced in the farm bill in 2002 and the Title was further revised and expanded in the 2008 Farm Bill.

Today, USDA offers more than 20 separate active land and land retirement programs that account for billions in spending annually. This hearing gives us the chance to hear directly from those at USDA who are responsible for the implementation of conservation programs, and we have a chance to learn about these programs and to ask questions about how they are implemented and in what manner we could improve the delivery in the future. When the time comes to make decisions about conservation programs, we will all be better placed to do so if we have a thorough understanding of how each program operates.

Our witnesses today will provide information about these various programs that we need to move forward in a legislative process. We will learn about basic information about the amount of money that is being spent on each program, program participation, as well as examples of duplication with other programs, and examples of waste, fraud, and abuse.

I want to welcome Chief Dave White of the NRCS and Mr. Bruce Nelson, the Administrator of FSA. It is good to see you both. I am certainly eager to hear your testimony on these programs. And I look forward to working with you both in the months ahead to draft aa conservation title that fulfils its core goals while utilizing taxpayer dollars in a responsible manner.

[The prepared statement of Mr. Thompson follows:]

Prepared Statement of Hon. Glenn Thompson, a Representative in Congress from Pennsylvania

Good morning. I want to welcome everyone to the Conservation, Energy, and Forestry Subcommittee hearing to examine farm bill conservation programs.

This is one of a series of hearings the six Subcommittees of the House Agriculture Committee will be holding to audit farm bill programs in advance of writing the next farm bill.

Though the current farm bill does not expire until September of 2012, it is important we begin the review process now.

I believe it is imperative we all have a sound knowledge base from which to make responsible decisions in how we address these programs.

I don't think I need to remind anyone in this room that we face many challenges in drafting the next farm bill.

In the current fiscal environment, we will be faced with some difficult decisions regarding the fate of programs in all parts of the farm bill, including Title II.

Multiple Title II programs, including the Wetlands Reserve Program and the Grasslands Reserve program, do not have a budget baseline beyond the expiration of the current farm bill.

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I want to welcome Chief Dave White of NRCS and Mr. Bruce Nelson, Acting Administrator of FSA. It is good to see you both and I am eager to hear your testimony on these programs.

I look forward to working with you both in the months ahead to draft a conservation title that fulfills its core goals while utilizing taxpayer dollars in a responsible manner.

I now yield to my friend, the Ranking Member from Pennsylvania, Mr. Holden, for his opening statement.

The CHAIRMAN. And I will yield to my friend, the Ranking Member from Pennsylvania, Mr. Holden, for his opening statement.

OPENING STATEMENT OF HON. TIM HOLDEN, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

Mr. HOLDEN. Thank you, Mr. Chairman. I would like to thank our witnesses and guests for being here this morning.

This hearing presents an important and timely opportunity for Members of this Subcommittee to review the state of USDA conservation programs. The Natural Resources Conservation Service and the Farm Service Agency, through the authority of this Committee and the farm bill, currently administer over 20 programs to assist producers and landowners who wish to practice conservation on agricultural lands.

These conservation practices have expanded over the years from early efforts to reduce high levels of soil erosion and address water quality and quantity issues to address other natural resources concerns such as wildlife habitat, air quality, wetlands restoration and protection, and energy efficiency. As the economic and regulatory pressures have increased in recent years, agriculture producers and private forest landowners have come to rely on these farm bill conservation programs to help them stay in business.

I am concerned that recent reductions in conservation program funding is resulting in USDA having to deny producers the tools they need to combat these burdens effectively due to insufficient funding. Lack of assistance to meet regulatory requirements imposes an unfunded mandate on producers and harms our landowners' ability to run their businesses and efficiently implement conservation practices on their land.

Bottom line, access to funds is vital and so is the delivery of these funds. Whether it is through FSA, NRCS, or a technical service provider, a consistent message we are hearing across the country is that more people are needed in the field to assist producers in making land-management decisions and implementing conservation practices.

As we focus on deficit reduction and the streamlining of Federal programs, it is important that we ensure USDA remains able to deliver effective conservation programs with fewer resources and respond to the demand for those landowners who depend on them. Farmers and ranchers have always been the original stewards of the land and continue to be the best advocates for research conservation.

I look forward to today's expert testimony and the opportunity to listen and learn and ask questions of those responsible for ensuring that that remains true in the future.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. We are also joined in the hearing by the Chairman of the Agriculture Committee. I now recognize Chairman Lucas for an opening statement.

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

Mr. LUCAS. Thank you, Chairman Thompson and Ranking Member Holden for holding today's hearing to examine conservation programs.

During the past two farm bills, I served as Chairman and Ranking Member respectively of the Subcommittee with jurisdiction over the Conservation Title. My, aren't free elections a wondrous thing? Both in 2008 and in the 2002 Farm Bill saw exponential growth in conservation programs. In 2002, we increased conservation spending in the 2002 Farm Bill by $17 billion over 10 years, an 80 percent expansion that created one of the greenest farm bills in history. This legislation increased our commitment to important programs like CRP, EQIP, and helped multiply participation in conservation practices.

In the 2008 Farm Bill, we built upon the historic Conservation Title by adding $4 billion over 10 years. That Conservation Title included new regional and cooperative partnership programs, as well as reauthorization and increased funding for existing programs. These programs have created many new ways for producers and conservation organizations to achieve shared goals. Farmers and ranchers, with the assistance of these programs, have worked voluntarily to help reduce soil erosion, increase wetlands, improve water quality, and preserve farmland and wildlife habitat.

However, as we work towards the next farm bill, this Committee will be faced with a very different budget situation. Not only will the Agriculture Committee have to do our part within the overall deficit situation, but as all of us know, we literally have dozens of programs, as has been alluded to by the Chairman and the Ranking Member, with no baselines, many under the umbrella of conservation. Conservation is an important element of farm policy. Farmers and ranchers make their living off the land and they are committed to preserving and protecting it for future generations.

As lawmakers, we have a responsibility to ensure that conservation policy is effective without being duplicative or too costly. This is especially important in the current fiscal environment. Today's audit will help us evaluate our current policy so that we can determine what is working, what needs to be adjusted, and what can be eliminated. This is a critical step in the process of developing the next farm bill.

I thank all of you for being here and participating today, and I can only say that I have the greatest of confidence in the gentlemen from Pennsylvania when we make those tough decisions in the coming days, months, and year.

I yield back the balance of my time, Mr. Chairman.

[The prepared statement of Mr. Lucas follows:]

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

Good morning.

I'd like to thank Chairman Thompson for holding today's hearing to examine conservation programs.

During the past two farm bills I served as the Chairman and Ranking Member, respectively, for the Subcommittee of jurisdiction for the conservation title. Both the 2008 and 2002 Farm Bills saw exponential growth in conservation programs.

In 2002, we increased conservation spending in the 2002 Farm Bill by $17 billion over 10 years—an 80 percent expansion that created the greenest farm bill in history. This legislation increased our commitment to important programs like CRP and EQIP and helped multiply participation in conservation practices.

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These programs have created new ways for producers and conservation organizations to achieve shared goals. Farmers and ranchers, with the assistance of these programs, have voluntarily worked to help reduce soil erosion, increase wetlands, improve water quality, and preserve farmland and wildlife habitat.

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Today's audit will help us evaluate our current policy so that we can determine what is working, what needs to be adjusted, and what can be eliminated.

This is a critical step in the process of developing the next farm bill, and I thank you all for being here today to participate in that process.

The CHAIRMAN. Thank you, Mr. Chairman.

We are also joined by the Ranking Member for the full Agriculture Committee. Mr. Peterson, any opening remarks, sir? Okay. Very good.

The chair requests that the other Members submit their opening statements for the record so that the witnesses may begin their testimony and ensure that there is ample time for questions.

And I am very pleased to welcome our panel of witnesses to the table today. And we have Mr. Dave White, Chief of the Natural Resource Conservation Services, Department of Agriculture; and Administrator Bruce Nelson, Administrator of Farm Service Agency with the Department of Agriculture. Gentleman, you are the only two witnesses for this panel, so I encourage you to take the time that you need. We are not going to be using any lights today for your testimony, so I encourage you to take the time that you need to cover the information so that we will all benefit.

And Mr. Nelson, please begin when you are ready.

STATEMENT OF BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. NELSON. Mr. Chairman, thank you very much. I am new to this so I have to learn how to punch the buttons.

Mr. Chairman, Ranking Members, Members of the Subcommittee, thank you for the opportunity to discuss the conservation programs administered by the Farm Service Agency here today. My testimony will focus on FSA's conservation programs and our collaboration with our conservation partners in ensuring high-quality, cost-effective program delivery. And I am especially glad to be here on my first occasion with Dave White, who did an outstanding job as State Conservationist in my home State of Montana before becoming Chief of NRCS.

Let me begin by talking about FSA's largest conservation program, the Conservation Reserve Program, or CRP. CRP is a voluntary program that provides a cost-effective means to address conservation concerns on environmentally sensitive lands. Currently, CRP contains more than 31 million acres and FSA issues about $1.7 billion annually in rental payments to CRP participants.

USDA recently announced the results of general Signup 41, which was held this past spring. Of the 3.8 million acres offered, 2.8 million acres were accepted. With 4.4 million acres of contracts expiring on September 30 this year, enrollment is anticipated to total 29.9 million acres on October 1.

The Conservation Reserve Enhancement Program, or CREP, is a component of the CRP continuous signup and is a partnership among USDA, the tribes, states, and in some cases, private groups. CREP agreements address high-priority conservation issues, and in total, FSA has 45 CREP agreements in 33 states.

Another newer component of CRP is a Transition Incentives Program. TIP provided $25 million through 2012 to provide additional CRP payments for retiring owners or operators who transition land to beginning farmers or socially disadvantaged producers. In turn, the new operator must return some or all of the land to production using sustainable farming techniques. As of June 30, there were 506 approved TIP contracts accounting for nearly 73,000 acres. I would note for the Committee that those numbers are an update from my testimony submitted for the record because 20 additional contracts were established in the last 3 weeks of June.

FSA works closely with NRCS to administer the Emergency Conservation Program, which provides emergency cost-share funding and technical assistance to farmers and ranchers to rehabilitate damaged farmland. Approximately $90 million has been allocated nationwide under ECP for this fiscal year, about $2 million remains available to fulfill an anticipated $134 million in requests, leaving a projected shortfall of $132 million. This estimate is also a minor update from my testimony submitted for the record.

FSA also administers several other new conservation programs that were created in the 2008 Farm Bill. The Voluntary Public Access and Habitat Incentive Program provides grants to states and tribal governments to encourage private landowners to make their land available for recreation. Earlier this month, USDA announced additional grants under this program, bringing in the total number of states and tribes participating to 26.

FSA and NRCS also jointly administer a Grassland Reserve Program, or GRP. GRP participants limit cropping while retaining the right to conduct grazing practices and operations. Applications may be filed with either NRCS or FSA. Generally, FSA implements rental contracts and NRCS administers the easement program. Currently, 1.1 million acres are enrolled in GRP at an annual cost of approximately $10 million.

FSA and NRCS are working hard together to make sure farmers know their options and have the right technical assistance. I am proud to report that the average government cost per enrolled acre in inflation-adjusted terms is significantly lower now than in the late 1980s, while at the same time, more environmental and conservation benefits are being generated. We have streamlined tasks and reduced signup costs by about 30 percent per contract for general signup and 18 percent per contract for continuous signup.

In closing, we are committed to ensuring that our conservation program benefits the agricultural sector as intended by Congress. And we look forward to working closely with you to ensure sustainable conservation for agriculture in rural areas. Mr. Chairman, this concludes my statement, and I would be happy to answer any questions you or Members of the Subcommittee might have. Thank you very much.

[The prepared statement of Mr. Nelson follows:]

PREPARED STATEMENT OF BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for the opportunity to discuss the conservation programs administered by the Farm Service Agency (FSA).

FSA's largest conservation program, the Conservation Reserve Program (CRP), which was first authorized by the 1985 Farm Bill, has a long record of accomplishment. CRP is a voluntary program that provides a cost-effective means to address many conservation concerns on environmentally-sensitive lands (such as clean air, clean water, and wildlife habitat). Currently, CRP contains more than 31 million acres of grass, trees, riparian buffers, filter strips, restored wetlands, and high-value wildlife habitat. The experience of the 1930's and economic and societal impacts of the "Dust Bowl" demonstrates the importance of protecting our nation's most environmentally sensitive lands.

The Transition Incentives Program (TIP) provides up to two additional CRP annual rental payments to a retired or retiring owner or operator of land under an expiring CRP contract if the land is sold or leased to a beginning or socially disadvantaged farmer or rancher for the purpose of returning some or all of the land to production using sustainable methods.

FSA also implements several programs that provide emergency conservation assistance to producers. For example, the Emergency Conservation Program (ECP)—which has been in existence for several decades—provides emergency funding to farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out water conservation measures in periods of severe drought.

FSA administers several new programs created by the 2008 Farm Bill. For example, the Voluntary Public Access and Habitat Incentive Program (VPA–HIP) provides grants to states and tribal governments to encourage owners and operators of privately held farm, ranch, and forestland to voluntarily make their land available for public access for hunting, fishing, and other wildlife-dependent recreation. These grants provide funds to programs administered by state and tribal governments

FSA and the Natural Resources Conservation Service (NRCS) jointly administer the Grassland Reserve Program (GRP), which is a voluntary conservation program that emphasizes support for grazing operations, enhancement of plant and animal biodiversity, and protection of grassland under threat of conversion to other uses.

FSA also implements non-Conservation Title programs that have conservation effects such as the Biomass Crop Assistance Program (BCAP) and the Emergency Forest Restoration Program (EFRP) both of which require that participants have a conservation plan.

For FSA's conservation programs, the agency relies on technical assistance from NRCS, the Forest Service, the Fish and Wildlife Service, state fish and wildlife agencies, state Forestry agencies, state agricultural and environmental departments, conservation districts, non-governmental organizations, and the private sector. These partners help us with numerous activities, including technical determinations, conservation plan development, engineering design, outreach to farmers and ranchers, and monitoring the impacts of conservation programs.

Today, I will not only discuss these conservation programs in more detail, but will also discuss how we work with our many conservation partners, and indicate how we are moving forward to ensure high-quality, cost-effective program delivery.

Conservation Reserve Program

CRP was authorized by the 1985 Farm Bill with a strong commodity supply control connection. CRP has evolved into a conservation program that increasingly targets environmental need by ranking offers in a general signup according to their environmental benefit and through a continuous signup that focuses on relatively small acreages that protect much larger areas such as buffer strips, riparian buffers and grass waterways.

CRP also created the Conservation Reserve Enhancement Program (CREP) which leverages scarce Federal dollars with state and non-government organization funds to better meet local environmental needs. Under CREP, CRP helps to protect the Chesapeake Bay, salmon in the Pacific Northwest, Mammoth Cave in Kentucky and Hawaiian coral reefs. More recently, CRP has targeted enrollment of lands to achieve the goals of initiatives focused on the conservation of priority fish and wildlife resources such as wetlands, quail, ducks, and longleaf pine.

CRP provides cost-share assistance and annual rental payments to farmers and ranchers to establish long-term (10 to 15 years) conservation cover (such as grass or trees) on eligible farmland. Numerous conservation practices are available including filter strips, riparian buffers, wetland restoration and high-value wildlife habitat. Annual rental payments are based on the agricultural rental value of the land, and cost-share assistance is provided for up to 50 percent of the participant's costs in establishing approved conservation practices. FSA issues about $1.7 billion annually in rental payments to CRP participants.

USDA recently announced the results of Signup 41, which was held this past spring. Of the 3.8 million acres offered, 2.8 million acres were accepted. Signup 41 acceptances have no impact on this year's crop; accepted land currently in crops can be harvested normally. For next year, the price impacts of Signup 41 enrollment on the price of corn, soybeans, and wheat are estimated to be very modest. With 4.4 million acres expiring on September 30, 2011, enrollment is anticipated to total 29.9 million acres on October 1, 2011 (contracts for the recently-accepted 2.8 million acres begin on that date).

A Fiscal Year (FY) 2012 general signup is assumed in the President's Budget; however, no signup dates have been announced. The Secretary is committed to a strong CRP program and feels the best way to keep it strong is to accept acres with the highest environmental benefit.

A conservation plan is required for each CRP contract. FSA partners with NRCS which makes certain technical eligibility determinations and develops conservation plans. FSA is responsible for all program activities, makes compliance determinations, and consults with other Federal agencies such as the U.S. Fish and Wildlife Service. FSA also partners with the Forest Service to provide conservation planning for participants installing tree practices under CRP and also the Emergency Forestry Conservation Reserve Program (EFCRP).

The environmental benefits of CRP are substantial. Since the beginning of the program, USDA estimates CRP has reduced soil erosion by more than 8 billion tons, including an estimated 325 million tons in 2010. On fields enrolled in CRP, nitrogen and phosphorus losses were estimated to be reduced by 607 million pounds and 122 million pounds, respectively, in 2010. In addition, CRP acreage reduces the impacts of downstream flood events and recharges groundwater aquifers.

There are two primary ways for farmers and ranchers to participate in CRP: the general signup provisions, such as Signup 41, and continuous signup provisions. Under the general signup, producers compete nationally for enrollment during specified periods. Under continuous signup, landowners and operators with eligible lands may enroll certain high priority conservation practices, such as restored wetlands, filter strips, and riparian buffers, at any time during the year without competition.

In addition to annual soil rental payment and cost-share assistance, many continuous practices are eligible for additional annual and one-time up-front financial incentives.

Continuous Signup

The Conservation Reserve Enhancement Program (CREP) is a component of CRP continuous signup and is a partnership among USDA, tribes, states and, in some cases, private groups. Partners (generally states) generally provide 20 percent of estimated total project costs. CREP agreements address high-priority conservation issues of both local and national significance, such as impacts to water supplies, loss of critical habitat for threatened and endangered wildlife species, soil erosion and reduced habitat for fish populations such as salmon. Enrollment in a state is limited to specific geographic areas and practices. In total, FSA has 45 CREP agreements with its partner states and organizations spanning areas in 33 states.

Most CREP agreements are designed to target assistance toward a critical need or issue. Iowa's CREP agreement, for example, focuses on constructed wetlands in the Mississippi River basin. These constructed wetlands reduce nitrogen loadings in watersheds dominated by tile-drained cropland. They consist of a treatment pool and grass buffer, and range in size from 16–70 acres. Monitoring data from the Iowa project indicate that these wetlands remove 40–90 percent of the nitrate flowing into the wetlands. The cost to reduce nitrogen load by a pound in such situations is projected to be less than $1.38 per year for 50 years.

As another example, we have CREP agreements with all the states that drain into the Chesapeake Bay watershed. Pennsylvania's CREP agreement, which has the most acreage enrolled, provides financial and technical assistance to voluntarily restore wetlands, riparian areas, and grasslands; reduce erosion; and prevent sediment, nitrogen, and phosphorus from reaching the Chesapeake Bay. The Conservation Effects Assessment Program (CEAP) of the Chesapeake Bay estimates that nitrogen loss is reduced by 79 pounds per acre per year from acreage enrolled in CRP.[1]

Farmable Wetlands Program

The Farmable Wetlands Program (FWP) is another component of CRP that is designed to restore up to one million acres of farmable wetlands and associated buffers by improving the land's hydrology and vegetation. Eligible producers in all states restore wetland benefits by planting long-term, resource-conserving covers to improve the quality of water, control soil erosion, and enhance wildlife habitat. Participants must agree to restore the hydrology of the wetlands and to establish vegetative cover, which may include planting bottomland hardwoods, cypress and other appropriate tree or wetland species. FWP practices receive the same benefits as other continuous practices such as filter strips and riparian buffers.

CRP Initiatives

CRP further targets limited Federal funds by focusing on specific goals such as wetlands, longleaf pine, or wildlife. CRP initiatives include:

- *Wetlands Initiative.* This initiative was created to restore wetlands located within the 100 year floodplain, restore playa lakes and wetland complexes located outside the 100 year floodplain, and restore floodplains by establishing bottomland hardwood trees. The initiative provides vital habitat for many wildlife species, filters runoff, improves water quality, and reduces downstream flooding.
- *Quail Initiative.* This initiative was created because Northern bobwhite quail populations have declined due to habitat loss. The 350,000 acre initiative creates early successional grass buffers along agricultural field borders in the 35 states that encompass the historic ranges of the bobwhite quail. The buffers also benefit many other species, such as, grasshopper sparrow, dickcissel, and Henslow's sparrow.
- *Longleaf Pine Initiative.* The 250,000 acre longleaf pine initiative was developed to address the decline of longleaf pine in the Southeast. Its goal is to re-establish longleaf pine stands to benefit wildlife species and protect water quality.
- *Duck Nesting Habitat Initiative.* This 150,000 acre initiative was designed to restore wetlands and wetland complexes that are located outside the 100 year floodplain in the Prairie Pothole Region. It will provide critical habitat and nest-

[1] United States Department of Agriculture, Natural Resources Conservation Service. 2011. *Assessment of the Effects of Conservation Practices on Cultivated Cropland in the Chesapeake Bay Region.* Final Draft. *http://www.nrcs.usda.gov/technical/nri/ceap/chesapeake_bay/index.html*.

ing cover for ducks, sandhill cranes and other wildlife species, while filtering runoff, and reducing downstream flooding.

- *State Acres for Wildlife Enhancement.* This 850,000 acre initiative is designed to target high priority wildlife objectives on a state and/or regional level. The projects were targeted to create habitat for threatened and endangered species, species of special concern, and species of economic interest such as sage-grouse, lesser prairie-chicken, and ring-necked pheasant.

Transition Incentives Program

Another component of CRP is TIP which was created in the 2008 Farm Bill and provides $25 million through 2012 to promote the transition of expiring CRP land from a retired or retiring owner or operator to a beginning or socially disadvantaged farmer or rancher to return some or all of the land to production using sustainable farming techniques. Under TIP, the retired party is eligible to receive annual rental payments for up to 2 additional years beyond the contract expiration provided that the land is not transitioned to a family member. Certain conservation and land improvement work may begin on the transitioned land during the last year of the CRP contract.

A retired or retiring CRP participant may apply for TIP beginning one year before the date of the expiration of the CRP contract through the end of the contract. TIP sign-up began on May 17, 2010, and as of June 9, 2011, there were 486 approved TIP contracts accounting for nearly 73,000 acres for expected outlays of $6.5 million.

Emergency Conservation Program

The Emergency Conservation Program (ECP) provides emergency cost-share funding (generally, up to 75 percent) and technical assistance to farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought. For land to be eligible the natural disaster must create new conservation problems that, if untreated, would impair or endanger the land or materially affect the land's productive capacity and for rehabilitation matters must be unusual damage for which Federal assistance is required to return the land to productive agricultural use. County FSA committees determine land eligibility based on on-site inspections of damage. Funding for this program is appropriated by Congress.

Timing of ECP assistance is critical to producers facing disasters and FSA and NRCS employees work closely at the state and county level to provide efficient and timely service. For instance, FSA and NRCS employees in Alabama are working to provide assistance to farmers affected by recent tornados. Approximately $67 million has been allocated under ECP in FY 2011. FSA currently has approximately $9 million available with more than $167 million in pending or soon to be submitted requests.

FSA provides technical assistance regarding debris removal, fence restoration, and grading and shaping of damaged land and FSA has an agreement with NRCS for it to provide technical assistance for practices requiring greater conservation expertise, including restoration of conservation structures and installations as well as drought emergency measures. FSA also has an agreement with the Forest Service to provide technical assistance for hurricane disasters that affect tree stands.

Voluntary Public Access—Habitat Incentive Program

VPA–HIP provides grants to states and tribal governments to encourage owners and operators to voluntarily make land available for public access for wildlife-dependent recreation. Funding may be used to expand existing, or create new, public access programs, or provide incentives to improve wildlife habitat on enrolled lands. USDA announced additional participating states earlier this month, bringing the total number of states participating in the program to 25 (plus the Yakima Nation). With the expanded participation in FY 2011, the program is expected to have a total cost of $50 million.

Grassland Reserve Program

FSA and NRCS jointly administer GRP. GRP participants voluntarily limit future development and cropping uses of the land while retaining the right to conduct grazing practices and operations related to the production of forage and seeding, subject to certain restrictions during nesting seasons. Applications may be filed for a rental contract or an easement with NRCS or FSA. Generally, FSA implements rental contracts and NRCS administers easements. NRCS provides all on-the-ground technical assistance for easements and rental contracts. Currently, 1.1 million acres are enrolled in GRP, at an annual cost of approximately $10 million.

Moving Forward

As you can see, FSA's programs cover a wide variety of conservation and other related needs that have evolved over time. For example, CRP has been very effective at enhancing habitat for lesser prairie-chicken and sage-grouse both of which are candidate species for listing under the Endangered Species Act. CRP also helps producers comply with regulatory actions such as the Chesapeake Bay's total maximum daily load requirements. CRP participation not only promotes the protection of environmentally-sensitive land, but can also help reduce the need for additional regulatory burdens on agricultural producers.

We are committed to ensuring that conservation programs benefit the agricultural sector as intended and protect land, improve water and air quality, and promote wildlife habitat. We are also committed to ensuring that we efficiently and effectively manage stewardship over our natural resources. In addition, we work with our partners including NRCS and the Forest Service, to ensure compliance with the law by thoroughly reviewing producer and land eligibility and needs.

We are working hard to innovate and improve program efficiency. The average government cost per enrolled acre, in inflation-adjusted terms, is significantly lower now than in the late 1980's while, at the same time, more environmental benefits are being generated. Further, FSA and NRCS have significantly reduced technical assistance costs over the past 10 years. We have made changes that allow the automation of eligibility determinations and further streamlined the tasks necessary to implement technical assistance for CRP. Because of these changes, the costs of signup activities have been reduced by about 30 percent per contract for general signup and 18 percent per contract for continuous signup.

We are also committed to evaluating CRP outcomes to ensure that we best target assistance as we move forward. We undertake monitoring and evaluation work with Federal, state, university, and other partners, which provides the sound science to effectively administer CRP and other conservation programs. These analytical results have been used to develop new conservation initiatives and resulted in the Iowa CREP findings noted earlier. These results are also used to develop environmental goals for the FSA strategic plan and to guide other USDA decision-making.

Final Thoughts

In an era of reduced resources, we look forward to working closely with Congress to identify and meet critical conservation needs. We also look forward to working more closely with not only our inter-agency partners within USDA, but also with the private sector and other government agencies. By doing so, we aim to better leverage resources, share ideas, and deliver programs that ensure sustainable conservation activities and programs for agriculture and rural areas.

The CHAIRMAN. Thank you, Mr. Nelson.

Chief White, begin when you are ready.

STATEMENT OF DAVE WHITE, CHIEF, NATURAL RESOURCES CONSERVATION SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. WHITE. Thank you, Mr. Chairman, Mr. Ranking Member, Mr. Lucas, Mr. Peterson, Mr. Goodlatte, distinguished Members of this Subcommittee. I am starting to feel a little bit intimidated. I wasn't expecting quite this many Members here.

Anyway, you have asked me to talk about 15 programs, and I have to tell you, I have been studying like a first-semester freshman right before the exam time. Fifteen of them, I am going to break them down into three categories for you. One, we are going to have the mandatory-funded cost-share programs; then, we will have a group of four, the mandatory easement programs; and then we will have three discretionary.

So the eight mandatory cost-share programs, we will just call this the big eight. The first one is EQIP, Environmental Quality Incentives Program. This is the workhorse. This is the big kid on the block. This is the most lushly funded. This is the main bricks-and-mortar conservation cost-share program we have in the United

States of America. Since 2005, about 1/4 million contracts have been written with farmers, ranchers, and forest landowners in the United States of America—1/4 million since 2005. It has several components to it, some of them I am going to address separately. So EQIP is really the biggest program we have.

The Conservation Stewardship Program is the up-and-coming kid. The Conservation Stewardship Program can enroll 12.7 million acres a year. We have had two enrollments. We are in the tail end of the third enrollment. As of yesterday, the CSP now has about 35 million acres. We are probably going to get another 3 million acres in there. So it is going to be 38 million acres here in a month or so. So it is now geographically the largest program. It is a completely different program from the one it replaced, the Conservation Security Program; Stewardship has a nationwide signup. It has a focus on additionality.

Third cost-share program in the big eight, Wildlife Habitat Incentive Program, $85 million a year baseline, frankly, it is very, very similar to EQIP in how we operate it. It does have a couple of distinct differences. One, it allows you to have a higher cost-share rate for long-term enduring contracts. And the second thing that is somewhat unique about it is that it has a specific directive in there where we are to prioritize the funding for state and national strategic objectives and which we have done. And I will probably go into that later on.

Fourth program in the big eight, the Agricultural Management Assistance, this was actually in part of the credit title. It is only in 16 states. Sixteen states that have historically low participation in crop insurance is where AMA is offered. Again, it is very similar to EQIP. It does have a couple of differences that I would bring forward to your attention. This is a program that is really targeted towards smaller specialty crop organic farmers. It has a baseline. It is not in the Conservation Title, but it has its own baseline. The funding is statutorily split between three agencies. Ten percent of the funding goes to the Agricultural Marketing Service, and they use that to help pay to transition to organic farming. Forty percent of the funding goes to the Risk Management Agency. They use that funding to help specialty crops small farmers pay for crop insurance. Fifty percent comes to NRCS and we help develop on-farm conservation systems. Two things it does that really are fairly unique: one, you can use the funding to install new irrigation systems, which is rather unique; and second, you can use the funding to build irrigation reservoirs, which, if you are in a drought, it is a pretty big thing.

Fifth team in the big eight conference is the Agricultural Water Enhancement Program, fondly called AWEP. AWEP is a component of EQIP. It has its own distinct, separate baseline, which at the end of the farm bill will be $60 million. AWEP is focused on water conservation, water quality. There are some specific instructions in the manager's report that gives us targeted areas like the Ogallala Aquifer, Red River, Upper Mississippi, Eastern Snake Plain Aquifer in Idaho, Bay Delta, California, Puget Sound. And we have put funding in all of those areas. A unique thing at AWEP is if you are in like an exceptional drought area—I think that is a D3/D4—you can use AWEP funds to build irrigation reservoirs. And some of you may remember Mr. Everett from Alabama, that was a provision that he really wanted to see in this 2008 Farm Bill.

Number six in the big eight, Conservation Innovation Grants, this is a subcomponent of EQIP that does not have a separate funding stream. All funding for this comes out of the overall EQIP allocation. There are two components to Conservation Innovation Grants. CIG A, which is really a grant program, a 50 percent matching grant program, and it is designed to take a research finding that is found in the lab that shows promise and how do you get that to on-the-ground application in a practical manner for farmers and ranchers. This divide between discovery and application is called Death Valley. So the Conservation Innovation Grants, Section A, is designed to help you bridge that Death Valley and take promising research results and put them on on-the-ground, reasonable, technical applications that farmers can use around the country.

The second part of CIG, Section B is air quality: $37.5 million is designated for this subsection and it is to be used around the country in areas in air quality attainment areas. There are several of them. I was detailed to Senator Harkin in the 2008 Farm Bill process. This was brought forward on the Senate side by Senators Boxer and Feinstein. Members of this Committee, some of you may remember, Mr. Costa, Mr. Cardoza brought it forward. This is designed to help producers upgrade—part of it was to upgrade their engines. And when I first heard about it, I scoffed at it. I mocked it. I laughed at it. I thought this was the goofiest thing I have ever heard of. And then I saw how it was working and I was wrong. I was dead, flat, slap wrong.

I have been to California where the bulk of this funding has gone. Central Valley, California, there is not one area in the United States of America where farmers are more regulated than they are in the Central Valley. And if you like peaches, plums, grapes, raisins, broccoli, carrots, onions, lettuce, it is very important for us to keep those producers in business. The Central Valley is like a big bowl. Everything that comes in there stays in there. Their air quality concerns are huge. And these guys are going out of business. I was on a producer's farm. His name was Don Cameron, and he had 30 irrigation pumps lined up right behind his barn, 30 of them. Every single one of them had a hole cut in the block. I was looking at a million dollars of irrigation pumps that could maybe be sold for scrap metal because they were too polluting for the California Air Resources Board. And with this particular section of EQIP, we are able to cost-share on a 50–50 basis. They are going from Tier 0 to Tier 3 engines in the last 2 years. This is astounding.

And farmers, they are putting in this money, too, where we have done about 40 in EQIP; they have done about 40. It has reduced emissions with the net effect of removing over 400,000 cars from the road in California every single year. We may be at the point if we carry this on for a couple more years, we will obviate the need for any further regulation of these guys in the Central Valley.

Number seven in the big eight, Chesapeake Bay Watershed Program, $50 million baseline, I had been up here before talking about it. Many of you are extremely familiar with that. Chesapeake Bay is ground zero for agriculture and regulation. This is often viewed as the canary in the coal mine. I am much more bullish on our chances than other people, and the Chesapeake Bay Watershed Program is really equipping us with some of the resources we need in this critical area.

Rounding out the big eight is not really a program *per se,* but it is a mechanism. It is the Cooperative Conservation Partnership Initiative. It is an authority which allows us to use three different programs—EQIP, the Wildlife Habitat Incentive Program, and the Conservation Stewardship Program—for outside entities like universities and agricultural groups and other partners to designate areas where they identify a problem and we focus EQIP, WHIP, and CSP resources to solve that identified problem. Right now, we have about 164 projects around the country. There is a statutory limitation of no more than six percent of EQIP, WHIP, and CSP that can be used in CCPI. We are right now at 5.9 percent. So there probably won't be a whole lot more. So that rounds out the big eight.

Now, the big 12, these are all four easement programs. The big kid on the block is the Wetlands Reserve Program. In my opinion, it is the single biggest reason this country has achieved no net loss of wetlands. If you remember George Herbert Walker Bush, Bush I, he announced it was going to be the policy of the United States, no net loss of wetlands. This program is one of the main reasons why that has occurred. There are over 2 million acres right now. It is mostly marginal crop land that guys have a hard time making money on anyway. And that is one, Mr. Chairman, that you mentioned does not have a baseline, going forward.

Second one is the Farm and Ranch Lands Protection Program. I know that that is critical to Mr. Holden and other Members of this Committee. This is a working lands easement program. Essentially, you are purchasing development rights. So this farm, this ranch is going to stay in agriculture forever. It is not going to be an airport; it is not going to be subdivided; it is not going to be little ranchettes. It is going to be in agriculture. A lot of changes made in 2008 that have made this program better, it will have a baseline of about $200 million, going forward.

Third program, Grassland Reserve Program, this is kind of a hybrid. It blends a little bit of WRP and a little bit of FRPP, but again, it is a working lands program. Mr. Nelson very ably described that, so I won't go into it. And it is jointly administered between our two agencies.

Number 12 of the big 12 is the Healthy Forests Reserve Program. This is actually located in the Forestry Title. It is a permanent easement program—30 year contract for tribes—to aid in the recovery of threatened and endangered species. What is different about this is no-year money. We have to work with Fish and Wildlife Service to get people who enrolled into Safe Harbor Agreements. This is really focused on recovery of endangered species. Very small, $10 million a year for the last 3 years and will not have a baseline, going forward.

All right. That leaves us with three more programs you wanted me to talk about. That would take us to 15. I couldn't think of a sports analogy for that so I am going to give you a bonus program to take us to the Sweet 16 shifting from football to basketball.

Number 13 is Resource Conservation and Development created in the early 1960s. RC&D really created 501(c)(3) nonprofit organizations whose mission was rural development broadly—natural resource-based rural development. I worked with them all of my career. I have a lot of respect for them. They have done some tremendous work around the country. In the last Bush Administration, OMB made an analysis and said it was duplicative, and the last few years of the Bush Administration, the Administration recommended it be zeroed out. That was carried forward in the Obama Administration and Congress adopted it this year. There is zero funding for this program. We are in the process of doing an orderly closeout of that. It is a very good program, but I recognize the necessity of the hard choices that are being made.

Number 14 is the Small Watershed Program, which actually is two other programs—P.L. 78–534 and P.L. 83–566. These date from the 1940s and 1960s. Over that period of time, essentially these were flood-control structures. There is also water supply. These are the dams that are really flood control. There have been about 1,800 projects over that amount of time, over 11,000 structures have been built. Now, when you go back to the 1940s and 1950s, fast-forward to today, we are in a bit of a fix. These dams, structures if you will, most of them were built with a 50 year lifespan. That is not to say that at 51 years they fall down. They are perfectly good but they had a design life of around 50 years. These structures are reaching the end of their design life. In fact, every day for the next 20 years somewhere in the United States of America a watershed dam will reach the end of its design life. That is not to say that they are bad at that point in time; it just to say their design life is over.

Which leads me into number 15, which is the Watershed Rehabilitation Program. And I will give a nod to Chairman Lucas, who has recognized this and acted very forcefully to establish this particular program. What do you do with these structures? These structures are providing about $2 billion in prevented damages every year across America. What do you do when they reach the end of their design life? What do you do when they need rehabilitation? What do you do when there is a safety issue? And this is a mechanism where we can go in and fix these older structures. And they don't have to be at the end of their design life either. In this country, urban development has occurred where we have put a little dam out in a farm field. It might be in a city now. A good example of that is Atlanta. We have several watershed projects and Atlanta, as of 2011, is not the Atlanta of 1950.

So when something like that occurs, we go in and we upgrade those structures to high-hazard classifications so adding in those extra safety features. There is not one earmark in this program. This program is a cost-share 65–35. And NRCS has a little criteria where we decide where to work. Number one on the list is human health and safety. This had $100 million in the farm bill and I think it has $18 million, going forward, in this particular ag budget.

Bonus program number 16 is another easement program. This is a discretionary easement program. This falls under the Emergency Watershed Protection Program. It is for flood plain easements. It allows us after a flood to go in and purchase easements on these flood plains where guys are getting washed out all the time. Actually, if you look at it, it really saves us a lot of money because you are not paying disaster assistance on that land or crop insurance year after year. And if there is flooding in the future, the water can spread out, be filtered, ground water recharged, good for wildlife. There is a lot going for that program.

I have talked enough. One thing I would ask you, this is your watch. This is going to happen under your control. Forty years from now, nine billion new people will be in this world. I have seen all kinds of projections for what it is going to take. I have seen 50 percent increase of production, 70 percent, double production. Any way you slice it, we are going to have to increase production. And conservation is one of the key ways that we can ensure the future that those little Americans who come after us will have the same bounty that we enjoy today.

Thank you, Mr. Chairman.

[The prepared statement of Mr. White follows:]

PREPARED STATEMENT OF DAVE WHITE, CHIEF, NATURAL RESOURCES CONSERVATION SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss conservation programs administered by the Natural Resources Conservation Service (NRCS).

The NRCS conservation portfolio contains a broad mix of authorities providing programs for conservation technical assistance, environmental improvement, stewardship, easements, and water resources. These conservation investments, designed by Congress and implemented by USDA, have a proven track record. They are good for farmers, ranchers and private forest landowners and they work for all Americans—helping to secure a high quality environment in concert with food security for our nation and the world.

Last year we celebrated 75 years of service to the nation's farmers, ranchers, and other land owners and managers, we looked back at the landmark achievements, and continued to make some history of our own. Before providing the Subcommittee with details about our conservation programs, I would like to share a few of the benefits that these programs delivered through our long, strong partnership with America's farmers, ranchers, and private forest landowners.

Last year (Fiscal Year 2010) was a record year in conservation program delivery. Of special note is the Wetlands Reserve Program (WRP). A nationwide emphasis on wetlands conservation resulted in a record-setting WRP enrollment of nearly 273,000 acres, exceeding the next-highest yearly total by more than 58,000 acres and nearly doubling our average annual enrollment. And while much work remains to be done in completing restoration work associated with these record enrollments, more than 129,000 acres of wetlands were created, restored or enhanced in FY 2010. While acreage numbers are impressive, the more important outcome is that these wetlands are now providing essential habitat for at-risk species, such as the threatened Louisiana Black Bear and the endangered Whooping Crane. The better job we do in assisting in keeping candidate and other at-risk species off the List of Endangered and Threatened Wildlife, the greater flexibility our producers have in providing food, feed, and fiber for the nation and the world.

Voluntary conservation on private lands works! USDA established the Conservation Effects Assessment Project (CEAP) in 2003 to develop a scientific understanding and methodology for estimating the environmental effects of conservation practices on agricultural landscapes at national, regional, and watershed scales. CEAP is built on partnerships and working collaborations involving Federal agencies inside and outside of USDA, land-grant universities, state agencies, and non-profit organizations.

The first CEAP assessments of the effects of conservation practices on cultivated cropland were released in FY 2010. Two of the planned 14 regional reports, the Upper Mississippi River Basin (UMRB) and the Chesapeake Bay Region CEAP Cropland Reports, quantify the great progress farmers have made in reducing sediment and nutrient losses from cropland, while emphasizing a continuing need for conservation efforts to focus on nutrient management. A few key highlights from the UMRB assessment include:

- Voluntary, incentive-based conservation works. Reduced tillage is used on 95 percent of the cropland—sediment losses are reduced by an estimated 69 percent as compared to a scenario where full conventional tillage is used.
- Nutrient management is the greatest need. Much can be done through expanded adoption of existing practices. About 60 percent of the cropland needs improved nutrient management; Timing, rate and method of application are important factors in managing nutrient application.
- Targeting can greatly enhance program effectiveness. Treating the most critical acres can have three to five times the effect on sediment and nutrient reduction as compared with treating acres with less serious problems.
- Comprehensive conservation planning is essential. Suites of practices that address multiple resource concerns are more effective than single practices.

In FY 2010, NRCS used landscape-scale initiatives to address priority resource concerns in working landscapes and watersheds nationwide. Two of these initiatives began prior to FY 2010—the Chesapeake Bay Watershed Initiative, supported by the statutory Chesapeake Bay Watershed Program in the farm bill and the Great Lakes Restoration Initiative, supported by financial assistance transferred from the U.S. Environmental Protection Agency and the Great Lakes Restoration Action Plan. The other initiatives are the Sage-Grouse, the Longleaf Pine, California Bay-Delta, Lesser Prairie-Chicken, Mississippi River Basin Healthy Watersheds, New England Forestry, and the Migratory Bird Habitat. These initiatives reflect a common objective of using targeted conservation assistance in addressing priority natural resource concerns that are broader than a single state and that will help to keep working lands working.

The Sage-Grouse Initiative (SGI) is a great example of how landscape-scale conservation delivers broad benefits for agriculture. SGI focused conservation delivery within habitat core areas to help maintain large and intact grazing lands—important for the sage-grouse and for the rancher. NRCS identified practices that can be implemented through the Environmental Quality Incentives Program, the Wildlife Habitat Incentive Program, the Grassland Reserve Program and the Farm and Ranch Lands Protection Program to increase and protect grouse habitat and populations on 640,000 acres in 11 western states. In FY 2010, NRCS contracted with 223 ranching operations for a total $18.5 million in financial assistance to remove sage-grouse threats and help sustain working ranches. As a result, over 180 miles of high-risk fencing near breeding sites were marked or removed, which prevented an estimated 800 to 1,000 mortalities through fence collisions in just the first year.

The SGI also resulted in a landmark agreement that provides regulatory certainty to ranchers who take actions to improve sage-grouse habitat on their land. In early 2010, the U.S. Fish and Wildlife Service (FWS) determined sage-grouse to be a "candidate" species under the Endangered Species Act (ESA), which means listing is warranted but precluded by higher listing priorities and positive management actions that address threats to the species need to be taken to prevent listing. NRCS and FWS negotiated a first-of-its kind regional agreement that lets landowners know the investments they make today to benefit this declining species and the sustainability of their ranching operation by implementing NRCS conservation practices according to the SGI Conference Report can continue should sage-grouse be listed at a future date.

This new conservation approach prioritizes assistance to ensure that the best conservation practices are implemented in the right landscapes for a positive sage-grouse population-level response. The SGI is a perfect example of how conservation programs can respond to critical natural resource issues by merging science and program delivery, and targeting practices and geography to make a real difference on the landscape for natural resources and for America's farmers and ranchers.

NRCS Conservation Programs

This testimony provides an overview and status for 15 of NRCS' conservation programs and authorities:

Environmental Quality Incentives Program

The Environmental Quality Incentives Program (EQIP) provides financial and technical assistance on working lands to help producers address environmental challenges. To meet these challenges, EQIP provides incentives for the application of farming and other land use practices that maintain or improve the condition of soil, water, air, and other natural resources. The program assists agricultural and forestland users in identifying natural resource issues and opportunities to improve their agricultural operations and provides technical and financial assistance to address them in an environmentally beneficial and cost-effective manner. EQIP-promoted practices meet a variety of environmental and natural resource challenges.

In FY 2010, EQIP financial assistance obligations by states reached almost $840 million in 36,500 contracts covering an estimated 13 million acres. In addition to regular EQIP projects, these funds also supported projects in resource based initiatives such as air quality, on-farm energy audits, migratory bird habitat, and the Mississippi River Basin Initiative, and projects that emphasize environmental protection and agricultural production as compatible goals such as organic production and seasonal high tunnels.

In FY 2010, NRCS provided $37.5 million in financial and technical assistance to 12 states through the national Air Quality Initiative to help producers meet requirements of the Clean Air Act. Through this initiative, NRCS provides assistance to farmers and ranchers to reduce air pollution generated from agricultural operations in areas designated by the U.S. Environmental Protection Agency as non-attainment areas for ozone and particulate matter. During FY 2010, over 950 contracts supported some 3,800 practices on more than 220,000 acres. In the Central Valley of California alone, we estimate that these air quality projects over the past 2 years have had the equivalent impact of removing the NO_X emissions from 400,000 vehicles from the area's roads each year.

In FY 2010, NRCS worked to provide financial assistance to more than 240 producers for on-farm energy audits by offering the Agricultural Energy Management Plan through EQIP. In partnership with the private sector and other organizations, NRCS is developing technical tools and training to evaluate and reduce agricultural energy consumption through implementation of on-farm energy audit recommendations and to help producers adapt plans and practices for better energy efficiency and on-farm energy production.

The Organic Initiative is a nationwide special initiative within EQIP to provide assistance to organic producers as well as producers in the process of transitioning to organic production. In FY 2010, NRCS obligated nearly $24 million in financial assistance to treat 148,000 acres in organic production or in transition to organic production. The most often recommended practices include nutrient management, cover crop, pest management, conservation crop rotation, and prescribed grazing.

The FY 2012 President's budget includes $1.408 billion in mandatory funding for financial and technical assistance for the Environmental Quality Incentives Program.

Agricultural Water Enhancement Program

The Agricultural Water Enhancement Program (AWEP) is a component of EQIP. The purpose of AWEP is to promote improved ground and surface water conservation and water quality by leveraging the Federal Government's investment in natural resources conservation with services and resources of other eligible partners. The AWEP program was specifically created to address serious surface and ground water shortages as well as water quality concerns in many agricultural areas. The security of the nation's food supply is dependent upon the continued delivery of clean, reliable irrigation water to farms and ranches.

This is the second year in which AWEP has been implemented and interest from the agricultural sector has remained steady. In FY 2010, NRCS obligated $60.8 million in 1,489 new contracts to implement conservation practices on nearly 271,000 acres of agricultural land. The ability to leverage funding through partnership agreements has also remained strong. Partners provided approximately $50.5 million in technical and financial assistance in FY 2010, nearly matching NRCS' AWEP investment. Through AWEP, the agency approved 28 new partner project areas during FY 2010, and continued to provide support for 63 existing project areas approved during FY 2009. Over ½ of the projects approved in FY 2010 are located in the high-priority water quantity concern areas, where conservation practices will be applied to conserve scarce water resources.

The FY 2012 President's budget includes $60 million in mandatory funding for financial and technical assistance for the Agricultural Water Enhancement Program.

Conservation Innovation Grants

Conservation Innovation Grants (CIG) is a component of the Environmental Quality Incentives Program (EQIP) that is intended to stimulate the development and adoption of innovative conservation approaches and technologies while leveraging Federal investment in environmental enhancement and protection, in conjunction with agricultural production. CIG provides grants of up to 50 percent of the total project cost on a competitive basis to non-Federal governmental or non-governmental organizations, federally-recognized Indian tribes, or individuals. Applicants must provide non-Federal funding for at least 50 percent of the project cost, of which up to ½ (25 percent of the total project cost) may come from in-kind contributions.

CIG has two major components: National and State:

(1) The National Component emphasizes projects that have a goal of providing benefits over a large geographic area. These projects may be watershed based, regional, multi-state, or nationwide in scope.

(2) The State Component provides flexibility to NRCS State Conservationists to target CIG funds to individual producers and smaller organizations that may possess promising innovations, but may not compete well on the larger scale of the national grants competition.

Funding for CIG is announced each year through a funding notice. CIG funds single- or multi-year projects, up to 3 years in length.

CIG projects have resulted in new technologies and opportunities for producers. A 2005 grant helped to demonstrate that precision feeding of dairy cows could facilitate reductions in the protein (nitrogen) and phosphorus being fed to dairy animals while maintaining or even improving milk production and possibly improving animal health. Based on the findings from these feeding trials, the Pennsylvania State University Cooperative Extension developed the "Dairy Tool" to help farmers identify the greatest opportunities to improve profitability on their farms.

In FY 2010, NRCS received 388 applications requesting more than $221.8 million. NRCS obligated about $18 million through 61 agreements representing 43 states and U.S. territories of the Pacific. Grant recipients provide matching funds to CIG bringing the total value of the approved projects to more than $35 million.

Wildlife Habitat Incentive Program

The Wildlife Habitat Incentive Program (WHIP) provides assistance to improve upland and wetland habitats to benefit priority wildlife species, including threatened, endangered and other at-risk species. Focused efforts on habitat for fish and wildlife also contribute to more sustainable use of resources. By prioritizing specific geographic areas through various efforts at the state level, WHIP is able to target financial and technical assistance funds to benefit habitats for specific declining wildlife species such as the sage grouse. For example, WHIP funds helped to support a project in Somerset County, Maine, to rebuild a wildlife and nature preserve. Following a dam breach in 2000, the landowner committed to reclaiming the land. The project is improving the forest stand, planting cover crops, installing nesting boxes, among other practices to create open space and nesting, brooding, and rearing habitat for the American woodcock, a species of concern, as well as 50 other important wildlife species.

In FY 2010, NRCS obligated almost $63 million in financial assistance in more than 4,700 agreements to enroll over one million acres in WHIP. Sixty-eight of these contracts valued at over $3.7 million are with American Indian and Alaskan Natives participants to benefit habitat for culturally important species. Since the program began in 1998, national enrollment has included almost 37,000 agreements on over 6.5 million acres.

The FY 2012 President's budget includes $73 million in mandatory funding for financial and technical assistance for the Wildlife Habitat Incentive Program.

Agricultural Management Assistance

NRCS administers the conservation provisions of the Agricultural Management Assistance (AMA) program, which provides financial assistance to agricultural producers to address water management, water quality, and erosion control issues by incorporating conservation into their farming operations. AMA is available in 16 states where participation in the Federal Crop Insurance Program is historically low: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

With AMA funds, producers may construct or improve water management structures or irrigation structures; plant trees for windbreaks or to improve water quality; and mitigate risk through production diversification or resource conservation practices, including soil erosion control, integrated pest management, or transition to organic farming. AMA may provide producers a first-time opportunity to address natural resource concerns on their lands. For instance, producers that cannot meet Environmental Quality Incentives Program (EQIP) irrigated-land criterion may receive AMA assistance to install irrigation.

In FY 2010, $6 million was obligated into 429 contracts covering 11,102 acres.

The FY 2012 President's budget includes $2.5 million in mandatory funding for the Agricultural Management Assistance program.

Chesapeake Bay Watershed Program

The Chesapeake Bay Watershed Program (CBWP) helps agricultural producers improve water quality and quantity, and restore, enhance, and preserve soil, air, and related resources in the Chesapeake Bay Watershed through the implementation of conservation practices. These conservation practices reduce soil erosion and nutrient levels in ground and surface water; improve, restore, and enhance wildlife habitat; and help address air quality and related natural resource concerns. CBWP encompasses all tributaries, backwaters, and side channels, including their watersheds, draining into the Chesapeake Bay. This area includes portions of the states of Delaware, Maryland, New York, Pennsylvania, Virginia, and West Virginia.

NRCS implements CBWP through the various natural resources conservation programs authorized by subtitle D, Title XII of the Food Security Act of 1985. In FY 2010, NRCS implemented CBWP through the Environmental Quality Incentives Program (EQIP) and the Wildlife Habitat Incentives Program (WHIP).

In FY 2010, nearly 2,900 agricultural producers submitted applications to NRCS to participate in CBWP. NRCS approved more than 950 contracts for more than $33.5 million of financial assistance to treat an estimated 156,700 acres of high priority agricultural land. The balance of CBWP funds authorized in FY 2010 supported technical assistance for the program.

The FY 2012 President's budget includes $50 million in mandatory funding for financial and technical assistance for the Chesapeake Bay Watershed Program.

Cooperative Conservation Partnership Initiative

The Cooperative Conservation Partnership Initiative (CCPI) enables the use of certain conservation programs along with resources of eligible partners to provide financial and technical assistance to owners and operators of agricultural and nonindustrial private forestlands. CCPI is designed to encourage investment in natural resource conservation by non-Federal sources, foster coordination with other partners, and achieve high-priority natural resource objectives.

Under CCPI, NRCS enters into multi-year agreements with eligible partner organizations. Partners eligible to enter into a CCPI agreement with NRCS include federally recognized Indian Tribes, state and local units of government, farmer cooperatives, producer associations, institutions of higher education, and other non-governmental organizations with a history of working cooperatively with producers to address conservation priorities related to agriculture and nonindustrial private forestland.

In order to receive CCPI financial assistance, owners and operators of agricultural and nonindustrial private forestlands must participate within a project area defined in an approved CCPI agreement and enroll in the Environmental Quality Incentives Program (EQIP); Wildlife Habitat Incentive Program (WHIP), or the Conservation Stewardship Program (CSP).

In FY 2010, about $42.3 million was obligated in 279 contracts with producers to implement conservation practices on nearly 1.2 million acres of agricultural lands. Through CCPI, NRCS approved 51 new partner project areas in FY 2010, and continued to support 110 projects approved during FY 2009.

CCPI does not receive specific funding. By statute, funding is limited to no more than six percent of available program funds (EQIP, WHIP) or acres (CSP). NRCS manages resources and allocations between all three programs to assure obligations through CCPI will not exceed funding authority.

Conservation Security Program

The Conservation Security Program was a voluntary program that provided financial and technical assistance for the conservation, protection, and improvement of natural resources on tribal and private working lands. It provided payments for producers who practice good stewardship on their agricultural lands and provided incentives for those who wanted to do more. Under the 2008 Farm Bill, NRCS is not authorized to enter into new Conservation Security Program contracts but continues to make payments to producers with 5 to 10 year contracts from prior years.

The FY 2012 President's budget includes $197 million in mandatory funding for the Conservation Security Program.

Conservation Stewardship Program

The Conservation Stewardship Program (CSP) encourages agricultural and forestry producers to adopt new conservation measures and maintain existing conservation activities on their operations. CSP provides opportunities to recognize excellent stewards and deliver valuable new conservation. The program helps producers identify natural resource problems in their operation and provides technical and financial assistance to go beyond existing conservation and deliver new environmental benefits in an environmentally beneficial and cost-effective manner. CSP has helped participants take additional steps in conservation, adopting new efficient technologies and generating additional environmental benefits. A Pennsylvania dairy farm was able to enhance their existing soil improvement efforts based on cover crops, diversions, waterways, and strip cropping to incorporate a simple yet effective cover crop mix enhancement to further their benchmark level of conservation. Their next step was to upgrade to a high residue vertical tillage implement that will increase surface residue and further reduce soil erosion. All of these improvements—increased plant diversity and improved erosion control were made possible through participation in CSP.

CSP is a voluntary program available through a continuous sign-up process, with announced cut-off dates for ranking and funding applications. Applications are evaluated relative to other applications addressing similar priority resource concerns to facilitate a competitive ranking process.

In FY 2010, CSP supported conservation by obligating more than $320 million in financial assistance funding. These funds will be used to treat 25,164,328 acres leading to more productive working lands, improved water quality and energy efficiency. These are among the many benefits of addressing the natural resource concerns of agricultural and forestry producers.

The FY 2012 President's budget includes $788 million in mandatory funding for financial and technical assistance for the Conservation Stewardship Program to enroll 12 million acres.

Wetlands Reserve Program

The Wetlands Reserve Program (WRP) provides technical and financial assistance to enable eligible landowners to restore, protect and enhance valuable wetland ecosystems, including associated habitats such as uplands, riparian areas, and forestlands. The goal of WRP is to achieve the greatest wetlands functions and values, along with optimum wildlife habitat, on every acre enrolled in the program. WRP addresses wetland, wildlife habitat, soil, water and related natural resource concerns on private lands in an environmentally beneficial and cost-effective manner. The program achieves solutions to local community issues related to farms, ranches, rural lands, and other areas by establishing easements and long-term agreements on eligible farmlands and by establishing 30 year contracts on Tribal lands. This unique program offers landowners an opportunity to establish, at minimal cost, long-term conservation and wildlife habitat enhancement practices and protection.

During FY 2010, NRCS enrolled a total of 272,762 acres in WRP in 1,414 projects. Of these, the majority were in easements (206,094 acres in 951 permanent easements and 61,935 acres in 30 year easements). Also during FY 2010, NRCS restored and enhanced 129,082 acres of wetlands that are part of WRP easements and contracts in prior years.

The FY 2012 President's budget includes $785 million in mandatory funding for financial and technical assistance for the Wetlands Reserve Program and NRCS expects to enroll 271,158 acres.

Farm and Ranch Lands Protection Program

The Farm and Ranch Lands Protection Program (FRPP) protects the nation's highly productive agricultural lands by providing matching funds to keep productive farm and ranch lands in agricultural uses. Farm and ranch lands enrolled in FRPP are protected from threats of conversion to non-agricultural uses, and remain productive and sustainable sources of food, fiber, and feed for the nation. Keeping land in agricultural use reduces the amount of urban pollution (nitrogen, phosphorus and sedimentation) from land that would otherwise be converted to lawns and impervious surfaces.

FRPP is helping to achieve landscape scale conservation objectives. In FY 2010, nearly 19,000 acres of historic agricultural land, critical wildlife habitat and iconic views in Sublette County, WY were protected through an FRPP agreement. The Sommers-Grindstone Conservation Project includes four separate conservation easements and public fishing access on nearly 5 miles of the Green River. The agreement is a partnership among landowners, the Wyoming Game and Fish Commission, the Wyoming Stock Growers Agricultural Land Trust, and an extensive list of public and private funders, including NRCS. The easement will allow the land to remain undeveloped—benefitting cattle and wildlife—and will ensure that the ranch passes to another generation of ranchers. The cattle ranches are comprised of hay meadows, riparian areas, a diversity of trees, sage-brush, high-grass prairie, and wetlands. The conservation easements are held by the Wyoming Stock Growers Agricultural Land Trust, and the ranches remain under the ownership and management of the landowners. Additionally, FRPP supports the President's America's Great Outdoors initiative by preserving the natural landscape features of non-urbanized areas and encouraging the continued agricultural uses of the lands.

In FY 2010, over 170,000 acres were enrolled in FRPP in 35 states. The average size easement enrolled in FY 2010 was 423 acres.

The FY 2012 President's budget includes $200 million in mandatory funding for financial and technical assistance for the Farm and Ranch Lands Protection Program.

Grasslands Reserve Program

The Grasslands Reserve Program (GRP) helps landowners and operators restore and protect rangeland, pastureland, and other grassland while maintaining the land's suitability for grazing. Participants voluntarily limit future development and cropping uses of the land while retaining the right to conduct common grazing practices and operations related to the production of forage and seeding.

Limiting development and providing habitat needed by threatened, endangered, and other at-risk species, preserves agricultural heritage and green space, provides for recreational activities and ensures the nation's ability to produce its own food. For example, five GRP projects in Phillips County, MT have protected nearly 30,000 acres since 2009. These projects are preserving rural ranching operations while protecting critical wildlife habitat for sage-grouse and other grassland birds. More than 80 percent of the acres in the five ranches are prime habitat for sage-grouse.

During FY 2010, the program obligated and committed $90.3 million of the financial assistance funding allocated to the states and enrolled 335,332 acres in the program. Of the funding provided, approximately 60 percent enrolled GRP easements and 40 percent enrolled rental contracts.

The FY 2012 President's budget includes $67 million in mandatory funding for financial and technical assistance for the Grasslands Reserve Program to enroll an estimated 203,515 acres.

Healthy Forest Reserve Program

Healthy Forest Reserve Program (HFRP) assists landowners in restoring, enhancing, and protecting forest ecosystems to: (1) promote the recovery of threatened and endangered species; (2) improve biodiversity; and (3) enhance carbon sequestration.

HFRP provides financial assistance for specific conservation actions completed by the landowner. As funds are made available, NRCS solicits project proposals State Conservationists have developed in cooperation with partnering organizations. States selected for funding provide public notice of the availability of funding within the selected area.

During FY 2010, NRCS received 164 applications in the 13 states with approved projects. Fourteen landowners were enrolled, encompassing 5,583 acres, with financial assistance obligations valued over $6 million.

The FY 2012 President's budget includes $9.75 million in mandatory funding for the Healthy Forest Reserve Program.

Watershed Rehabilitation Program

The purpose of the Watershed Rehabilitation Program is to extend the service life of dams and bring them into compliance with applicable safety and performance standards or to decommission the dams so that they do not pose a threat to life and property. NRCS may provide technical and financial assistance for the planning, design, and implementation of rehabilitation projects that may include upgrading or removing the dams.

Eleven dam rehabilitations were completed in FY 2010, and there are 23 dam rehabilitation projects currently under construction. There is one dam that is being decommissioned. Additionally, there were 650 ongoing assessments of high hazard dams that provided communities with technical information about the condition of their dams and alternatives for rehabilitation for dams that do not meet Federal dam safety standards.

The FY 2011 Final Continuing Resolution provided for $18 million in Watershed Rehabilitation funding. The FY 2012 President's budget does not include funding for the Watershed Rehabilitation Program, reflecting the many difficult choices that were made in the budget prioritizing process this year.

Watershed and Flood Prevention Operations Program

The Watershed and Flood Prevention Operations program authorizes the Secretary of Agriculture to provide technical and financial assistance to entities of state and local governments and Tribes (project sponsors) for planning and installing watershed projects. The Watershed Protection and Flood Prevention Program is available nationwide to protect and improve watersheds up to 250,000 acres in size. Currently there are approximately 300 active small watershed projects throughout the country. The Flood Control Act of 1944 is available only in areas authorized by Congress; and these areas cover about 38 million acres in 11 states.

The FY 2011 Final Continuing Resolution did not include funding to carry out the Watershed and Flood Prevention Operations program for the remainder of the fiscal year. Further, the FY 2012 President's budget does not include funding for the Watershed and Flood Prevention Operations Program, including the Watershed Operations (P.L. 78–534) and Small Watersheds (P.L. 83–566). NRCS is in the process of conducting an orderly close-out of these programs, ensuring to the maximum extent possible that the highest priority projects are completed with the limited remaining funds.

Resource Conservation and Development

The Resource Conservation and Development (RC&D) Program objective is to encourage and improve the capability of state and local units of government and nonprofit organizations in rural areas to plan, develop, and implement programs for resource conservation and development. NRCS provided program administration and assistance to RC&D areas and their volunteer nonprofit RC&D Councils.

The FY 2011 Final Continuing Resolution did not include funding to carry out the Resource Conservation and Development program for the remainder of the fiscal year. Further, the FY2012 President's budget does not include funding for the Resource Conservation and Development program. NRCS is in the process of conducting an orderly close-out of its RC&D program operations. The elimination of funding, however, does not eliminate RC&D Councils, which may continue to operate and compete for assistance from state, local, and other Federal agencies, private organizations, and foundations to carry out specific projects.

Conclusion

In conclusion, conservation programs play an essential role in the nation's food security. Conservation helps to make farms and ranches more resilient to risks—whether from pests, disease, floods, or drought—and helps producers adapt to the challenges. Our farmers and ranchers know better than anyone the value of clean water, clear air and healthy soil for agricultural production. They know that land stewardship secures the future, and they have made incredible strides to protect the land they rely on. Through programs such as the Environmental Quality Incentives Program and the Conservation Stewardship Program, NRCS builds partnerships with farmers, ranchers, and forestland owners to make their operations more sustainable. These conservation efforts improve soil fertility and reduce soil erosion, improve fertilizer use and water use efficiency, reduce energy use, and enhance overall productivity.

These investments in private lands conservation are good for farmers, ranchers, and forestland owners-reduced input costs directly help the bottom line, while improved soil and water quality help maintain and even enhance long-term productivity while minimizing regulatory pressures. These same investments in conservation work for all Americans, by contributing to healthy landscapes, healthy communities, and to the food security of our nation and the world.

Thank you for the opportunity to be here today to discuss the work of NRCS. I am happy to answer any questions from the Subcommittee Members.

ATTACHMENT 1

NRCS Cost-Share Programs

Program/Initiative	Agricultural Management Assistance Program (AMA)	Agricultural Water Enhancement Program (AWEP)	Conservation Stewardship Program (CSP)	Cooperative Conservation Partnership Initiative (CCPI)	Chesapeake Bay Watershed Program (CBWP)	Environmental Quality Incentives Program (EQIP)	Wildlife Habitat Incentive Program (WHIP)
Purpose or Goal	Provides cost-share assistance to agricultural producers to address issues such as water management, water quality, and erosion control by incorporating conservation into their farming operations.	Provides financial and technical assistance to agriculture producers in approved project areas to implement water enhancement activities on ag land for the purpose of conserving surface and ground water and improving water quality.	Encourages producers to address resource concerns in a comprehensive manner by improving, maintaining, and managing existing conservation activities; and undertaking additional conservation activities.	CCPI is a conservation initiative that enables the use of certain conservation programs along with resources of eligible partners to provide financial and technical assistance to owners and operators of agricultural and nonindustrial private forestlands.	Provides financial and technical assistance to agricultural producers to help plan and implement conservation practices that improve water quality and quantity and restores, enhances, and preserves soil, air and related resources.	Provides financial and technical assistance to agricultural producers to help plan and implement conservation practices that address natural resource concerns and for opportunities to improve soil, water, plant, animal, air, and related resources on Tribal land, agricultural land, and nonindustrial private forestland. The program does not include land enrolled in CRP, WRP, or GRP.	Provides financial and technical assistance to develop fish and wildlife habitat on private agricultural land, nonindustrial private forestland, and Tribal lands. All private or Tribal agricultural land is eligible, unless it is currently enrolled in CRP, WRP, HFRP, WBP, EWPP, GRP or a similar program.
Length of agreement/ contract	1–10 years	1–10 years	5 years	Partners enter into multi-year agreements. Project start and end dates (not to exceed a period of 5 years)	1–10 years	1–10 years	1–10 years, or a minimum of 15 years for agreements for essential plant and animals.
Acreage enrollment level in FY 2010	11,102	270,667	25,164,327	1,193,967	156,704	13,034,363	1,054,095
Cost of the program	FY 2011 $7.5 m FY 2012 $2.5 m per President's budget	FY 2011 $74m FY 2012 $60 m	FY 2011 $600.8 m FY 2012 $787.6 m per President's budget	Funded from EQIP, WHIP, CBWP, and CSP	FY 2011 $72 m FY 2012 $50 m	FY 2011 $1.24 b FY 2012 $1.41 b *	FY 2011 $85 m FY 2012 $73 m **
FY 2010 Backlog of applications	767	1,724	6,322	Included in individual program totals	1,355	39,028	3,788
Eligible land	AMA is available in 16 states where participation in the Federal Crop Insurance Program is historically low.	All private or Tribal land in agricultural production is eligible. Includes cropland, grassland, and nonindustrial private forestland.	All private or Tribal agricultural land and nonindustrial private forestland is eligible unless it is enrolled in CRP, WRP, or GRP.		All private or Tribal land in agricultural production is eligible. Includes cropland, grassland, and nonindustrial private forestland, but does not include land enrolled in CRP, WRP, or GRP.	Private and Tribal agricultural land, including cropland, grassland, and nonindustrial private forestland but does not include land enrolled in CRP, WRP, or GRP	All private or Tribal agricultural land is eligible, unless it is currently enrolled in CRP, WRP, HFRP, WBP, EWPP, or GRP. Participants must have control of land for the duration of the contract.

Does funding expire October 1, 2012	Yes	Yes	Yes	Yes	No-year	Yes	Yes
Payments	Up to 75% or up to 90% for historically underserved participants	Up to 75% or up to 90% for historically underserved participants	Annual payment based on level of conservation stewardship; supplemental payment for participants that adopt a resource conserving crop rotation. National average cost not to exceed $18/ac.		Financial assistance to participants for the estimated costs incurred for performing or implementing conservation practices. Up to 75% and up to 90% for historically underserved participants.	Financial assistance to participants for the estimated costs incurred for performing or implementing conservation practices. Up to 75% and up to 90% for historically underserved participants.	Up to 75% for contracts with a duration of 10 years or less; up to 90% for historically underserved participants; and up to 90% for contracts having a duration of at least 15 years.
Producer Responsibilities	Develop and follow a plan that describes the conservation and environmental objectives to be achieved. Contribute to installation costs.	Develop and follow a plan that describes the conservation and environmental objectives to be achieved. Contribute to installation costs.	Implement a conservation stewardship plan that encourages producers to address resource concerns in a comprehensive manner by installing and adopting additional conservation activities and improving, maintaining, and managing existing activities.	In order for a producer to be considered for financial assistance through a CCPI partner agreement, the land associated with a program application must be located within an approved CCPI project area. Only producers who are eligible for EQIP, WHIP, CBWP, or CSP may receive financial assistance.	Develop and follow a plan that describes the conservation and environmental objectives to be achieved. Contribute to installation costs and perform operation and maintenance during the lifetime of the installed practices.	Develop and follow a plan that describes the conservation and environmental objectives to be achieved. Contribute to installation costs and perform operation and maintenance during the lifetime of the installed practices.	Develop and follow a plan for high quality fish or wildlife habitat. Contribute to the installation costs and perform operation and maintenance during the lifetime of the installed practices.
Appeals Process	Non-Title XII	Title XII	Title XII	Title XII	Title XII	Title XII	Title XII
Participants are subject to:	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 Highly erodible land and wetland compliance.	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 Highly erodible land and wetland compliance.	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 Highly erodible land and wetland compliance.	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 Highly erodible land and wetland compliance.	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 Highly erodible land and wetland compliance.	Adjusted Gross Income limitations. Reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 Highly erodible land and wetland compliance.

* EQIP funding authorized in the farm bill is $1.59 b for FY 2011 and $1.75 b for FY 2012.
** WHIP funding authorized in the farm bill for FY 2012 is $85 m.

NRCS Easement Programs

Program Characteristic	Wetlands Reserve Program	Emergency Watershed Program—Flood Plain Easement	Grassland Reserve Program	Farm and Ranch Lands Protection Program	Healthy Forest Reserve Program (HFRP)
Purpose or Goal	Restore, protect, or enhance wetlands on eligible lands. The goal is to achieve the greatest wetlands functions and values, along with optimum wildlife habitat on every acre enrolled in the program. The program accepts eligible wetlands and associated habitats such as uplands, riparian areas, and forestlands.	Restore, protect, maintain and enhance the functions of the floodplain; conserve natural values including fish and wildlife habitat, water quality, flood water retention, ground water recharge and open space; reduce long-term Federal disaster assistance; and safeguard lives and property from floods, drought, and the products of erosion.	Restore and protect rangeland, pastureland and other grassland while maintaining the land's suitability for grazing. Program emphasis is on supporting grazing operations, plant and animal biodiversity, and grassland and land containing shrubs or forbs under the greatest threat of conversion.	Assists with the purchase of conservation easements to protect agricultural productivity and related conservation values of the land.	Restore, protect and enhance forest ecosystems to promote the recovery of T&E species; improve biodiversity; and enhance carbon sequestration.
Length of easement/contract	Easements: Permanent and 30 years and maximum allowed under state Law. Restoration cost-share agreements: generally 10 years; 30 year contracts with Tribes.	Permanent easements.	Easements: Permanent and maximum duration under state Law. Contracts: 10 year, 15 year, and 20 year rental contracts.	Permanent, unless state law prohibits a permanent easement.	Easements: Permanent, 30 year, and maximum allowed under state law; 30 year contracts with Tribes; 10 year cost-share agreements.
Acreage enrollment level Numbers through FY10	2,347,128	187,876	1,206,953	809,098	691,860
Cost of the program FY09 and FY10 obligations (in thousands FA and TA)	$1,065,850 FY11 projection: $611,312	EWP–FPE: $62,567 Recovery: $156,480	$147,766	$268,662	$10,143
Backlog of applications as of June 10, 2011	2,715 applications 251,915 acres	2,194 applications 215,920 acres *	401 applications 209,058 acres	184 applications 92,365 acres	150 applications 24,565 acres
Land valuation	Lowest of Geographic Area Rate Cap, appraisals (seldom used) conducted by certified, general real property appraisers, or landowner offer.	Geographic Area Rate Cap, appraisals or market analysis.	Lowest of Geographic Area Rate Cap, appraisals conducted by certified, general real property appraisers or landowner offer. Value based on fair market value less grazing value.	Appraisals—Fair market value less agricultural value.	Appraisals—Before and After appraisal method.

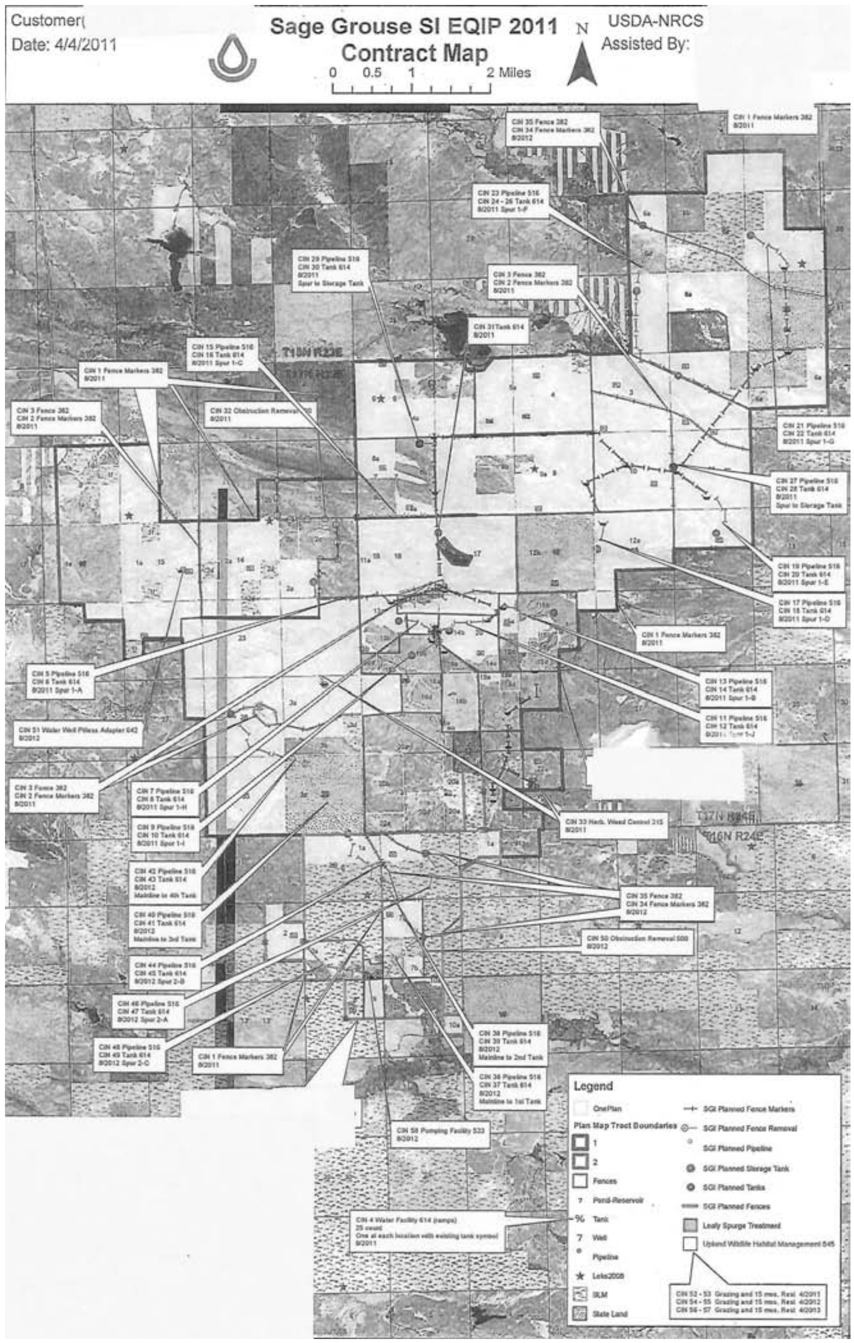
Landowner eligibility	Must be a landowner to participate in the program. Landowners must comply with Highly Erodible Land and Wetland Conservation provisions of FSA of 1985. Adjusted gross income provisions apply. Registration and reporting requirements of the Federal Funding Accountability and Transparency Act of 2006. 7 year ownership requirement.	Must be a landowner to participate in the program. Landowner does not need to comply with Highly Erodible Land and Wetland Conservation provisions of FSA of 1985. Registration and reporting requirements of the Federal Funding Accountability and Transparency Act of 2006.	Must be a landowner for easement participation or be a landowner or have control of eligible land for rental contract participation. Must comply with Highly Erodible Land and Wetland Conservation provisions of FSA of 1985. Adjusted gross income provisions apply. Registration and reporting requirements of the Federal Funding Accountability and Transparency Act of 2006. GRP has an option where easements can be acquired through eligible entities similar to FRPP. Criteria for determining whether an entity is “eligible” can be found in 7 CFR part 1415.	Program is implemented through eligible entities. Eligible entity requirements found in 7 CFR part 1491. Must be a landowner to sell an easement to an eligible entity. Participating landowners must comply with Highly Erodible Land and Wetland Conservation provisions of FSA of 1985 Adjusted gross income provisions apply. Registration and reporting requirements of the Federal Funding Accountability and Transparency Act of 2006.	Must be the landowner of eligible land for which enrollment is sought. Landowner does not need to comply with Highly Erodible Land and Wetland Conservation provisions of FSA of 1985. Registration and reporting requirements of the Federal Funding Accountability and Transparency Act of 2006.
Land Eligibility	Marginal, frequently flooded agriculture lands and associated uplands. Note, the term agriculture lands do include wooded lands.	Any floodplain lands damaged by flooding at least once within the previous calendar year, or that have a history of repeated flooding (*i.e.,* flooded at least twice within the previous 10 years). While NRCS normally purchases floodplain easements on agricultural lands, on a case-by-case basis NRCS may purchase floodplain easement in rural residential areas *in lieu of* traditional EWP recovery work if a sponsor is acquiring the underlying land rights and the cost of the recovery work would exceed the easement acquisition costs. In such situations, any structures are then demolished or removed from the easement area.	Grassland, land that contains forbs or shrubland where grazing is the predominant use; or land located in an area that has been historically grassland, forbs, or shrubland, and the land could provide habitat for animal or plant populations of significant ecological; contains historical or archeological resources, or would address issues raised by state, regional, and national conservation priorities.	Must be privately owned land on a farm or ranch and contain at least 50 percent prime, unique, statewide, or locally important farmland, unless otherwise determined by NRCS; contain historical or archaeological resources; furthers a state or local policy consistent with the purposes of the program; and is subject to a pending offer by an eligible entity; (2) Must be cropland, rangeland, grassland, pastureland, or forestland that contributes to the economic viability of an agricultural operation or serves as a buffer to protect an agricultural operation from development; Must not include forestland on greater than ⅔ of the easement area.	Eligible land includes private land that contributes to the restoration and enhancement of habitat or otherwise increase the likelihood of recovery for a selected species under section 4 of ESA, candidate species, state listed species or one identified by the Chief for special consideration.

NRCS Easement Programs—Continued

Program Characteristic	Wetlands Reserve Program	Emergency Watershed Program—Flood Plain Easement	Grassland Reserve Program	Farm and Ranch Lands Protection Program	Healthy Forest Reserve Program (HFRP)
Payments	For easement: provides acquisition costs; administrative costs associated with acquiring an easement, and restoration costs. For 30 year contracts: provides contract payment. Easement payments are generally a single payment but may be made in annual payments for no more than 30 years. For restoration cost-share agreement: provides restoration cost-share assistance.	Provides acquisition costs; administrative costs associated with acquiring an easement, and restoration costs. Easement payments are made as a single payment	For easement: provides acquisition costs; administrative costs associated with acquiring an easement, and restoration costs. Easement payments are generally a single payment however; landowners may request payment for up to 10 years in equal or unequal amounts. For rental contracts: provides annual rental payment. If restoration efforts are necessary, participant can receive cost-share assistance through a restoration agreement.	Provides cost-share assistance to eligible entities to acquire an easement. Single payment or up to five installment payments; first payment at closing followed by four annual payments.	For easement: provides acquisition costs; administrative costs associated with acquiring an easement, and restoration costs. For 30 year contracts: provides contract payment. Easement and contract payments may be made in a single payment or for no more than ten annual payments of equal or unequal size. For restoration cost-share agreement: provides restoration cost-share assistance.
Special provisions for Indian Tribes	30 year contract enrollment option	None	None	None	30 year contracts
Does funding expire October 1, 2012	Expires—annual funds	No-year funds except for ARRA funds which are 2 year funds	Expires—annual funds	Expires—annual funds	No-year funds
Appeals process	Title XII	Non-Title XII	Title XII	Title XII	Non-Title XII

* Data is still undergoing quality assurance review.

ATTACHMENT 2



The CHAIRMAN. I thank the gentleman. Thank you both for your testimony.

The chair would like to remind Members that they will be recognized for questioning 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 Members understanding. I am going to reserve my time for questioning.

I now recognize the Chairman of the Agriculture Committee, Mr. Lucas, for 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman.

And I do appreciate the presentation you gentlemen have given. The challenge this Committee faces as we sit here in preparation for a farm bill next year or perhaps if the grand discussions between the President and the leadership of both the House and the Senate come about, a rather quicker process where the budget realities are going to come to bite very challengingly. And clearly, it is not just going to be the Commodity Title. It will be Conservation. It will be all the programs. So I ask my questions in light of the Committee's preparation to make some tough, tough decisions.

Administrator, how much are we going to spend on CRP this year, round numbers?

Mr. NELSON. Congressman, it is $1.7 billion annual rental payments.

Mr. LUCAS. Chief, how much are we going to spend on CSP this year?

Mr. WHITE. Around $600 million.

Mr. LUCAS. Six hundred million dollars. How much on WRP?

Mr. WHITE. About $611 million.

Mr. LUCAS. Six hundred eleven million dollars dollars?

Mr. WHITE. Yes.

Mr. LUCAS. Okay. And I would take note the Chief is exactly right. The Dam Rehabilitation Program is one of those designed to be administered strictly on a priority basis established by the Department after review of all the structures, no earmarks, no silly games from Congress, a very straightforward way to do things. And it has been implemented in that way.

Chief, could you explain to the Committee for just a moment about EQIP and the difference between the approach in EQIP and CSP?

Mr. WHITE. Mr. Lucas, I kind of think of them in two different ways. EQIP I think is your bricks and mortar. That is your pipeline. That is your animal facility. That is your fence. That is your filter strip. That is your terrace. It is things you put on the ground. The Conservation Stewardship Program is more of management-related. It is going to be taking nutrient management and going to precision nutrient management. It is going to be taking prescribed grazing and advancing that. So it is more of the management. That is the way I kind of look at them, sir.

Mr. LUCAS. So from the perspective of the countryside on CRP, if you want to participate in the program, you have to participate within the guidelines. If you are accepted, you are signed up for 10 years. In CSP it is not so much just putting your property into the program. You have to adjust your practices to fit the goals of CSP?

Mr. WHITE. Well, there are priority resource concerns that vary around the country. Each state kind of, with their state technical committee and local workgroups, will design those. CSP is a 5 year contract. It is renewable for another 5 years. And to get in you have to be meeting a resource concern like soil erosion, water quality, and you have to agree to do another one. There is a lot of additionality. In fact, in the 20,000 contracts we had at the end of last year, Mr. Lucas, we had about 78,000 to 79,000 new practices in there that the producers self-select. So there are things they want to do.

Mr. LUCAS. And I would note to my friends on the Subcommittee that as we work through the next farm bill, we also have obligations under WTO, CRP being green-box compliant. CSP, because it requires certain practices, it falls in a different category. Just for a moment back to the cost of the various programs, at a $1.7 for CRP, $600 million approximately for CSP, and you said $550 million for the Wetlands Reserve Program?

Mr. WHITE. Yes, let me double-check that.

Mr. LUCAS. Please. And the simple reason I bring that, in times of tighter budgets, that looks like a pretty interesting dollar figure per acre on WRP compared to the other two.

Mr. WHITE. It has been averaging about $2,000 an acre.

Mr. LUCAS. Averaging $2,000 an acre?

Mr. WHITE. But that is long-term protection as well.

Mr. LUCAS. And we signed up for how many years on the WRP? The length of contract on the WRP?

Mr. WHITE. WRP is permanent easements, which is the bulk of them. It could be 30 year. There is also a provision that was put in in 2008 for 30 year tribal contract. And then there is one that is not used very much for restoration only, 10 year contracts.

Mr. LUCAS. Six hundred thirty million dollars on 10 million acres.

Mr. WHITE. Sorry.

Mr. LUCAS. I will send you some more questions later about that.

Mr. WHITE. Thank you, sir.

Mr. LUCAS. And I see my time is about to expire. I would just note to the Committee that the challenges we face—the conservation programs are the most popular. They do the most good. They are the legacy programs, as our friends here have stated. But the budget situation and the grand negotiations going on are going to be so tough. We are going to have to make some extremely tough decisions in all areas of the farm bill in a lot of things we have done historically such as helping our California friends meet their emissions standards brings questions to light: Is it appropriate? How much should the Federal Government spend to meet state standards in comparison to what it does in the rest of the country?

With that I yield back the time I don't have. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the Chairman. I now recognize the Ranking Member of the full Agriculture Committee, Congressman Peterson, for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman.

First of all, Mr. White, I was having a discussion back home this last week about CSP, and according to them, the way this is rolled out that there is not flexibility for the states to set their own priorities, that according to them, they are having to follow national priorities, which do not work in northwest Minnesota. And I heard you say that the state technical committees were making these decisions and so forth, but these are from local folks that are on the ground saying that the way this has been put together does not work for them. There are 25 practices that you can choose from to get qualified and only three of the 25 actually work in that part of the country. And so they were asking for more flexibility for the states. So, if you would check into it, I don't know what is going on exactly. Maybe the state made this decision and they didn't recognize what was going on. I don't know.

Mr. WHITE. There are about 80 or 90 enhancements, there are some national priorities, but we do try to fit it so I will have to get back to you.

Mr. PETERSON. Well, for whatever reason, they claim there is only like three things on that list that actually work in that part of the world. So whatever.

And Chairman Lucas, you have to, when you go to sign up, you have this list of all of these practices that you can pick and some of them are worth more than others, but, supposedly, there is flexibility there to make it work on your farm.

And I would also say on the CRP, I hope that everybody recognizes what is going on. There has been talk out there about CRP. But as we go through these signups, we are sorting this out. We had 4.1 million acres come out this year, 4.4, million acres something like that. Pardon?

Mr. NELSON. Congressman, that is 4.4 million acres of contracts expiring this year.

Mr. PETERSON. Right. And they only signed back up 2.9 million acres.

Mr. NELSON. Well, 2.8 million acres, yes.

Mr. PETERSON. Oh, 2.8 million acres. And I think the number was like you had to have 279 EBI or something to get qualified, so this is significantly higher than what it has been, and so there is a lot of this land out there that is coming back into production just as we go through this process. Next year, there are going to be 6 million acres coming out. We will probably see a similar kind of situation where only ½ of that is going to get back in.

I think we have a process set up here that is sorting out the land that should be farmed, the land that shouldn't be farmed, and I hope we don't go off on some tangent where we are doing some meat-ax thing where we end up putting a bunch of land back in production that is going to cost us crop insurance and disasters and other things. So that is just an editorial comment.

The other thing I am concerned about is with these budget deals that were made in the CR and so forth, there has been talk out there that I read in news articles that you are not going to be able to honor contracts. I just want to make sure that you have enough money to—any contract that has been signed that there is sufficient money to actually pay that contract. Is that the case?

Mr. WHITE. Mr. Peterson, that is the case. We will have enough money to fund all of the contracts.

Mr. PETERSON. But you probably have had to cut back on how many additional contracts you couldn't offer because of this?

Mr. WHITE. Not at this point.

Mr. PETERSON. Well, I thought they cut back on your appropriation. Didn't they?

Mr. WHITE. The biggest cutback we had was in the discretionary amounts like RC&D, the Watershed Program, there were reductions in mandatory but they were just kind of the normal CHIMPs. They were from the authorized levels. No program actually got less. There was maybe some cut in WRP but a cut from the authorized level, we still saw an increase in the actual, at least for EQIP.

Mr. PETERSON. So you weren't spending your authorized level? I mean just because it has been CHIMPed every year.

Mr. WHITE. For programs like EQIP, it has generally been CHIMPed.

Mr. PETERSON. So because they have been CHIMPing it every year, you guys just don't spend what was authorized?

Mr. WHITE. No, sir. We can only spend what is appropriated. And this year it will be about $1.4 billion. And I think your authorized level this year is $1.588.

Mr. PETERSON. Well, I thought they CHIMPed some other programs, too?

Mr. WHITE. Yes, but I don't think that anything that is going to result in a reduction in contracts to people.

Mr. PETERSON. So that didn't change anything out there in terms of——

Mr. WHITE. No. The biggest cuts we are dealing with are for discretionary with the RC&D Program, the Watershed, trying to close those two. They affect about 400 people, 500 people. We are offering a buyout, early-out offers. No one has lost their job, and for this year at least I think we are okay. I guess the biggest thing is WRP was capped at 202,000 acres. Last year we enrolled like 270,000 acres, but that was an unbelievable year. That was the biggest enrollment year in the history of the program.

Mr. PETERSON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I recognize myself for 5 minutes for questions.

Both of you mentioned the positive impacts conservation programs are having on restoration efforts in the Chesapeake Bay. Does NRCS have specific data on how much nitrogen, phosphorus, and sediment has been reduced in recent years, and are there projections for future reductions?

Mr. WHITE. Yes, sir. Yes, sir, we do. We embarked on this project called the Conservation Effects Assessment Project, CEAP. We have done one in the Chesapeake Bay and it looked at 2003, 2004, 2005. So that is kind of the baseline. And I can tell you that voluntary incentive-based conservation is having huge reductions in nitrogen, phosphorus and sediment going into the Bay. If you look at that 2005–06 baseline and you look at just the conservation we put on since that time, we have had like a 15 percent further reduction in phosphorus, like a 17 percent reduction in nitrogen, and I cannot remember the figure for sediment, but we can get that to you. That has just occurred since 2006. So farmers and ranchers really are making huge strides in the Chesapeake Bay.

The CHAIRMAN. Very good. I hear a lot from aspiring young farmers. Some of these folks, frankly, didn't grow up in a farm family, which is very impressive, somebody that wants to go into farming. And one of the concerns that I often hear—and I have heard this in different parts of the district is that there are often times USDA, the programs we are talking about today offers a higher reimbursement or rental rates per acre to put something into a conservation program than what those same acres would fetch in an open market. And frankly, I had one farmer that actually had to rent fields a long distance from his home when there was adjoining property that his business plan he put together, he couldn't compete with the government was the bottom line. Is this something that you have heard before? Is this something that we look at, that we monitor the impact of?

Mr. NELSON. Mr. Chairman, I will learn how to use that talk button yet, sir.

Mr. Chairman, with respect to the CRP program, the 2008 Farm Bill, as you know, now requires that the National Agricultural Statistics Service do a survey of cash rental rates in counties around the country, and that is used as a basis for setting the CRP rental rates. And so we now have a more solid statistical basis for defending those rates than we might have had in the past.

And just to give you some anecdotal evidence putting CRP rental rates in perspective, I come from Chouteau County, Montana, dry land wheat farmer out there, hometown is Fort Benton. And I was on the farm back in the 1980s when the CRP program got started. And the rental rates at that time were about $45 an acre. That is the biggest wheat-producing county in the state and we still enrolled about 240,000 acres in CRP. So $45 back in 1986. In the latest Signup 41 in Chouteau County, the average rental rate in county was about $39. And if you take into account the consumer price index that a dollar is worth about half now what it was back in 1986, that means that the real cash rental rates for my friends and neighbors there in Chouteau County who participate in CRP, the real CRP rental rate is about half now what it was. And I think part of that, again, is that because we have a statistic service doing that survey out there that we are pegging the CRP rental rates closer to the market than perhaps they were in the past.

The CHAIRMAN. Very good. Thank you. My time has expired. I am thinking we will probably get an opportunity for a second round.

So I now recognize the gentleman from Pennsylvania, Mr. Holden, for 5 minutes.

Mr. HOLDEN. Thank you, Mr. Chairman.

Chief White, you mentioned in your opening statement the Chesapeake Bay Program, and you know Mr. Goodlatte and I worked hard on the last farm bill with the other Members of this Subcommittee and the full Committee to get that program into the farm bill. Has the 2011 CR, which cut mandatory spending by $673 million hindered the ability to implement that program as we envisioned it, due to the regulatory burdens that they were facing. We thought it was so important to give them a little extra investment to deal with what was coming down from EPA. Have you been able to do what we asked you to do despite the cuts in 2011?

Mr. WHITE. Yes, sir. As part of that, the Chesapeake Bay was fully funded. It was not CHIMPed or reduced.

Mr. HOLDEN. We have no idea where the 2012 Appropriation Bill is going to end up but we know what the House did. If it ends up being around $1 billion in reductions in conservation, do you think that will affect the Bay program?

Mr. WHITE. Yes. Basically, what you will have, Mr. Holden, is fewer contracts, less conservation on the land, probably fewer people to do that.

Mr. HOLDEN. And finally, Chief White, you mentioned farmland preservation, and how important it is to the Commonwealth of Pennsylvania. In the 2008 Farm Bill, as you mentioned, we had to make some changes because we though there were some administrative problems in Pennsylvania specifically. And I was hearing everything was going fine, but I have one county in my district, Lebanon County, who was complaining about the ability to enter into contracts, that there seems to still be some red tape. So this really isn't a question. If you could have you or your staff look into it, is there still a problem with getting someone in your agency to approve contracts or what the exact problem is?

Mr. WHITE. It is a problem, Mr. Holden. I take full responsibility for it. We have not been as fast as we should have been in getting that certified entity process out there. We have advanced how we are looking at with Pennsylvania in particular so we hopefully have taken care of that problem. But the root cause lies with me and hopefully in the next 30 days we will get those rules out there for certified entities, which will greatly streamline the process across the country.

Mr. HOLDEN. And you don't need anything further from us?

Mr. WHITE. No, sir.

Mr. HOLDEN. All right. Thank you.

Mr. WHITE. I have to assume blame for that one.

Mr. HOLDEN. Thanks, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I recognize the gentleman from Florida, Mr. Southerland, for 5 minutes.

Mr. SOUTHERLAND. Thank you, Mr. Chairman.

Mr. White, I find your testimony refreshing, very honest. You are passionate about what you do and thank you. And you as well, Mr. Nelson. I know that regarding the issues that I am concerned with, it just seems that, Mr. White, you seem to be speaking about quite a bit of the things that interest me.

But I wanted to ask you regarding Longleaf Pine Restoration. I am from North Florida——

Mr. WHITE. Yes.

Mr. SOUTHERLAND.—and obviously Longleaf Pine restoration is something that is a great concern to a lot of our landowners there, as well as our National Forest there. I understand that the Florida NRCS and the Wildlife Habitat Incentive Program has been used to assist landowners, increasing planting of Longleaf Pine. Can you just elaborate to me? I am still learning about the program. Please elaborate a little bit on USDA efforts and the services you are providing for these private landowners.

Mr. WHITE. Thank you, sir. That is a great one. I love the longleaf pine. When this nation was settled, we had 90 million acres of longleaf pine. It is a gorgeous plant. It is more like a savannah grass underneath, a tree that grew up under frequent fire regimes. And now we are down to like 3 million acres. And your area from Mr. Goodlatte's area to yours and swinging across the Texas is where the longleaf were.

We are trying to work with the Forest Service, other agencies outside of USDA, private landowners to try to restore that particular forest. And we are using mostly the Wildlife Habitat Incentive Program. And when I talked a little bit about WHIP, I said the unique thing, one of the really cool things about it is we have a directive there to use the funding for state and national initiatives. This longleaf pine really came from the bottom up. It wasn't from me down. It came from those various states saying we need to do something about this. And we are very pleased to cost-share with producers to plant trees.

Another big thing is getting rid of the invasives like an Alabama cogongrass and there is just a gob of invasive species out there. Well, you know that being from Florida. You are like ground zero for that. So it is helping with invasives and helping to reestablish this tree. This tree built Williamsburg. It kept the wooden ships afloat, built Savannah, straight, long-grain, rot-resistant, a fabulous—it provides habitat for I don't know how many hundreds of different creatures. It is amazing.

Mr. SOUTHERLAND. Well, thank you. I am going to move on to Everglades restoration, a little bit farther down from my neck of the woods, but still the Everglades is an important part of our state. And I know that WRP is a popular program in Florida, but tell me just a little bit because it is farther down, so you understand more about that than I do even thought I still have constituents in my neck of the woods who still reach out to my office.

Share with me, though, and the Committee how the WRP Wetland Restoration Program, it works down with the—and I know that there are private landowners in and around the Everglades working with you. Can you shed a little light on that? And, again, I am asking because I don't know as much about the program as I perhaps need to.

Mr. WHITE. Right. I have to be careful what I say here. The Everglades is a very, very ecologically important area and a lot of different entities have done a lot of talk about how important it is to restore it and we are doing something about. And this is just private lands, working with ranchers, last year, Mr. Southerland, we enrolled the largest contiguous block of land ever enrolled at the WRP and it was in the northern Everglades in a place called Fisheating Creek. It is going to have a huge, huge positive impact on Lake Okeechobee and the Everglades water system. The ranchers are going to work to restore the natural hydrology. We are going to work with them to control the invasive species. We are going to work with them under compatible use to make sure there is still some production. We need that land grazed periodically. There were I can't remember how many landowners in this 26,000. It was just very few. They were large landholders——

Mr. SOUTHERLAND. Right.

Mr. WHITE.—but a few years ago, this land probably would have been in subdivisions. And now it is going to be restored. The landowners keep the land. They control access to it. I think it is going to be a big, big win for the Everglades. And stay tuned for Part two.

Mr. SOUTHERLAND. Thank you very much.

Mr. WHITE. Yes, sir.

Mr. SOUTHERLAND. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman. I now recognize Ms. Pingree for 5 minutes.

Ms. PINGREE. Thank you, Mr. Chairman.

Well, thank you very much for your interesting testimony this morning. As one of the new Members of the Committee, I feel like much of this is a tutorial for me. And I look forward to continuing to learn more about these programs.

Perhaps my only editorial comment really is sort of meant for us generally. I understand the chair of the Committee when he talks about the need to make cuts. The deficit issues that we are facing in this country and the importance of tightening our budget everywhere that we can. But considering that my other committee happens to be the House Armed Services Committee where we rarely think about making cuts and spend far more money on what is an essential services, of course, defense, but we also have to think about the security around our food systems in this country. And as you mentioned earlier this morning, our population is only increasing. The needs that we are going to have for food produced in this country I think are only going to grow. And much of what you do in the programs that you administer are very critical to that.

So I thank you for your work, and I certainly will be doing all I can as a brand new, highly junior Member of this Committee to support many of these programs. And I do hear about them in my home state. One question I want to bring forward to you is really how one of the programs is administered. And I apologize. I am reading off my phone so my lettering is a little strong.

But in the 2008 Farm Bill, Congress recognized the importance of making conservation programs accessible to all farmers, including organic producers and conventional producers interested in transitioning to organic. I represent the State of Maine. Organic farming has been growing there for a long time but increasingly is of great interest on the part of the producers and consumers and is one of the areas where farmers have been able to increase their profits, which is a wonderful thing for all of us. We have managed to increase the amount of farmland in our state, and the average age of the farmer is going down. So that also is bucking a national trend and I think showing that we can do more to produce our food locally.

But I want to talk about the EQIP program. It has a specific provision to ensure that the program can be accessed by organic and transitioning farmers in recognition of both the conservation opportunities here, and I think also because of the historic lack of participation of organic producers in the conservation programs. So I am very supportive of the implementation of this provision through the Organic Initiative. As I said, it has been popular in Maine with over $700,000 provided in the fiscal assistance to Maine producers in Fiscal Year 2010, which in our small state is actually great.

But while it has been popular, there have been some barriers to implementation. And I hear about this not just in Maine but with other producers I talk to about it to around the country. One of these barriers includes the unfamiliarity with NRCS with organic systems. Can you talk to me a little bit about the training and educational efforts to overcome this and other barriers? And to be a little more specific, I have heard that sometimes when a transitioning farmer visits a field office, they will find that the person that they are dealing with isn't well trained in making that transition, doesn't necessarily know how to help them make that, that the field guide recommends some pesticides that wouldn't be qualified under organic certification. And again, where I see both the environmental but also great economic benefits to farmers who have been able to make this transition, get a higher price for their products, and also do good conservation work alongside, it seems like an important initiative. So can you fill me in on that?

Mr. WHITE. Ms. Pingree, you are absolutely right. I encountered this when I was in Montana. We are a traditional ag agency and this has moved us outside of our comfort zone, and it is going to take us a while to become more familiar with the organic. I mean, we are heck on wheels when it comes to corn, cotton, wheat, soybeans, cows, sheep, stuff like that, but then all of a sudden you are talking organic, you go, "Oh my gosh." So we are doing training for our people. We are making some changes at headquarters that is going to streamline it and make it more accessible to organic producers.

What Ms. Pingree is talking about is a section of EQIP that has organic the Secretary shall provide us. It is not a "may," it is not a "maybe," it is "shall," and we are trying to have the training and to equip ourselves to do a better job.

I had mentioned the Conservation Innovation Grants. We did one a couple years ago to a group of sustainable ag organic producers who are to look at all our standards and to make sure that we have adequately incorporated them. We have put our standards out there to try and take care of those kinds of issues. So we are trying to make some steps to that.

As far as funding goes, I set a $50 million limit for that. For $50 million, we are using about half of it. The rest is rolled back into other stuff. But you also need to think you are an AMA state, ag marketing, which has some organic in it and also the Conservation Stewardship Program has some organic sections in it. In fact, if you look at that 35 million acres—twice the size of the State of Maine—enrolled in a conservation program. Pretty cool.

Ms. PINGREE. That is great. Well, thank you for your comments. I will yield back the time I don't have.

The CHAIRMAN. I thank the gentlelady.

And I now recognize the gentleman from Wisconsin, Mr. Ribble, for 5 minutes.

Mr. RIBBLE. Good morning. I appreciate your testimony this morning. And I have a question, actually, for each of you, but I will start with Mr. White.

I represent Wisconsin's 8th Congressional District, which is one of the largest dairy-producing districts in the United States. And Wisconsin dairy farmers rely pretty heavily on EQIP and use it pretty regularly. I am wondering if you can just talk about the current funding allocation for livestock. Do you feel that funding is appropriate and necessary? And then as a follow up, are there structural changes that need to be made to the program to ensure that a wide range of producers can benefit from the program?

Mr. WHITE. Mr. Ribble, Wisconsin?

Mr. RIBBLE. Yes.

Mr. WHITE. I got to tell you, when you go to Wisconsin, it does your heart good if you are a conservationist, all of those beautiful strip crop fields, those small little dairy farms. It is just a fabulous part of the world. We do a lot of work with dairy. EQIP has a statutory requirement in it that 60 percent of the funds have to go to livestock operations. And we have never had a problem meeting that. And frankly, most of that money is beef production and dairy, followed by poultry, then swine. I think that it is widely available in your state. I know we do a lot of work with animal feeding operations, water quality aspects. I have been there. I have seen some of the stuff. I don't know of any access problems that we have.

Ms. Pingree mentioned the age of farmers are dropping in her state. This Committee actually put into EQIP where five percent of the funds have to go to beginning farmers and ranchers and five percent has to go to socially disadvantaged producers. So from that standpoint, we are trying to make it as broadly applicable as possible, sir.

Mr. RIBBLE. Are there formulas between larger and smaller producing dairies?

Mr. WHITE. No, sir.

Mr. RIBBLE. No, okay. So the size of the dairy doesn't matter?

Mr. WHITE. Size-neutral.

Mr. RIBBLE. Okay. Very good. Thank you.

Mr. Nelson, as you know, farmers nationwide are facing an ever-increasing regulatory burden, particularly from EPA, and I hear quite a bit from them regarding EPA. Could you maybe give some insight into what USDA programs in your view provide the best assistance for producers as they strive to meet those demands?

Mr. NELSON. Congressman, I appreciate that question because our programs aren't necessarily always thought of in that context. I think they should be because, look, I am a farmer myself, and I think it is always good when we have the opportunity as ag producers to have a variety of conservation programs out there that we can tailor to our individual needs on our farms and ranches. And if we can achieve compliance with other regulations at the national or state level in that manner, that is great. And so I think the approach of a partnership between Federal Government, in some cases state government, and individual farmers and ranchers out there on a voluntary basis to achieve goals like preventing nitrates into the Mississippi river or the Chesapeake Bay, that is a great approach and is the kind of public-private partnerships that are good for all of us.

Mr. RIBBLE. Are those partnerships available? Are you working in a collaborative effort with producers around the country?

Mr. NELSON. Yes. Virtually all of the programs that both Chief White and I have talked about here today are collaborative efforts. In some cases, Chief White's agency works with organizations and larger entities. Farm Service Agency, we work with individual agricultural producers on their individual farms. And, for example, the Conservation Reserve Enhancement Program, the first area we talked about Chesapeake Bay a little bit before and what NRCS is doing there. FSA has a Conservation Reserve Enhancement Program area that goes right along, works hand-in-hand with NRCS that gives individual producers the opportunity to enroll on a continuous basis on CRP in that area. And that prevents the leaching of nitrates into the Bay that is so problematic.

As a matter of fact, as Mr. White talked about earlier, the assessment that they did earlier that we in FSA worked together with them on shows that that effort alone has resulted in reducing the levels of nitrogen off every acre down about 79 pounds an acre. And I tell you, 79 pounds of nitrogen an acre would grow one heck of a lot of winter wheat out in Montana. So it is significant.

Mr. RIBBLE. All right. Thank you very much.

The CHAIRMAN. I thank the gentleman.

I recognize Ms. Fudge from Ohio.

Ms. FUDGE. Thank you very much, Mr. Chairman. And thank you both, gentlemen, for your testimony today.

Chief White, I do want to follow up on a question that was just asked by my colleague. Under EQIP, the 2008 Farm Bill authorized increased payments for socially disadvantaged farmers, ranchers, and beginning producers. There were also incentives for organic operations. At that time there was a lot of discussion, obviously, about these incentives which some may have even called preferences at the time as best I can glean from that. I wasn't on the Committee. I am a new Member.

A couple of questions. Was there some projection at the time as to how many producers would take advantage of these incentives and do you know to date how many socially disadvantaged and beginning producers have, in fact, taken advantage of the incentives?

Mr. WHITE. Thanks, Ms. Fudge. I can get you those numbers on how many are doing it. I can tell you we blow away that five percent every year, far beyond, both beginners and socially disadvantaged. And what it essentially means is if you are a beginning farmer/rancher, socially disadvantaged, you can get up to 90 percent cost-share or 15 percent above whatever the prevailing rate is because rates vary, but a maximum of 90 percent. I can tell you it is very popular. You may know Secretary Vilsack has embarked on his "strike force" where we are trying to do specific, more targeted outreach to make sure we reach our underserved communities. We are participating in that. My personal feeling is it has been extraordinarily successful, ma'am.

Ms. FUDGE. So then, in fact, you do believe that there has been a very positive impact with these programs?

Mr. WHITE. Oh, yes, ma'am.

Ms. FUDGE. And is there something that you think we should consider changing that would make it—that there would be more participation—which at this point I am not sure that you really need—or include other groups? Do you think there needs to be some change in it?

Mr. WHITE. No, because we view that five percent as a floor, not a ceiling.

Ms. FUDGE. Okay. Thank you.

Mr. Nelson, Section 2101 of the 2002 Farm Bill provided for use of Conservation Reserve Program, CRP, land to be used to grow biomass or place wind turbines on that acreage. Businesses in my district are working to place wind turbines and to develop other renewable energy solutions. As you know, renewable energy is important for job creation and to sustain our environment. Have businesses and other organizations approached NRCS about using this land to grow biomass or to place wind turbines? Do you know?

Mr. NELSON. I am sorry, ma'am. I wasn't quite sure your question, but we have implemented the provision of the farm bill with respect to the placement of wind turbines on Conservation Reserve Program acreage, and what we do in that case is essentially the footprint of the wind turbine would be penalty-free take-out of the CRP program. So we have implemented that.

Ms. FUDGE. All right. So have people taken advantage of it?

Mr. NELSON. Yes. Yes. And we will provide you with some specific figures on that.

Ms. FUDGE. Okay.

Mr. NELSON. Be more than happy to.

Ms. FUDGE. Thank you. I look forward to it. Thank you.

Mr. NELSON. Thank you.

Ms. FUDGE. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentlelady and I recognize Mr. Hultgren from Illinois for 5 minutes.

Mr. HULTGREN. Thank you, Mr. Chairman.

Thank you. I apologize. It is a busy day with a lot of committees going on, but I appreciate you being here, appreciate the work that you're doing.

Question for you: I wonder if I could get a response from both of you. Farmers and ranchers continue to face environmental regulations that increase costs and can drive producers out of business. We all know that. What program provides the most benefit to producers to assist with these mounting regulations?

Mr. NELSON. Well, with respect to Farm Service Agency, it is a Conservation Reserve Program which is our largest program. And that gives individual producers the opportunity to participate in things like the continuous signup practices of buffer strips and other practices where you enroll very highly environmentally sensitive land that is actually protecting larger acreages. And that helps with the individual producer's compliance with other regulations. And I believe that any time an individual farmer or rancher has the opportunity to enter into a partnership with the Federal Government or state or local agencies through, again, a voluntary program and achieve not only the benefits of that program but compliance with other environmental regulations, that is a good thing for all of us.

Mr. WHITE. Mr. Hultgren, from my perspective, four letters: EQIP, Environmental Quality Incentive Program. We have a statutory provision in there that says one purpose of the program is to help producers meet or avoid the need for regulation. And with that statement, you have stood NRCS as the shield arm between the regulatory agencies and our producers. And you have arrayed the strategic forces of 11,000 or 12,000 highly trained technical people with billions of dollars at their disposal to help producers meet or avoid regulation. And I don't mean this in a pejorative sense, but we take that very seriously. And I could die a happy person if I could turn the regulatory community into the Maytag Repairman.

Mr. HULTGREN. One of the things that we know is there is a lot of overlap and some duplication in programs. I just wonder, with overlap and duplication in conservation programs, does it produce any challenges for producers who may participate in multiple programs?

Mr. WHITE. In a word, yes. But go ahead.

Mr. NELSON. Well, I think there is some duplication but there are also complementary programs. And we will look forward to working with you as you get into the farm bill and our technical folks will provide you with all of the information that we can and assistance that we can with respect to the administration of programs and our experience working with producers.

But one of the things that I would like to emphasize—and again, this is coming from a producer point of view—is that it is a good thing to have a lot of different alternatives out there, alternatives that will work as well in Montana as they will in Florida or in Illinois because some programs that work in some parts of the country don't work in other parts of the country. And the more alternatives that individual producers have to voluntarily participate in these programs, the more you can tailor and shape them to your individual farming operation. And that gives us a better chance of getting more conservation on the land, which is what the whole thing is about.

So again, we look forward to working with you and providing you with any information that we can that will help you in those deliberations, but we also want to make sure that we continue to give the full range of options to producers in every part of the country to increase the amount of conservation on the land.

Mr. WHITE. I will just briefly add to that. I agree with what Administrator Nelson has said. It is good to have a full toolbox. But that said, in each of your packets, we have provided you with a matrix, and in that matrix it shows side-by-side all the easement programs and it shows side-by-side all the cost-share programs. If you are a field person, you have to know the rules for all of them. You have to know which you need AGI for, which are HEL-compliant, which don't need it, which are no-year funds, which are one year—you can see the differences across this matrix and it makes it very complex for our people. It makes it complex for our producers. The matrix will speak for itself, sir. And I think that while we need that toolbox where you have enough implements in there, I don't know that we need as many as we have.

Mr. HULTGREN. Well, thank you both. My time is up but I do appreciate you being here. I appreciate your answers to questions. I look forward to continuing this discussion as we go forward in the farm bill. I do think it is important for us to be looking at. I think it has been kind of a piecemeal approach in the past on this, but there are ways we can find more of an understandable and easier-to-navigate process that works. I am hoping we can get there with that.

I yield back. Thank you.

The CHAIRMAN. I thank the gentleman and I recognize Mr. Schrader, from Oregon, for 5 minutes.

Mr. SCHRADER. Thank you, Mr. Chairman. Well, I really appreciate Mr. White's final comments there because to the uninitiated or relatively uninitiated, even though I am a farmer, this is a pretty complex arena with multiple programs. And I have never seen an agency yet or a program yet that didn't think it was pure and important in and of itself and does something terribly distinct and different than the other program that is very similar and almost duplicative to it. So I appreciate the emphasis on that.

I guess my challenge to both of you, both FSA and NRCS would be to look at the outcomes. I mean instead of we as legislators tend to come up with brilliant new programs that are going to fit in a variety of areas, usually ours, and get us great results, but I think to get past that sort of multiplicity of management schemes and the duplication that is evident there, maybe we should focus on outcomes. Which of these different programs give us the biggest bang for the buck? What is the cost per acre of each of these different programs? What relative level of nitrates or phosphates are prevented from going in the rivers and streams given the different types of programs? What sediment doesn't occur or does occur as a result? That would give us a much more informed input as to which programs are the biggest bang for the buck in these tough times and doing great work.

There are probably some other intangible concerns we also want to know, but I guess I would really hope this Committee would focus on helping the agency develop outcomes that we can measure so that all the variety of programs—I don't care what program you use if you get good results. You can go to Tahiti for 2 weeks, I don't care, as long as the air quality and the water quality gets a little better as a result of what you are doing. So I just would challenge you in that regard.

A series of comments that I don't need answers to right now but would like at some point a response. The TIP subprogram as part of the CRP program, what is the management overlay or duplication or whatever in that regard? It would seem that the ECP program could be duplicative of other disaster relief programs. I just need information as to how it is not, why we need this particular one for farm and forestland. The VPA–HIP program, while a nice program and I am a big fan of hunting and fishing, too—I am not sure, given our budget limitations, that is one I would put a whole heck of a lot of money in, but I stand to be corrected on that. And the idea of having both NRCS and FSA manage the Grassland Reserve Program seems a little cumbersome to me, so I would be curious as to why we have gotten into that area.

On the positive side, it is nice to see that some of the programs that were enacted in the 1930s, 1940s, 1950s, and 1960s are transitioning away, not that they are not important but perhaps less important than some of the programs that we have identified for the 21st century. I think that is important but hope that both agencies would continue to look at that.

I guess the big question I have is—I come from Oregon and half my state is forestland. And 40 percent of that is private forestland. And I think we are missing the mark on our forestland programs. The information I have, only six percent of EQIP funding goes to forestland, despite increases recently. I recognize the increases. Only six percent with the emphasis on carbon sequestration, air quality, wildfires, invasive species ruining one of our greatest natural resources that built this country, that has me greatly concerned. And the Beginning Farmer and Rancher Development Program, only three percent is dedicated towards forest stewardship and new forestry.

So I am just very, very concerned that forestry is getting a real short end of the stick in these conservation programs in the Agriculture Department and Natural Resources Conservation Service. I would hope that we would look at that a little more closely and beef those programs up as we get rid of some of the duplication in other areas.

So with that, I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

And I wanted to take the opportunity for a second round for anyone that has questions. I exercise that liberty first for 5 minutes.

Chief White, you have expressed an interest in having more employees on the farm rather than behind a desk at NRCS offices. Can you give us an update on where you are in this process?

Mr. WHITE. Two items I will cover with you briefly, Mr. Chairman, that I can think of off the top of my head is the Conservation Delivery Streamlining Initiative. We are looking at our whole business processes. The outcome goal, we want to eliminate 80 percent of the administrative clerical tasks from our field office and free up 75 percent of their time for direct working with farmers. If we can pull this off, Mr. Chairman, it is the equivalent of adding more than a thousand people to our workforce. It is going to free up that much time.

The second thing I would add is that I have recently challenged our State Conservationists. Hugh Hammond Bennett created this agency back in the 1930s. When he retired in 1952, 90 percent of the Soil Conservation Service employees were in direct field positions. And by golly, if Hugh Hammond Bennett could do it, why can't we? So I asked the State Conservationists, what are you going to have to do in Florida, in Pennsylvania, or wherever you may be if we want 90 percent of our technical staff be in direct service to producers? And they came back with all kinds of cool ideas. We are going to start implementing them, and my hope is that despite any budget cuts we can actually end up with more people on those front lines providing direct service to producers.

The CHAIRMAN. Well, I congratulate you for your efforts. I think there is many of us that when you are successful, we may want to replicate that process across all parts of the Federal Government.

Mr. WHITE. I am not running for President yet.

The CHAIRMAN. Okay. And this is just my observation and I may be incorrect, but it seems like the last farm bill, in terms of the balance between direct technical assistance at what I would call boots on the ground in programs, there was an emphasis more primarily on programs. And I am concerned that perhaps we skewed too far and I just see a lot of value of those boots on the ground, those folks that provide the technical assistance to help the farmers make the right decisions, to be that present resource.

And just to both panelists, I just want to get your perspectives on that as we approach the next farm bill. Do you see the 2008 Farm Bill kind of skewed in that direction, more programs, less technical assistance, and should that be something that we should move back if not a 50–50 at least more technical assistance?

Mr. WHITE. Well, I agree with you. And I think the 2008 Farm Bill made some clarifications in technical assistance we are finding very valuable now. And technical assistance, I mean we talk about it, but what does it really mean? There are some books here that I brought just in case somebody would ask about TA. Those two books at the end are for one animal confined feeding operation, the technical documents it took for the design specifications. This right here is a 29 head dairy lining a pond, and a separator. This is the construction of a 5.3 mile pipeline for a rancher. This is converting a flood irrigation system to a sprinkler.

And if you look at the technical drawings that are throughout this, it is absolutely vital that we keep those highly trained men and women out there on the land. I have been in this business for a long time. I have yet to see a Keebler elf come out and help us with this. This is done by highly trained men and women. We need to keep them there. We need more boots on the ground. But I will also say this, Mr. Chairman. I don't care whose foot is in that boot. And if we can make arrangements with state agencies, conservation districts, nonprofit groups, ag organizations to get the feet in those boots, that is what we will do. This past year we took $20 million—you may have heard of this Strategic Watershed Action Teams—we leveraged it, that $20 million, turned into $30 million and it gave us, oh gosh, 450 boots on the ground. They are non-Federal, but they are going to be working alongside of us.

The CHAIRMAN. Very good. Mr. Nelson, any thoughts on this issue?

Mr. NELSON. Well, yes, I think one of the interesting things about this discussion is that is points out there are some differences between Farm Service Agency and NRCS. NRCS is a technical agency. And as Chief White said and I think everybody would like to have, their folks do best when they are out in the field. They arrange conservationists and engineers who are out in the field and not in the offices doing paperwork. And so we have already had discussions about how we at FSA, which tends to be an administrative agency that is more paperwork-oriented, can actually support and help that effort, because in these times when we are tightening our belts, we are all going to have to be more efficient in the way we do things.

The challenge for us in FSA is to how we can technologically get to the point where we need to be. As you know, we are going through a terrible transition from 1970s and 1980s computer technology to 21st century computer technology, and that has been very difficult not only on our employees, but it is actually difficult on the producers as well.

I was privileged a couple of weeks ago to come up here and be part of a demonstration for folks of a project, a long-overdue project in the Agency to update our computer systems and our software so that we are actually into the 21st century with this MIDAS project. And I appreciated everybody's participation in that because it is going to make us a lot more efficient. And it is going to make us not only better able to serve producers but produce information in response to requests from you folks because I can tell you right now that in putting together the answer to these audit questionnaires because of all of the different computer systems we are working with in FSA, we had to put word out literally to our county offices across the country in some cases to put this information together. That doesn't make any sense.

And so this move, like I say, is not only going to be a big help to the Agency, it is going to be a big help to you and to our producers as well. So we have to operate more efficiently and we have to get to a point where we do more online with our producers so that they can sit at home and do their work with not only Farm Service Agency but NRCS and other USDA agencies as well, because our producers are in the 21st century but we are not. And so we have to catch up with them in this case. And we are working hard on that. And again, we really appreciated the opportunity to come up here and visit with you about it and look forward to the future opportunities to do that. And all of that will help both of our agencies.

Mr. WHITE. Can I respond one more time? I would like to put to rest an old canard about the animosity or the conflict or the turf battles that occur between NRCS and FSA. We really don't have time for that. Mr. Nelson and I have talked on how we can work better together, and our commitment to you is that we will do that. And not only are we going to work better together but we are going to work better together for the benefit of the American producer and for the American taxpayer.

The CHAIRMAN. And I know we all appreciate that.

I now recognize the gentlelady from Alabama for 5 minutes of questioning.

Mrs. ROBY. Thank you so much, Mr. Chairman. Thank you both for being here.

Just last Thursday, we held a 2 hour listening session with farmers in Alabama, and I did it in conjunction with our Agriculture Commissioner John McMillan, and the number one issue that kept coming up over and over again was CRP. And this isn't the first time I have heard it. And for Alabama, this program was definitely useful in the beginning, taking marginal lands out of production, but as time has gone on and more and more viable land is being shifted out of production into longleaf pine. And one of the issues that has been discussed is Alabama, it would be much more valuable to have to option of grass, which would make it easier to move that land back into production if needed.

Another issue is that farmers are competing against the Federal Government in finding land to rent and oftentimes, the presence of the government causes the prices of land to increase drastically. And interestingly enough, one of the farmers who participated in our listening session last week that brought up and had concerns about the CRP was a timber owner, and he said that the conversion of cropland to longleaf pine has hurt him because it impacts, of course, the price of the timber produced. And so my question to both of you is whether Alabama is unique in seeing the usefulness of CRP diminishing? Or has CRP served its purpose and is no longer needed? And what changes might we make to CRP to ensure that much-needed land stays in productive agriculture?

Mr. NELSON. Well, I appreciate the question because we just, as you know, finished with CRP general Signup 41, and I think it is important to note that even in this time of high commodity prices that producers voluntarily around the country offered 3.8 million acres into that program. And so in response to your question, I think the producers have shown that there is still great interest in participation in CRP, at least around the country.

Mrs. ROBY. But the people operating the land are not necessarily producers because there is so much land that our farmers rent or lease to produce, and it is up to the landowner to shift that into the CRP program and thus takes that property, then, out of production for those farmers who just want to farm.

Mr. NELSON. Congresswoman, we would be more than happy to visit with you further about this and to provide you with the information about the CRP participation in Alabama. And I think it is important to note one other thing, too, that could be affecting this, and that is that there was established down in the Gulf Coast and Atlantic Coast region and including Florida a national conservation priority area for longleaf pine. It does, in fact, give producers additional environmental benefits index points when they go to enroll land in the Conservation Reserve Program. And certainly, before we will go forward with another general signup, the question of whether these conservation priority areas are one that I am sure you will look at in Congress and we will certainly look at within the Farm Service Agency. So I would look forward to talking further with you about that.

Mrs. ROBY. Well, as the Ranking Member pointed out, he said there is what, 4.1 million acres coming out, but the problem is is that it is very, very costly to then convert that property back into productive farm use. And so that is a tremendous concern in my State of Alabama because of this program.

Mr. White, do you have anything to add?

Mr. WHITE. Earlier, when you were out, we had a discussion about how wonderful longleaf pines were. NRCS is certainly working with producers on cost-share programs, working lands programs on a voluntary basis for producers who want to do that. Certainly, Alabama is in the belt where those trees were from.

I guess I hear this from time to time but the beautiful thing about voluntary conservation programs, if you don't want to do it, you don't have to. And I would not want to take the right of someone else away to enter into a voluntary conservation program of which the CRP certainly is one.

Mrs. ROBY. And my time is expired but I just would add to that that it is for our farmers, the concern is because of the existence of the program, maybe its usefulness has run out because we do need to provide for all of those, as you referenced, millions——

Mr. WHITE. Yes, ma'am.

Mrs. ROBY.—of mouths that are going to need to be fed. So that is the point of my question. And I appreciate both of you being here. And Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentlelady.

I recognize the gentleman from Florida for any additional questions.

Mr. SOUTHERLAND. Just to kind of follow up on that statement, I think one of the challenges of the longleaf pine, as you know, the woodpecker issue down there in our area—so when you have one agency that is trying to encourage you to come in and help restore—and I agree with everything you said, Chief, about the longleaf pine and how beautiful it is, and I think we are doing some incredible things down in North Florida, especially with the Tall Timbers organization down there. When you assist in helping us plant longleaf pine only to have the redheaded woodpecker come in, then you will never be able to harvest your timber because of regulations. So if they are identified on your property, please believe me, there are many that say as a result of them coming here and making them your home, you can't cut. But that is just a follow-up comment to Mrs. Roby.

I want to ask a couple questions. I know regarding CRP, you know—and again I am learning these programs—but what penalties does a landowner face if he opts out of CRP contract and what flexibility is currently available, if any, to allow landowners out of a CRP contract?

Mr. NELSON. Well, I appreciate that question because CRP, again, we just went through a general signup, and so the issue has been in front of the Department and the country. And the Secretary does have the authority to do penalty-free early-outs——

Mr. SOUTHERLAND. Okay.

Mr. NELSON.—under CRP. The policy at the present time is that if a producer wants to voluntarily opt out of the program that they would have to pay back the rental payments that they had received and there would be liquidated damages of 25 percent on the rental payments they had received and 25 percent liquidated damages on any cost-share assistance they had received and possibly interest as well. So that is the current policy.

Mr. SOUTHERLAND. That sounds like that was designed by the IRS.

Mr. WHITE. Mr. Southerland, can I address that?

Mr. SOUTHERLAND. Sure.

Mr. WHITE. I am going to take you back a little bit. The guys we are cost-sharing with for longleaf pine, they are going to cut that thing or projected in, what, 20, 30 years?

Mr. SOUTHERLAND. No, it is longleaf pine you are looking at closer to 50 years.

Mr. WHITE. Okay. Well——

Mr. SOUTHERLAND. And that is another issue. You know, there are some other crops, certainly, that one could say obviously we need to address longleaf pine but maybe some other species that we can also plant in order to return an investment for the landowner.

Mr. WHITE. But I am going to check on that, whether you can cut them or not, because I think you can.

Mr. SOUTHERLAND. Well, I know this. I know that we have a National Forest down there and the National Forest because of the woodpecker has been turned into basically a national park. And in the rural county where having logging operations in these rural counties has been shut down because of the woodpecker, and they basically have taken a National Forest and made it a national park, it is creating economic damage to these communities. And so it something very near and dear to my heart. And so I think some flexibility there would be good because I do believe that the longleaf pine is worth pursuing. I mean it is a great thing. But, yes, anything you can check on that, that would be good.

Mr. WHITE. I will get back to you, sir.

Mr. SOUTHERLAND. Thank you.

And my follow-up question, what programs have wildlife components—hold on. My question here is messed up. Let me shift here. What percentage of funding under EQIP makes it to the producer?

Mr. WHITE. About 75 percent. About 20—the numbers vary from year to year, sir, but it is normally—the technical assistant generally runs from 20 to 25 percent.

Mr. SOUTHERLAND. Okay.

Mr. WHITE. And that is what buys these books that I just showed.

Mr. SOUTHERLAND. I got you. And last, on just a statement on the budget cuts, I appreciate your can-do attitude because the American people are given a dollar amount that they have to live within and they have a can-do attitude that they are going to make it work. And I have heard you display that this morning and it is refreshing. And so I just want to tell you how much I appreciate the way both of you have testified before us this morning. Thank you very much.

Mr. WHITE. Listen, I am an American. I am not going to crawl up in a fetal position and cry myself to sleep.

Mr. SOUTHERLAND. Well, that is not how this country was founded and——

Mr. WHITE. I am going to try to do what I can do.

Mr. SOUTHERLAND.—and I don't believe you would. So thank you very much. I yield back.

The CHAIRMAN. The gentleman yields back. And I recognize the gentleman from Illinois for any additional questions.

Mr. HULTGREN. Thank you, Mr. Chairman, just a couple.

I wondered if you could explain the Conservation Innovation Grants. Tell me a little bit more what they are, and also let me know, if you would, the success rate for these innovation projects eventually becoming adopted conservation practices?

Mr. WHITE. Yes, sir. I am assuming you are referring to the one that is supposed to bridge Death Valley, to take promising research and try and figure out how it can be broadly applied to the land. We have had some spectacular successes and we have had some spectacular failures. I can get you more of a rundown on which is which on that, but I think in the area of feed management, we have seen some extraordinary results from the University of Washington. Odor control, I think that was Wisconsin Department of Agriculture did some wonderful work on how to do better odor control, precision agriculture, water quality. We have had some really good stuff, but we have also had some things that just did not work out. And I am trying, frankly, to get my arms wrapped around it better and I will have to get back to you on some of this, sir.

Mr. HULTGREN. Is your sense that most of them are working, most of them not working, just to kind of gauge a success rate? Is it possible to do that? And again, it is for the Conservation Innovation Grants.

Mr. WHITE. Maybe 75–25.

Mr. HULTGREN. Working to not working?

Mr. WHITE. Yes, and that is kind of an estimate. So can I revise and extend my remarks?

Mr. HULTGREN. Yes.

Mr. WHITE. Okay.

Mr. HULTGREN. That would be good. Yes, and if you can let us know if there is more feel to that. For me my concern is money that is being spent, is it being useful?

Mr. WHITE. Exactly.

Mr. HULTGREN. So it is not numbers of success but dollars being spent leading to real innovation that is actually being used out in the field.

Mr. WHITE. Got you.

Mr. HULTGREN. Switching over to the Conservation Stewardship Program, what percentage of funds for the Conservation Stewardship Program are used to pay for things farmers already have done and how much is used to encourage new practices?

Mr. WHITE. Okay. The law says you will pay to maintain existing and to create additional. We have put an emphasis on the additional. Right now, that annual payment is roughly split 60–40, 60 percent for new stuff, 40 for the maintenance of existing.

Mr. HULTGREN. Okay. Kind of wrapping up and getting back to the first round of questions. I guess I would like to just get some thoughts from you. We talked a little bit about going into the farm bill and really looking for ways—certainly, we want options out there, but at the same time we don't want to be tripping over options and having it with limited resources where we are not being as effective as we possibly can be. So I wondered, do you think is there a more comprehensive way to provide environmental benefits to our farmers and ranchers instead of the piecemeal approach that Congress has provided over the last 25 years? If you think there is, give me some sense of what that would be.

Mr. WHITE. You go first.

Mr. NELSON. Well, I think again, as I said earlier, the challenge here is to look at all of these programs and figure out ways which we absolutely need to do to both operate them more efficiently and make them more effective to farmers. But as I also talked about earlier, to do that in a way that we don't take alternatives away from farmers and ranchers around the country so that, again, a farmer in my State of Montana, your State of Illinois, they are not going to need exactly the same thing.

So it isn't an easy thing to do, but we need to figure out a way to do it because like it or not, we are facing budget challenges here. We have had to tighten our belts. You know, I had to do that back on the farm. I had to do that when I was in the Governor's office back in Helena. And we are going to have to do it. So, again, the challenge is to figure out a way to become more efficient in the administration of programs, make them more effective for the individual producers, and not take alternatives away so that we can continue to make sure our producers in every area in the country have the full range of options. And I think all of the programs need to be on the table that both agencies are involved with, and we are certainly looking forward to working with you on that and providing you our technical assistance and our experience in administration of the programs and working with producers on the best ways to do that.

Mr. WHITE. I think Mr. Nelson said that very well. One of the things that we all have to recognize is every program is there for a reason. And they have all done some great work and they all have a constituent base and we need to respect that as we move forward. But your challenge is, in this budget climate, how do you increase the efficiency? How do we do a better job and still provide the producers with what they need in the area of conservation.

Mr. HULTGREN. Yes, just in closing, I do think that is our challenge. I think recognition that we want to see results for money that is being spent, especially with limited dollars. Programs that made sense 10 years ago may not make sense any longer. And I get concerned when the focus is more on agenda rather than on real results. And so, anyhow, I look forward to working with you. I know this is just a first step of a long process that is coming forward. Thank you both.

I yield back.

The CHAIRMAN. I thank the gentleman. I thank all Committee Members. And Administrator Nelson, Chief White, thank you so much for your service and your testimony here today. Your preparation coming in, very well prepared. I think this hearing was very informative. Frankly, we have a lot of work to do as we continue down the road of preparing for this next farm bill. And as has been mentioned many times, these are challenging times with the debt and the fiscal situation we are in, but we never should forget that as Americans we enjoy, frankly, the most affordable, highest-quality, and safest food supply of anywhere in the world. And the biggest threat to our national security by far would be at whatever point we would rely on a foreign country to provide that for us. So we are blessed not to be in that position.

I certainly appreciate the work of FSA and NRCS and the fact that you work together, collaboratively. And certainly we look forward to working with you as we continue forward in this process. So thank you all so much.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member. This hearing of the Subcommittee on Conservation, Energy, and Forestry is adjourned.

[Whereupon, at 11:56 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED LETTER BY MARK G. HUNTLEY, PRESIDENT, IRRIGATION ASSOCIATION

July 18, 2011

Hon. GLENN THOMPSON,
Chairman,
Subcommittee on Conservation, Energy, and Forestry
House Committee on Agriculture,
Washington, D.C.;

Hon. TIM HOLDEN,
Ranking Minority Member,
Subcommittee on Conservation, Energy, and Forestry
House Committee on Agriculture,
Washington, D.C.

Chairman Thompson and Ranking Member Holden:

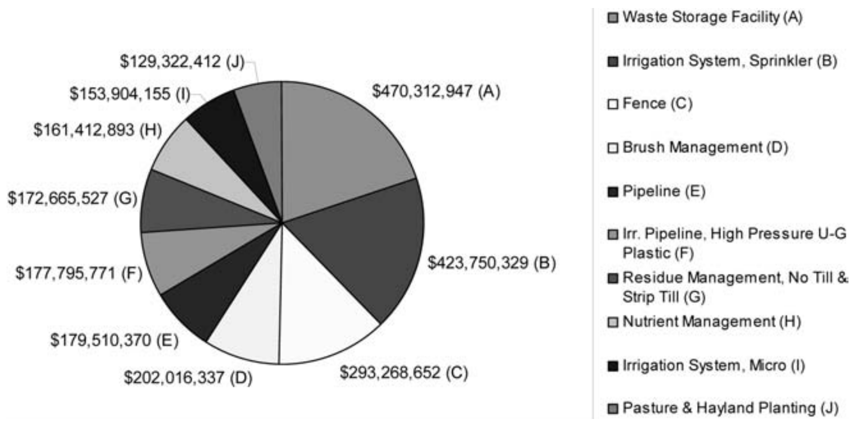
On behalf of the members of the Irrigation Association, thank you for the opportunity to offer our perspective on USDA's conservation programs. Our industry appreciates your focus and leadership on this issue, as we believe that the conservation title of the farm bill is important to the long-term viability of U.S. agriculture and meeting the demands of our current and future generations, as well as a sound and sustainable environment.

The Irrigation Association is a trade association representing approximately 2,000 member companies in the irrigation industry. Our members include irrigation product manufacturers, dealers, distributors, contractors and end users in the agricultural and landscape industries. The mission of the Irrigation Association is to promote efficient irrigation technologies, products and services, and our expertise lies in ensuring every drop of water applied to a crop is done so in an efficient manner, thus leading to more agricultural output per unit of input.

I would like to begin by discussing the USDA's Environmental Quality Incentives Program. As you know, EQIP is a voluntary conservation program, which provides financial and technical assistance to farmers and ranchers who face threats to soil, water, air, and related natural resources on their land. Through EQIP, the NRCS develops contracts with agricultural producers to implement conservation practices, which address on-farm environmental natural resource opportunities and challenges. Even though this program is an incentive program for agricultural producers, this is first and foremost an environmental quality program. For example, if an agricultural producer were to invest in more efficient irrigation technologies and products; not only would that producer see a decrease in the amount of water used to produce the same amount of yield, the producer will also see a decrease in run-off (leading to an increase in water quality) and an increase in energy efficiency (using the energy embedded in the water used for irrigation in an efficient manner), among other recognized environmental benefits. **It is our belief that the further investment in this environmental quality program is much more effective than increased regulations placed on U.S. agricultural producers.**

From 1997 to 2010, EQIP has been a strong supporter of promoting efficient irrigation technology and products. During this time, three of the top ten projects funded by EQIP have been focused on irrigation:

Top 10 EQIP Funded Projects (1997–2010)



Source: NRCS.

Specific to irrigation projects, EQIP works with the producer, through the technical service provider program, to determine the best technology, design and practices to ensure that every drop of water is being used in the most efficient way possible, while ensuring that the investment makes financial sense for the producer. In fact, the Irrigation Association works collaboratively with the NRCS through a Memorandum of Understanding that qualifies our certified irrigation designers to participate in the TSP program.

Through these investments in efficient irrigation technologies and products, the effects on the environment have been very positive, as we've seen documented through the USDA's Conservation Effects Assessment Program.

Next, I would like to spend a moment discussing some of the challenges currently facing American agriculture.

According to the Global Harvest Initiative, the global population is expected grow to more than nine billion people by 2040, an increase of nearly 50 percent from today's level. In this same time period, global agriculture will be required to double its productivity in the face of limited water resources.

Feeding more than nine billion people will require substantial increases in agricultural output and productivity. Irrigation is one of the most powerful levers of agricultural productivity, so it is no surprise that irrigation comprises a significant proportion of the country's overall water use (37 percent of total water withdrawals according to the U.S. Geological Survey 2005 Water Use Report). As more farmers seek to leverage the productivity benefits of irrigation, irrigated acreage in the United States will continue to grow. Irrigated acreage in the United States has more than doubled from 25 million acres in 1950 to over 60 million acres in 2005. At the same time farmers are irrigating more acres, they are using less water for irrigation. Water use for irrigation has dropped back to 1970 levels (Source: NRCS Farm and Ranch Irrigation Survey 2008). The Irrigation Association joins the USGS and the Department of the Interior in attributing these decreases in irrigation water use to significant increases in on-farm irrigation efficiency.

As the population continues to increase, regulations and aging infrastructure are affecting the amount of water available for irrigation. American farmers are among the most productive and innovative in the world. Yet, if United States agriculture is to meet this challenge, we must sustain, improve and expand efficiently irrigated agriculture. The Irrigation Association recognizes that United States agriculture will need to continue increasing productivity to meet the future needs of the growing global population, while optimizing the efficient use of natural resources.

As I mentioned earlier, fostering the adoption of efficient irrigation technologies and practices is an effective way to improve agricultural productivity, overall water-use efficiency and water quality, thus sustaining water resources for future generations.

In conclusion, the irrigation industry highly values the variety of benefits achieved with efficient on-farm water use. We've enjoyed our historic partnership with the NRCS and look forward to working with the Congress and the NRCS for years to come in promoting efficiencies in agricultural production.

As the House Committee on Agriculture continues the audit of the USDA, we encourage you to review EQIP, note the positive attributes of the program and continue the promotion of the efficient use of water in agricultural production.

If you have any questions regarding EQIP or any other irrigation-related issue, please contact IA's Federal Affairs Director John Farner at [**Redacted**] or [**Redacted**]. Thank you again for the opportunity to submit comments.

MARK G. HUNTLEY,
John Deere Water,
President, Irrigation Association.

SUBMITTED QUESTIONS

Response from Bruce Nelson, Administrator, Farm Service Agency, U.S. Department of Agriculture

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

Question 1. How many different conservation programs does FSA administer?

Answer. FSA administers five primary conservation programs including the:

- Conservation Reserve Program (including Conservation Reserve Enhancement Program, Farmable Wetlands Program and Transition Incentives Program);
- Emergency Conservation Program (ECP);
- Grassland Reserve Program (GRP);
- Grass Roots Source Water Protection Program; and
- Voluntary Public Access and Habitat Incentive Program (VPA–HIP).

FSA also administers programs under other Titles that support conservation goals and purposes including:

- Emergency Forest Restoration Program (EFRP) under the Forestry Title;
- Biomass Crop Assistance Program (BCAP) under the Energy Title;
- Conservation Loan Program under the Credit Title; and
- Debt for Nature under the Credit Title.

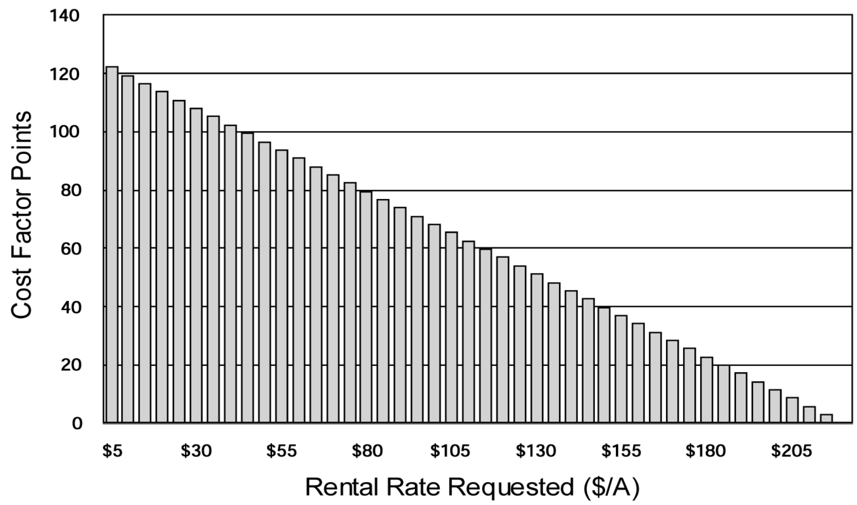
Question 2. Do the current criteria to determine the Environmental Benefit Index (EBI) for CRP eligibility ensure that the most productive land stays in production and the environmentally sensitive land, or highly erodible land, is enrolled?

Answer. The EBI is used to rank and select offers for enrollment in the general signup component of CRP which includes about 26 million acres of the CRP's 32 million acre enrollment authority. The general signup accepts land based on eligibility criteria defined in the CRP statute and the EBI ranking. Before any cropland may be considered for general signup enrollment, it must have a recent cropping history and meet other eligibility requirements which can be any of the following:

- Highly erodible cropland (*i.e.,* have an erodibility index of 8 or greater);
- Located in a conservation priority area; or
- Under an expiring CRP contract.

Each general signup offer is ranked with the EBI which uses data collected for five environmental factors (wildlife benefits, water quality benefits, soil conservation benefits, air quality benefits, and enduring benefits) and a cost factor. There is no prohibition on enrolling productive land in the CRP and certainly some lands in the program are productive, but must have significant environmental benefits to qualify. The productivity of the lands in the CRP is reflected in the soil rental rates of the lands enrolled. For CRP general signup, the higher the rental rate requested, the lower the EBI points for the cost factor, as illustrated in the chart below.

Relationship Between Rental Rate and Cost Factor EBI Score



For general signup, the cost factor serves to discourage enrollment of more productive lands, but if the environmental benefits are sufficiently high, they may be accepted. For example, an offer with a rental rate of $150 per acre would get 40 points for cost, while an offer with a rental rate of $30 per acre would get 108 points. Thus, the points for the five environmental factors of offers of the more productive land ($150 per acre land) would have to be at least 68 points higher than the scores of land with lower productivity ($30 per acre land) to be ranked higher.

Regarding keeping environmentally sensitive or highly erodible land enrolled, the CRP is implemented using two basic approaches: the competitive general signup discussed above and the continuous signup. An assessment of the environmental sensitivity of the lands enrolled under general signup begins with the erodibility index (EI).

Of the general signup acres currently enrolled, 19.9 million acres are categorized as HEL (EI≥8) based on the weighted average of the EI of the soils on the contracted fields. The remaining 6.3 million acres are non-HEL. However, “environmental sensitivity” is not based solely on EI. Many non-HEL general signup CRP lands may be adjacent to wetlands or streams, overlay at-risk groundwater, or are providing significant wildlife benefits, and would be considered environmentally sensitive.

Continuous signup specifically targets the most environmentally sensitive lands and, includes the Conservation Reserve Enhancement Program (CREP),[1] wetland, conservation buffer, and wildlife initiatives. There are about 5.1 million continuous signup acres currently enrolled.

Question 3. What percentage of acres enrolled in CRP currently have an EBI that is low enough that the land could be farmed productively without significant environmental impact?

Answer. It is likely that much of the land enrolled in CRP can be farmed productively because most were used for crop production prior to enrollment; however, whether that land can be farmed without significant environmental impact in not clear. HEL lands brought back into production will need a conservation plan (to maintain eligibility for commodity program payments). Even with a plan, however, many environmental benefits would be lost including air and water quality, sediment, carbon sequestration, and wildlife habitat. In addition, as noted in the response to *Question 2*, many non-HEL lands are providing significant environmental benefits, many of which would be lost if returned to cropping.

In addition to HEL lands enrolled, non-HEL and continuous signup enrollment currently includes:

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[1] CREP agreements leverage Federal funding with funding provided by state and local partners whose primary purpose is to target acres for enrollment that will address environmental concerns specific to the state. The outcome is that environmental sensitive lands of special significance are enrolled in a CREP project area.

- 2.0 million acres of conservation (streamside) buffers
- 2.2 million acre of wetland restoration practices
- 4.2 million acres of Prairie Pothole grass plantings
- 2.6 million acres in state conservation priority areas
- 165,000 acres of Longleaf Pine plantings
- 252,000 acres of volcanic or organic soils highly susceptible to blowing
- 934,000 acres of grass plantings in 1930's Dust Bowl counties

Since 1990, USDA has ranked the quality of general signup offers using an EBI. Doing so helps USDA achieve environmental benefits in a cost-effective manner. The EBI is a numeric score resulting from the summation of five environmental indices [2] and a cost factor which is a function of the rental rate requested by the producer. As discussed in *Question 2,* the lower the rental rate requested, the higher the cost factor score. At the time general signup offers were selected, a determination was made that the land was of sufficient environmental sensitivity to be enrolled in CRP.

The EBI is used to rank CRP offers and provides a numeric score that serves as a qualitative measure of environmental benefits relative to cost. It provides information about whether one offer is likely to provide more environmental benefits than another. The score provides an indication of environmental sensitivity; however, it does not address whether lands could be farmed productively without significant environmental impact.

CRP is designed as a reserve program to safeguard the nation's natural resources and is a major contributor to increased wildlife populations in many parts of the country because enrolled acreage is planted to resource-conserving vegetative covers. CRP also protects groundwater and helps improve the condition of lakes, rivers, ponds, and streams by reducing water runoff and sedimentation. Another benefit is the protection of millions of acres of topsoil from erosion. In addition, CRP sequesters more carbon on private lands than any other federally-administered program.

Secondary objectives include protecting the nations' long-run capability to produce food and fiber, curbing production of surplus commodities, and providing income support for farmers. If it is in the public interest, such as times of emergency, the Secretary may authorize CRP acreage to be used for the production of agricultural commodities.

Question 4. Do you think the goals of the Farmable Wetlands Program (FWP) are consistent with the overall goals of the CRP program? Are the eligibility criteria for FWP the same as the overall program? Where do we see the most land being enrolled for FWP?

Answer. FWP is a voluntary program to restore up to one million acres of farmable wetlands and associated buffers by improving the land's hydrology and vegetation. Eligible producers in all states may enroll eligible land in the FWP through the Conservation Reserve Program (CRP). The majority of the land enrolled in the FWP is located in Iowa, Minnesota, Mississippi, North Dakota, and South Dakota, although enrollment is throughout the nation.

FWP is consistent with the overall goals of the CRP to improve the quality of water, control soil erosion, and enhance wildlife habitat. CRP wetland restoration practices utilize multiple buffer-to-wetland ratios and size requirements due to the differing underlying purposes of the wetland restoration. Buffer-to-wetland ratios and wetland or tract size requirements differ not only within FWP practices but also with other CRP wetland restoration practices.

For example, under the CRP Duck Nesting Habitat wetland restoration practice the buffer-to-wetland ratio is 6:1 with no wetland or tract size limitations; however, under the FWP Flooded Prairie wetland restoration practice the buffer-to-wetland ratio is 4:1, and there is a statutory limitation of 20 acres for the size of the wetland and 40 acres for the size of the tract.

Land eligibility and cropping history requirements are also different under FWP. Land enrolled under CRP wetland restoration practices must be cropland with a cropping history of 4 out of the previous 6 years. For FWP, cropland enrolled has different cropping history requirements and for certain practices the land may be marginal pastureland.

Question 5. How much flexibility is allowed for haying and grazing activities? Could CRP take on some of the same goals as the Grasslands Reserve Program (GRP)?

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[2] The environmental factors are wildlife, water quality, soil erosion, air quality benefits, and the likelihood of benefits enduring after the contract ends.

Answer. The CRP authorizing legislation generally prohibits any use of the forage including haying and grazing except for managed harvesting, haying or grazing or other commercial use in response to a drought or other emergency, routine grazing, or prescribed grazing for the control of invasive species. The annual rental payment is reduced by an amount commensurate with the economic value of the activity which is generally 25 percent. Any haying or grazing must be conducted with an appropriate cover management plan. By contrast, the GRP authorizing legislation generally requires that a rental contract or an easement permit common grazing practices and haying, mowing or harvesting for seed production.

For CRP to take on some of the same goals as GRP, certain provisions of the CRP authorizing legislation would need to be reviewed including:

- Land eligibility,
- Permissible activities for haying and grazing of the land subject to a GRP management plan,
- Enrollment terms with longer contracts and/or easements, and
- Landlord tenant provisions.

Question 6. How successful has the Transition Incentive Program (TIP) been under CRP? Is this program being utilized and do you believe this is a successful approach to getting workable land back into production?

Answer. The regulation for the Transition Incentives Program (TIP) was published May 14, 2010. The farm bill authorized $25 million for TIP through fiscal year 2012.

FSA has implemented this program including a TIP Net website which provides a web-based tool to connect interested retired or retiring land owners or operators with interested beginning or socially disadvantaged farmers or ranchers.

As of July 31, 2011, there are 575 approved TIP contracts with 85,956.6 acres enrolled. Currently, $7,580,705 in CRP annual rental payments will be issued over the next 2 years for TIP to retired/retiring farmers or ranchers.

Question 7. How much is being spent on cost-share assistance for tree thinning activities?

Answer. As of July 7, 2011, FSA had 64 contracts with total payments of $11,366 for the CRP tree thinning practice.

Question 8. How does the split administration of GRP work, do you think this is the best way to administer this program?

Answer. National leadership for GRP is provided by the Chief, NRCS, and the Administrator, FSA, and their designees. Specific agency responsibilities are detailed in a Memorandum of Understanding.

NRCS and FSA at the national level jointly develop and evaluate program policy and direction, monitor program implementation, ensure that GRP information is made available to the public, formulate budgets, and coordinate national GRP funding allocations to achieve national program objectives. Obligations are tracked at the national level to ensure 60 percent of the funding supports easements and 40 percent of the funding supports rental contracts over the life of the farm bill.

FSA has lead responsibility for rental contract administration and financial activities. FSA also provides all of the producer eligibility determinations and implements the rental contract enrollment options. NRCS has lead responsibility on conservation planning, technical assistance to owners and operators, and easement administration. National ranking criteria guide the development of state ranking criteria to ensure GRP funds are focused on projects that support grazing operations, protect grassland from conversion to other uses, enhance plant and animal biodiversity, leverage non-Federal funds and address that state's program priorities. Priority is given to expiring Conservation Reserve Program (CRP) grasslands.

While shared administration responsibilities for GRP does create some challenges, the agencies have worked together to implement this program as efficiently as possible. The Department is always interested in exploring more efficient and effective ways to implement our programs and would welcome the opportunity to work with you and others to achieve that end.

Question 9. What steps do your respective agencies take to ensure that conservation practices are truly effective? Can you describe the process you use, for example, to ensure that measures to prevent streambank erosion are working?

Answer. We take a number of steps to ensure that conservation practices are working—from our science-based technical standards and conservation planning process to oversight for practice installation and follow-up to validate performance.

- The planning process used by USDA is site specific and our technically trained staff works with the customer to identify the resource problems and plan the right suite of science-based practices to fix the problem (in this case it would likely be our shoreline and streambank protection practice).

- Conservation practices are developed by technical experts and undergo thorough peer and public review before being finalized and published through a *Federal Register* notice.
- Practices are designed and installed to specifications by technically qualified professionals (could be NRCS, State Forester, a third party, or the landowner); where engineering is involved there are additional review and approval requirements and authorities.
- Once installed, USDA follows up to ensure that the practice was installed correctly and completely and that it is performing as expected for the intended purpose and lifespan.

USDA implements a number of conservation practices that reduce streambank erosion and modify the vegetation and hydrology to enhance streambank stability. There are numerous examples and case studies that demonstrate that conservation practices and systems can improve streambank stability and improve water quality. A recent example is Peacheater Creek-Northeast Oklahoma. The area is characterized by poultry and cattle production and the downstream Illinois River and Lake Tenkiller had been placed on the 303(d) list for elevated phosphorus levels. Riparian area protection along with in-field conservation practices and farmstead improvements were applied. Measured decreases in streambank erosion were among the results, which also included reductions in phosphorus and nutrient loading and improved fish communities.

In addition to the technical requirements to ensure conservation practice integrity, USDA collects natural resource trend data and conducts short- and long-term analyses of the conservation benefits of USDA conservation practices. The National Resources Inventory (NRI), for example, provides statistically sound data on natural resource status and trends on non-Federal lands, including trends in soil erosion, land use change, and wetlands, among others.

USDA's Conservation Effects Assessment Project (CEAP) is a multi-agency effort to quantify the environmental effects of conservation practices and programs and develop the science base for managing the agricultural landscape for environmental quality. CEAP literature reviews and assessments document the effects of conservation practices and related environmental benefits.

Monitoring and evaluation of conservation practice effectiveness in all 43 CREP Projects also document the effectiveness of conservation practices applied and the public the societal benefits. Another data set developed in partnership with the U.S. Geological Survey has quantified the benefits of conservation plantings and habitat development to many grassland and waterfowl species in over 12 Great Plain States.

Response from Dave White, Chief, Natural Resources Conservation Services, U.S. Department of Agriculture

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

Question 1. We have three different easement programs, two without a baseline going into the new farm bill. Can you help me understand the differences between the three and is it possible to look at ways of combining any of them? Can consolidation be beneficial for program delivery?

Answer. NRCS administers three easement programs under Title XII of the Food Security Act of 1985, as amended, which include the Farm and Ranch Lands Protection Program (FRPP), the Wetlands Reserve Program (WRP), and the Grasslands Reserve Program (GRP). NRCS categorizes GRP and FRPP as "working lands" programs and the WRP as an "environmental restoration and protection" program.

- FRPP is used to assist eligible entities to purchase conservation easements that prevent conversion of agricultural land to non-agricultural uses. Easements are held by the entity and USDA has a "right of enforcement" should the entity be unable to fulfill its responsibilities associated with enforcing the terms of the easement.
- GRP is used to assist to landowners and operators to protect grazing uses and conservation values by conserving and restoring grassland resources on eligible private lands through rental contracts, easements, and restoration cost-share agreements. GRP prohibits non-agriculture uses of the enrolled land and the conversion of grazing lands or grassland to cropland. The U.S. Government holds the GRP easements but GRP also offers an option where an eligible entity

can either assume title to the GRP easement or receive financial assistance toward the purchase an easement under an arrangement similar to FRPP.

- WRP is used to restore, protect, and enhance wetlands and associated habitats on eligible farmlands through easements (permanent and 30 year), 30 year contracts with Tribes, and restoration cost-share agreements. Compatible uses, such as haying and grazing, may be permitted if they further the purposes of the easement. For example, grazing may be authorized if it was a natural part of the ecosystem or is necessary to control invasive species. The United States Government holds the WRP easements.

NRCS welcomes the opportunity to work with you in exploring opportunities to consolidate programs to achieve efficiencies, while preserving the natural resource conservation objectives that these programs were designed to achieve.

Question 2. Could you tell us to your best of your ability what percentage of time and funds are used simply on program administration and do you think Congress could help the Department out on the administrative side of things by combining like programs?

Answer. While the administrative tasks associated with the farm bill conservation programs represent a marginal workload for our field and state offices, these tasks are inextricably linked with the successful delivery of these programs. Examples of the program administration tasks include establishing a case file, developing participant notifications and issuing correspondence, managing contracts and agreements, and performing effective oversight of contracts with producers. For customer service and program delivery to be most successful, the technical aspects of program delivery must be interconnected and coordinated with the administrative activities.

Recognizing the need to reduce the amount of staff time expended in performing administrative tasks and the need to strengthen program coordination, NRCS is implementing a Conservation Delivery Streamlining Initiative to more cost-effectively deliver our programs and increase the time our field staff has to work with farmers and ranchers. The agency is also identifying opportunities to realign workload and structure to increase the proportion of our staff that is in direct field service delivery.

Question 3. What unique purpose does the Agricultural Management Assistance Program (AMA) program serve and does it share any goals/purposes with other programs? What assistance does the AMA provide to producers that other conservation programs do not?

Answer. AMA provides assistance to agricultural producers to manage risk and voluntarily address issues such as water management, water quality, and erosion control by incorporating conservation practices into their farming operation. Many of these practices are also available through the Environmental Quality Incentives Program (EQIP). Even so, AMA provides assistance to producers who have small-acreage or specialty-crop farming operations that do not meet the land eligibility guidelines for participation in other programs. For example, AMA provides cost-share assistance for irrigation-related practices that may be implemented on land that does not have an irrigation history, whereas EQIP will only provide assistance for irrigation-related practices on land that has an irrigation history. By helping to mitigate the risks associated with these kinds of agricultural enterprises, AMA helps agriculture remain a valuable segment of local economies.

Question 4. What programs have wildlife components and what makes the WHIP program different than these other programs? Are there ways to incorporate those differences into the other programs currently authorized to build on wildlife habitat success?

Answer. While many programs have wildlife components, the Wildlife Habitat Incentive Program (WHIP) is the only conservation program that focuses solely on wildlife habitat on private agricultural, nonindustrial private forest, and tribal lands. WHIP is also the only conservation program that addresses a wide range of aquatic wildlife habitat resource concerns. WHIP is directed by statute to prioritize projects that would address issues raised by state, regional, and national conservation initiatives, such as State Wildlife Action Plans or similar wildlife-oriented initiatives. While less direct than WHIP's authority, the following conservation programs also have wildlife components or contribute to wildlife-related resource concerns:

- The Environmental Quality Incentives Program (EQIP). EQIP participants may adopt practices for the benefit of fish and wildlife-related resource concerns on working agricultural lands. While EQIP eligibility requires lands to be in agricultural use, WHIP focuses on habitat development. Although projects on publicly owned land are not eligible for WHIP, under certain conditions, such projects may be eligible for EQIP. WHIP has a $50,000 annual payment limitation while EQIP has a $300,000 contract and payment limitation.

- The Conservation Stewardship Program (CSP). CSP offers 31 enhancements that benefit wildlife to provide improvements to cover, food, habitat connectivity and access to water for terrestrial and aquatic wildlife including rare and declining habitats. In comparison, WHIP provides basic self-sustaining prioritized habitats by the implementation of various conservation practices. After the implementation of a complete WHIP conservation plan the land is then eligible to participate in CSP to further enhance the land for wildlife. CSP would have to add the component of first developing the land for fish and wildlife habitat and then enhance the lands.
- The Wetlands Reserve Program (WRP). WRP provides for long-term restoration and protection of valuable wetland and associated upland habitat through permanent and 30 year easements, 30 year contracts, and restoration cost-share agreements. However, WHIP land eligibility is much broader than WRP providing for habitat development benefiting species beyond those associated with wetland habitats. While WHIP allows for contract periods of up to 15 years for certain projects, it does not provide an easement option and only provides cost-share assistance.
- The Healthy Forest Reserve Program (HFRP). HFRP provides for long-term protection and restoration of forestland habitat resources through permanent and 30 year easements, 30 year contracts, and restoration agreements in order to benefit species with special status such as those listed as threatened or endangered under the Endangered Species Act (ESA), proposed or candidate species for ESA listing, or species of special concern within the state. HFRP is primarily confined to the restoration and protection of forest land resources while WHIP eligibility is much broader, providing for habitat development benefiting species beyond those associated with forestland habitats. Unlike the various HFRP enrollment options, WHIP can only provide long term cost-share contracts.
- The Grassland Reserve Program (GRP). GRP provides for long-term protection of grazing uses and related conservation values through conservation easements, rental contracts, and restoration agreements. GRP emphasizes support for working grazing operations, enhancement of plant and animal biodiversity, and protection of grassland under threat of conversion to other uses. WHIP eligibility is much broader and provides for habitat development benefiting species beyond those associated with grassland habitats. While WHIP provides for long-term contracts (15 years), it does not contain rental agreement or easement enrollment options.
- The Conservation Reserve Program (CRP). Under CRP, FSA enters into contracts with agricultural producers to retire highly erodible and other environmentally sensitive land. During the 10 to 15 year contract period, eligible land is converted to grass, trees, wildlife cover, or other conservation uses to improve soil, air, and water quality and improve wildlife habitat. Participants receive annual rental payments and half the cost of establishing conservation covers CRP enrolls land to create wildlife habitat. All of the lands eligible for CRP could be enrolled in WHIP if they fall within the WHIP priority areas but not all lands eligible for WHIP could be enrolled in CRP. While WHIP allows for contract periods of up to 15 years for certain projects, it does not provide a rental contract option and only provides cost-share assistance.

USDA welcomes the opportunity to work with the Committee in evaluating opportunities to incorporate the unique elements of WHIP into other programs that have wildlife components, while preserving the natural resource conservation objectives that those programs are designed to achieve. Features of WHIP that are lacking in other programs include: broader land use eligibility; emphasis on wildlife habitat development; ability to undertake aquatic-related habitat measures; and priority for projects that support state, regional, and national initiatives.

Question 5. EQIP funding has grown exponentially over the last 10 years, can you talk about the backlog and do you think the Department is able to effectively manage the program as the funding has increased?

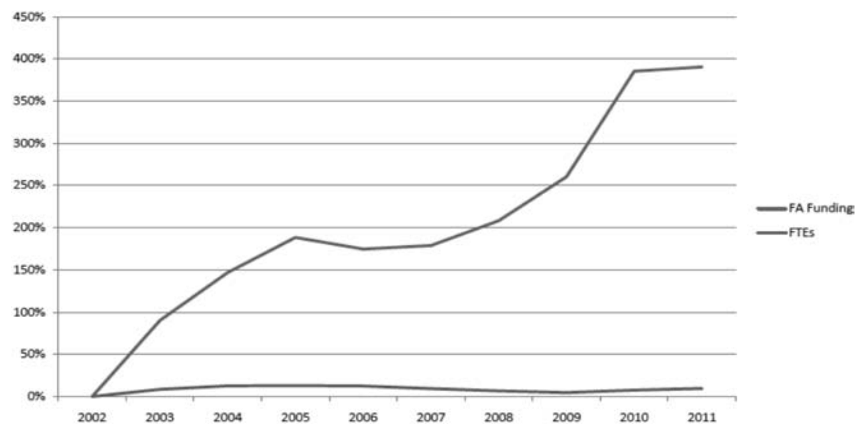
Answer. The farm bill increased funding for EQIP by 337 percent from its authorized level of $400 million in 2002 to $1.75 billion authorized for 2012. With this increased level of funding, program participation also increased dramatically. In FY 2002, producers enrolled 19,682 EQIP contracts at an average contract value of $15,700. In FY 2010, we added 36,499 new EQIP contracts at an average contract value of $23,000, resulting in about 150,000 active EQIP contracts. Despite the increase in participation, demand for program assistance remains high. The number of unfunded applications for EQIP at the end of FY 2010 was 7,777.

While farm bill program participation has increased significantly, the number of staff years available to support these programs has not followed suit. Since FY 2002, the amount of financial assistance administered by NRCS has increased by 390 percent across all programs while the staff years available to deliver this assistance increased by 10 percent (see following chart).

The increase in program delivery workload for the field office has created challenges. We recognize that in order to deliver conservation services NRCS needs to have adequate "boots on the ground" and we are taking aggressive steps to address the increased program workload. These steps include:

- Making improvements to the farm bill technical service provider (TSP) provision that will increase the number of technical experts available to assist producers with their conservation planning and implementation.
- Implementing a Conservation Delivery Streamlining Initiative (CDSI) that will reduce the number of administrative tasks performed by field staff and allow them to be working in the field up to 75 percent of the time, and
- Initiating a process to increase the proportion of agency technical staff in direct field service delivery positions.

Change in Program Funding and Staff Years Since 2002



Question 6. What percentage of EQIP funding is carved-out by set asides or subprograms?

Answer. The 2008 Farm Bill requires the following funding set asides for the Environmental Quality Incentives Program for each of fiscal years 2009 through 2012:

- Socially Disadvantaged Farmers and Ranchers—5 percent
- Beginning Farmer and Ranchers—5 percent
- Cooperative Conservation Partnership Initiative—6 percent
- Air Quality—$37.5 million
- Organic—Payments are authorized to assist organic or transition to organic production, but there is no specified minimum. The NRCS Chief has set aside $50,000,000 annually.
- Conservation Innovation Grants—Competitive grants are authorized to stimulate innovative approaches to leveraging the Federal investment in environmental enhancement in concert with agriculture, but there is no specified amount. Since 2008, NRCS has set aside between $20 and $30 million annually for national CIG awards.
- Livestock—60 percent of EQIP must be obligated to practices related to livestock production.

Question 7. I am concerned that while EQIP receives fewer funds than authorized every year, these subprograms do not receive the same cuts. Can you explain if these cuts to mandatory spending have any further impact on subprograms?

Answer. Where the subprograms are provided a *percentage* of the available funds, they receive proportionally the same reductions as the overall program. For subprograms where the statute requires a specific amount of funding, such as the $37.5 million set aside for air quality (1240H(b)), an overall reduction in EQIP funding is absorbed by the general program and may potentially impact other EQIP priorities. For subprograms that are authorized, but no specific funding is set aside, such as for the organic initiative, NRCS has discretionary authority to adjust the amount of funding as appropriate, so as to avoid adverse impacts to other EQIP program priorities.

Question 8. The 2008 Farm Bill included "bidding down" language like that in the EQIP program which states: "If the Secretary determines that the environmental values of two or more applications for payments are comparable, the Secretary shall NOT assign a higher priority to the application only because it would present the least cost to the program." Does this seem like language that makes sense in this fiscal environment?

Answer. The "bidding down" language was incorporated in the 2002 Farm Bill to address concerns from agricultural stakeholders that wealthier landowners whose main income was from non-agricultural sources were out-competing farmers and ranchers for conservation program contracts because they could afford to take less Federal cost-share for the installation of practices. As a result, farmers and ranchers had a harder time successfully getting in to EQIP.

NRCS implements this provision in a manner that ensures applications are evaluated and prioritized on the least-cost alternative to achieve the highest environmental benefits and thus NRCS is able to make cost-effective project selections. The "bidding down" requirement allows EQIP to select projects that achieve the highest environmental benefit and treat all applicants in a fair and equitable manner regardless of their financial status.

Question 9. How much money has come out of EQIP to fund the CCPI program?

Answer. As directed by the 2008 Farm Bill, no more than six percent of the funds made available for the Environmental Quality Incentives Program (EQIP) are used for the Cooperative Conservation Partnership Initiative (CCPI). EQIP funds made available through CCPI go to producers participating in the project, delivered in accordance with the EQIP authorities. The following amounts were obligated in contracts with producers participating in CCPI projects in:

- FY 2010: $70,800,000
- FY 2011: $74,280,000 (estimated)

Question 10. How has the Department used the EQIP program in regards to organics and do you think the money used for that purpose is an effective use of conservation dollars. What are the comparative environmental benefits?

Answer. The 2008 Farm Bill included a provision within EQIP intended to assist organic producers as well as producers in the process of transitioning to organic production. In FY 2010, NRCS obligated $24 million in contracts with producers to treat 148,000 acres in organic production or in transition to organic production.

The most commonly used practices included:

- Nutrient Management
- Cover Crop
- Pest Management
- Conservation Crop Rotation
- Prescribed Grazing
- Seasonal High Tunnel (interim conservation practice)

Assisting organic producers and those in the transition to organic farming with conservation practices furthers EQIP purposes with this new and growing segment of the agricultural sector. While many observers interpret organic production alone to be the most sustainable form of farming, NRCS has found that there are many conservation needs in the organic sector. Helping these operators to integrate conservation approaches in their production system ensures that critical environmental benefits are realized by helping organic growers remain economically viable so that they may sustain the natural physical, biological, and chemical properties of the soil and other natural resources, which is vital to organic production.

Question 11. Congress created the Conservation Security Program (CSP) in the 2002 Farm Bill. This program was then replaced with the Conservation Stewardship Program in the 2008 Farm Bill. Can you discuss the changes that were made to the new CSP?

Answer. The Conservation Stewardship Program reflects many changes from its predecessor, the Conservation Security Program. Overall the changes made the program more accessible and accountable and include:

- Providing continuous nationwide enrollment.
- Establishing an enrollment cap of 12.769 million acres each fiscal year at an average cost of $18/acre/year.
- Making nonindustrial private forestland (NIPF) eligible for enrollment while establishing a limit of 10 percent of total acres per year.
- Ensuring that a minimum of 5 percent of acres are dedicated to assist Beginning Farmers or Ranchers and a minimum 5 percent of acres are dedicated to assist Socially Disadvantaged Farmers or Ranchers.
- Requiring contract offers to include *all* eligible land under the effective control of the producer.
- Limiting the contract length to 5 years with an opportunity for one renewal for a 5 year term.
- Allowing producers to initiate organic certification during the contract period.
- Allowing for annual and supplemental payments.
- Limiting each person or legal entity to $40,000 per year. Contract limitations for formal joint operations are $400,000 for the contract period and from $40,000 to $80,000 per year.

Question 12. A major issue with CSP was paying farmers for the *status quo?* How much more environmental benefit have we seen from the implementation of the new CSP program? What does the new CSP program offer that other working lands programs cannot provide?

Answer. The Conservation Stewardship Program (CSP) is resulting in agricultural producers applying thousands of additional conservation activities on enrolled lands in conjunction with maintaining existing stewardship levels, generating sizable environmental benefits to the public. For example, under the 20,567 contracts enrolled during FY 2010, participants will apply and maintain an additional 78,947 conservation activities—an average of 3.8 additional activities *per contract* over all land uses in the contract. Additionally, CSP requires a participant to apply at least one additional activity for each land use, such as cropland and pasture, in order to be eligible to receive payment for the enrollment of that particular land use. An individual contract often has more than one land use, and thus an average of 2.8 additional activities will be applied *per land use* across all land uses.

The purpose of other programs is to meet conservation standards while CSP focuses on achieving an additional, higher level of management. This higher level of conservation management is achieved through a comprehensive approach to working lands conservation where all of a participant's eligible land must be enrolled. Of the enrolled land, CSP encourages the participant to implement additional conservation activities while maintaining existing conservation activities.

Question 13. What is the Administration's position on the situation with WRP having no baseline and what priority does the Administration put on the continuation of the program. Where should Congress look to fund this program?

Answer. Demand for WRP continues to be high and WRP has proven itself to be a valuable program for meeting the nation's objectives related to protecting and restoring wetlands on private lands. Over the last 20 years, more than 11,000 private landowners have voluntarily enrolled in WRP to restore, protect and enhance wetlands and wildlife habitat on over 2.3 million acres nationwide. Through WRP, NRCS, landowners, and many partners work together to achieve long-term benefits on a landscape scale that will ensure our wetland resources are available for future generations.

NRCS welcomes the opportunity to work with the Committee in exploring opportunities to achieve efficiencies that would allow funding of WRP while preserving the full array of natural resource conservation objectives that the broader suite of conservation programs are intended to achieve.

Question 14. In terms of environmental benefits, do you see working lands or easement programs providing the biggest bang for the buck?

Answer. Both program approaches deliver their intended environmental benefits. With a variety of program approaches, it is possible for participants to find a conservation path that fits their personal economic situation and environmental objectives. Working land programs offer a valuable tool for assisting producers to address natural resource concerns that affect the viability and productivity of their operations. For example, working lands programs can provide technical and financial assistance needed to help producers meet or eliminate the need for regulatory requirements on their operations. These investments—voluntarily shared by the program participant—also provide a public benefit such as better water, air, or habitat quality. Some working lands programs, such as the Grasslands Reserve Program or

Farm and Ranch Lands Protection Program, offer easements, but ensure that enrolled lands will remain in agricultural uses over the long term—retaining important agricultural lands is a critical component for ensuring food security for the nation.

Other easement programs emphasize the retirement of sensitive or environmentally significant lands. These conservation easements recognize the rights reserved to private landowners, compensate these landowners for the rights they voluntarily forego, and create valuable enduring environmental benefits for society. For example, establishing easements that protect and improve essential habitat can help to prevent a candidate species, like the sage-grouse, from being listed. These protections need to be in place for the long-term which an easement program can provide.

Program approaches also can be used in tandem. For example, land retirement easements and working lands programs are valuable tools for addressing hypoxia in the Gulf of Mexico. Working lands programs can help producers improve nutrient management and reduce potential losses of nutrients into the riverine system, while land retirement easement programs can restore and protect wetlands and floodplain areas in strategic areas that best trap the nutrients that have left the farm prior to reaching the Gulf. Using program approaches together can achieve the landscape-scale transformation needed to address larger conservation challenges such as hypoxia or candidate species protection.

Question 15. Do you think the benefit outweighs the cost to the Federal Government when acquiring permanent easements on lands at huge costs during this fiscal environment?

Answer. Conservation easements provide significant and enduring benefits. These benefits are increased by ensuring that project location and purpose are part of the selection process. NRCS ranks and selects projects based upon several resource concern factors that consider the resource potential of the site itself and its location in the watershed. These factors are key to identifying valuable opportunities as the quality of any easement project will depend on its location as well as its intrinsic attributes.

While initial easement acquisition costs may appear high, they should be considered in the context of the enduring public benefits. For example, based on the Benefit Cost Analysis for WRP, the estimated value of benefits per acre of permanent wetland was $10,935 and the estimated cost was $3,000. This means that the program has a cost benefit ratio of 3.6. This indicates that the value of estimated benefits from wetlands is considerable.

Easements may also provide benefits through avoided costs. For example, for frequently flooded lands where producers routinely lose crops, the producer typically receives crop insurance or disaster payments. Retiring these lands through floodplain easements eliminates the insurance and disaster payments, reduces overall damages downsteam from flooding; and improves water quality.

Question 16. Do the carve-outs in the law for certain groups get fully used or do you often have to roll those funds back in?

Answer. The set asides for socially disadvantaged and beginning farmers and ranchers, as authorized under the 2008 Farm Bill for the Environmental Quality Incentives Program (EQIP) and the Conservation Stewardship Program (CSP), are fully used. Each year we have exceeded the funding target goals. In 2010, the funding for these certain groups was:

- EQIP—$57,736,481 or 6.9 percent of total funds obligated in 2,109 contracts for socially disadvantaged farmers and ranchers
- EQIP—$ 134,944,240 or 16 percent of total funds obligated in 5,450 contracts for beginning farmers and ranchers
- CSP—1,695,890 acres or 6.7 percent of acres in 378 contracts for socially disadvantaged farmers and ranchers.
- CSP—1,038,269 acres or 4.1 percent of acres in 1,496 contracts for beginning farmers and ranchers

Question 17. How does regional equity affect the way you run the conservation programs and are they a hindrance to getting money to the places that need it the most?

Answer. Regional equity ensures that each state receives an the opportunity for a minimum level of $15 million in aggregate funding under subtitle D programs, excluding the Conservation Reserve Program, Wetlands Reserve Program, and Conservation Security Program. The intent is to ensure that states are able to meet producers' needs and address priority natural resource concerns. The provision allows that funds not obligated in contracts by April 1st of each year may be recalled by the Chief to meet demand in other states. While ensuring that a minimum level of funding is provided to all states is an important consideration, the establishment of a fixed level may create disharmony should overall program funding be reduced. Establishing a proportion of funding rather than a fixed number could create a more balanced approach to ensuring that all states receive the mandatory resources needed to achieve conservation objectives.

Question 18. What is the Administration's opinion on priority areas and do you think they match with the priorities of the Administration? Do you feel that funds go to these priority areas solely because of their inclusion in the law?

Answer. Focusing scarce resources on priority issues is an effective method for accelerating progress. NRCS' Conservation Effects Assessment Project (CEAP) reports have documented that risks to natural resource quality may be concentrated in specific areas and treating those can generate disproportionate benefits. The 2008 Farm Bill identified a number of priorities:

- geographically based (*e.g.,* Agriculture Water Enhancement Program's (AWEP) Eastern Snake Plain Aquifer, Puget Sound, Ogallala Aquifer, Sacramento River watershed, Upper Mississippi River Basin, Red River of the North Basin, and the Everglades; Chesapeake Bay Watershed Program; and Conservation Reserve Program priority areas);
- production-oriented (EQIP and CSP organic initiatives);
- producer-focused (Conservation Access for beginning and socially disadvantaged producers); and
- resource-specific (EQIP air quality initiative, AWEP's water quality and quantity focus).

These farm bill priorities align well with Administration priorities for conservation and strengthening rural America. For example:

- The emphasis on serving historically underserved communities mirrors USDA's Strike Force initiative;
- the Administration's Chesapeake Bay Executive Order further emphasizes the priorities outlined in the Chesapeake Bay Watershed Program;
- USDA's focus on strengthening rural economies is supported by priorities for assisting beginning farmers and ranchers in their conservation needs.

While funds go to these farm bill priorities because of statutory direction, they are nonetheless areas of considerable conservation need and deserving of conservation funding irrespective of their establishment as priority areas within the statute.

Question 19. How does the split administration of GRP work, do you think this is the best way to administer this program?

Answer. National leadership for GRP is provided by the Chief, NRCS, and the Administrator, FSA, and their designees. Specific agency responsibilities are detailed in a Memorandum of Understanding.

NRCS and FSA at the national level jointly develop and evaluate program policy and direction, monitor program implementation, ensure that GRP information is made available to the public, formulate budgets, and coordinate national GRP funding allocations to achieve national program objectives. Obligations are tracked at the national level to ensure 60 percent of the funding supports easements and 40 percent of the funding supports rental contracts over the life of the farm bill.

FSA has lead responsibility for rental contract administration and financial activities. FSA also provides all of the producer eligibility determinations and implements the rental contract enrollment options. NRCS has lead responsibility on conservation planning, technical assistance to owners and operators, and easement administration. National ranking criteria guide the development of state ranking criteria to ensure GRP funds are focused on projects that support grazing operations, protect grassland from conversion to other uses, enhance plant and animal biodiversity, leverage non-Federal funds and address that state's program priorities. Priority is given to expiring Conservation Reserve Program (CRP) grasslands.

While shared administration responsibilities for GRP does create some challenges, the agencies have worked together to implement this program as efficiently as possible. The Department is always interested in exploring more efficient and effective ways to implement our programs and would welcome the opportunity to work with you and others to achieve that end.

Question 20. What steps do your respective agencies take to ensure that conservation practices are truly effective? Can you describe the process you use, for example, to ensure that measures to prevent streambank erosion are working?

Answer. We take a number of steps to ensure that conservation practices are working—from our science-based technical standards and conservation planning process to oversight for practice installation and follow-up to validate performance.

- The planning process used by USDA is site specific and our technically trained staff works with the customer to identify the resource problems and plan the right suite of science-based practices to fix the problem (in this case it would likely be our shoreline and streambank protection practice.
- Conservation practices are developed by technical experts and undergo thorough peer and public review before being finalized and published through a *Federal Register* notice.
- Practices are designed and installed to specifications by technically qualified professionals (could be NRCS, State Forester, a third party, or the landowner); where engineering is involved there are additional review and approval requirements and authorities.
- Once installed, USDA follows up to ensure that the practice was installed correctly and completely and that it is performing as expected for the intended purpose and lifespan.

USDA implements a number of conservation practices that reduce streambank erosion and modify the vegetation and hydrology to enhance streambank stability. There are numerous examples and case studies that demonstrate that conservation practices and systems can improve streambank stability and improve water quality. A recent example is Peacheater Creek-Northeast Oklahoma. The area is characterized by poultry and cattle production and the downstream Illinois River and Lake Tenkiller had been placed on the 303(d) list for elevated phosphorus levels. Riparian area protection along with in-field conservation practices and farmstead improvements were applied. Measured decreases in streambank erosion were among the results, which also included reductions in phosphorus and nutrient loading and improved fish communities.

In addition to the technical requirements to ensure conservation practice integrity, USDA collects natural resource trend data and conducts short- and long-term analyses of the conservation benefits of USDA conservation practices. The National Resources Inventory (NRI), for example, provides statistically sound data on natural resource status and trends on non-Federal lands, including trends in soil erosion, land use change, and wetlands, among others.

USDA's Conservation Effects Assessment Project (CEAP) is a multi-agency effort to quantify the environmental effects of conservation practices and programs and develop the science base for managing the agricultural landscape for environmental quality. CEAP literature reviews and assessments document the effects of conservation practices and related environmental benefits.

Monitoring and evaluation of conservation practice effectiveness in all 43 Conservation Reserve Enhancement Program (CREP) Projects also document the effectiveness of conservation practices applied and the public the societal benefits. Another data set developed in partnership with the U.S. Geological Survey has quantified the benefits of conservation plantings and habitat development to many grassland and waterfowl species in over 12 Great Plain States.

Questions Submitted By Hon. Martha Roby, a Representative in Congress from Alabama

Question 1. Representative Terry Everett, who held my seat from 1993–2009 and during his tenure on this Committee, was very active in regards to irrigation. During the last farm bill, Representative Everett worked tirelessly in the creation of the Agricultural Water Enhancement Program under EQIP. This program has provided technical and financial assistance for agricultural water enhancement activities on farms. In particular, on-site off-stream reservoir was an initiative that many of our farmers were excited about participating in when it was passed into law.

Unfortunately, the implementation of the program has been difficult to access in Alabama due to the requirement that the pond should be on high ground which much of our farm land is flat.

Additionally, Alabama has had difficulty in accessing USDA's irrigation programs due to the traditional lack of historical irrigation. Many of our farmers do not own the land that they are farming and therefore it is not cost-effective to build irrigation system. In a recent survey conducted by a team of Alabama Agricultural Experiment Station researchers at Auburn University, six out of ten farmers without irrigation in the state said they would be more likely to install or improve irrigation systems if a cost-share or subsidized loan program were available.

What can we do to improve EQIP to ensure that farmers are able to find assistance in irrigation?

Answer. The agency has authority through EQIP and AWEP to provide financial and technical assistance to producers for improvements to existing irrigation systems that address water conservation or water quality resource issues. Such assistance may include development of irrigation storage reservoirs, ponds, and in-ground dugouts for new sources of water. Although water storage facilities on high ground are more ideal as these practices allow for use of less expensive efficient gravity flow irrigation, this is not the only alternative that may be available. For locations with relatively flat topography, EQIP and AWEP can be used to install water storage facilities along with pumping systems to transport the water to area for application of irrigation water. Under AWEP, the 2008 Farm Bill encourages development of irrigation storage facilities for areas experiencing drought in accordance with applicable EQIP program rules and on eligible on-farm agricultural land. This includes assistance to establish on-farm irrigation storage practices, which may be off-stream, but still on eligible land that is either owned or under the control of the producer.

According to the statute, financial assistance through EQIP and AWEP many only be provided to achieve a measurable water conservation or water quality environmental benefit. Correspondingly, there is a requirement that EQIP and AWEP program applicants demonstrate irrigation history on cropland as a condition for approval of irrigation system improvements. This standard is in place to help meet the statutory requirement to validate a resulting environmental benefit. Demonstration of irrigation history, however, is not limited to evidence of in-field irrigation equipment. Producers that may be using other, transportable means to irrigate may document those methods as evidence of irrigation history.

Question 2. As a report that the American Forest Foundation recently produced highlights, Alabama is spending quite a bit of its EQIP funds, roughly 17% and about 33% of WHIP funds on family forest—this is great, given how heavily forested my state is and given many of the forest health and fire challenges we are dealing with. What do you think is the reason for my state's focus on forests, as compared with other states, that average about 4% spending on forests?

Answer. The focus of program assistance on forest related issues in your state is reflective of the locally-led process where conservation partners and producers provide recommendations to the agency for the kind and scope of assistance needed. Through local work groups and State Technical Committee's, the State Conservationist is provided latitude to focus program assistance to identified priority natural resource concerns. This flexibility allows each State Conservationist to prioritize funding on those geographic locations which have significant need for assistance to address resource concerns.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE

1. Program Name

Conservation Reserve Program (CRP).

Prepared by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

2. Subprograms/Department Initiatives

FSA enters into contracts with agricultural producers to retire highly erodible and other environmentally sensitive land. During the 10 to 15 year contract period, eligible land is converted to grass, trees, wildlife cover, or other conservation uses to improve soil, air, and water quality and improve wildlife habitat. The program was initially authorized by the 1985 Farm Bill and amended by every subsequent farm bill.

FSA is responsible for overall implementation and has entered into agreements for technical assistance with the Natural Resources Conservation Service (NRCS), the Forest Service acting on behalf of State Foresters, and other technical service providers. Participants receive annual rental payments and half the cost of establishing conservation covers.

Since the 1985 Farm Bill, CRP has evolved from a program with a commodity supply control component to a conservation program that has increasingly focused or targeted limited program resources.

General Signup

Producers may offer land for CRP general sign-up enrollment during designated signup periods and all offers compete and are ranked against all other offers nationwide using an Environmental Benefit Index (EBI) which is used to rank offers based on a number of environmental factors and cost.

Continuous Signup

Continuous signup targets environmentally-desirable land which could be devoted to conservation practices such as filter strips, grass waterways, and other practices that protect larger acreages. Offers may be made at any time.

Conservation Reserve Enhancement Program (CREP)

CREP is a state and Federal partnership to address environmental issues of importance to the state and nation. CREP combines state and Federal dollars with funding from nongovernment sources and provides a framework for USDA to work closely with state, tribal, and local governments to address specific environmental issues and goals.

Farmable Wetlands Program (FWP)

FWP is designed to restore up to one million acres of farmable wetlands and associated buffers by improving the land's hydrology and vegetation. This includes constructed wetlands developed to receive flow for row-crop agriculture drainage systems for the purpose of providing nitrogen removal; land that was devoted to commercial pond-raised aquaculture; and cropland that was subject to the natural overflow of a prairie wetland.

Transition Incentive Program (TIP)

TIP is designed to facilitate the transition of expiring CRP land from a retired or retiring owner or operator to a beginning or socially disadvantaged farmer or rancher to return the land to production for sustainable grazing or crop production. TIP provides annual rental payments for up to 2 additional years after the expiration of the CRP contract to facilitate this transition.

Emergency Forestry Conservation Reserve Program (EFCRP)

EFCRP was designed to help restore and enhance forest resources that were damaged by the 2005 hurricanes. By planting trees, such as longleaf pine and bottomland hardwoods, landowners and operators could enhance wildlife habitat and improve the ability of at-risk land to withstand future storms. Enrollment for EFCRP ended in January 2009.

Wetland Restoration Floodplain Initiative

This initiative was designed to restore the functions and values of wetland ecosystems that have been devoted to agricultural use. This 500,000 acre initiative enrolls wetlands and buffers within a 100 year floodplain. These wetlands prevent degradation of the wetland area, increase sediment trapping efficiencies, improve water quality, prevent erosion and provide vital habitat for waterfowl and other wildlife.

Wetland Restoration Non-Floodplain Initiative

This initiative restores wetlands and playa lakes, which are shallow, depressional wetlands that are located outside a 100 year floodplain. This 250,000 acre initiative provides vital habitat for many wildlife species, filters runoff, recharges groundwater supplies and sequesters carbon.

Bottomland Hardwood Initiative

This initiative is designed to restore flood plains through the restoration of primarily bottomland hardwoods. This 250,000 acre initiative improves air and water quality and provides carbon sequestration benefits through reduction of greenhouse gases as well as increasing wildlife habitat.

Quail Initiative

This 350,000 acre initiative is designed to create habitat for the northern bobwhite quail and other grassland dependent birds. Bobwhite populations have declined with their habitat disappearing due to urbanization, increased grassland cultivation, and succession. This initiative provides successional grass buffers along agricultural field borders.

Longleaf Pine Initiative

This 250,000 acre initiative is designed to restore and re-establish longleaf pine stands that benefit wildlife species and protect water quality.

Duck Nesting Habitat Initiative

This 150,000 acre initiative is designed to restore wetlands located outside the 100 year floodplain in Iowa, Minnesota, Montana, North Dakota, and South Dakota. Restoring these wetlands will provide nesting ducks with critical habitat, nesting cover, security from predators, and food.

State Acres for Wildlife Enhancement Initiative (SAFE)

SAFE is an 850,000 acre initiative designed to target high priority state and regional wildlife objectives. SAFE provides the flexibility to meet the specific needs of high-value wildlife species in a participating state or region by targeting the restoration of vital habitat.

3. Brief History

Title XII of the Food Security Act of 1985, as amended (1985 Farm Bill), authorized CRP to enroll 40 to 45 million acres by 1990 with a primary goal of reducing soil erosion on highly erodible cropland. Secondary objectives included protecting the nation's long-run capability to produce food and fiber, reducing sedimentation, improving water quality, fostering wildlife habitat, curbing production of surplus commodities, and providing income support for farmers.

The Food, Agriculture, Conservation, and Trade Act of 1990 (1990 Farm Bill) extended CRP through 1995 and expanded the types of land eligible for enrollment to include lands that could reduce on-site or off-site threats to water quality if removed from production. Following 1990 Farm Bill enactment, FSA adopted new rental rates based on soil-specific productivity and developed an EBI to rank offers.

The Federal Agriculture Improvement and Reform Act of 1996 (1996 Farm Bill) re-authorized CRP enrollment through 2002 and set a maximum enrollment of 36.4 million acres. After 1996 Farm Bill enactment, FSA modified the EBI to include a wildlife benefits component. To better target the program, FSA began enrollment of selected practices such as filter strips and riparian buffers on a continuous basis without competition which included an incentive payment to encourage enrollment. In 1997, FSA created CREP which furthered targeting through state-Federal conservation partnerships that address specific state and nationally significant water quality, soil erosion, and wildlife habitat concerns related to agriculture. Additional incentives are generally provided. An up-front signing payment and a practice incentive payment were established in 2000 to further enhance continuous enrollment, including CREP.

The 2001 agriculture appropriations act authorized FWP which provided for non-competitive enrollment under continuous sign-up provisions and incentives for up to 500,000 acres of small non-flood plain wetlands and adjacent uplands in six states (Nebraska, Iowa, Minnesota, North Dakota, South Dakota, and Montana). Enrollment was limited to 100,000 acres per state.

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) extended CRP enrollment authority through 2007 and increased the enrollment cap by 2.8 million acres to 39.2 million acres. An administrative requirement that cropland must have been recently cropped was added by the 2002 Farm Bill to require that cropland must have been cropped or considered cropped in at least 4 of the 6 years preceding enactment. The 2002 Farm Bill also generally authorized managed harvesting of forage, expanded FWP from the original six states to all states, and raised the enrollment cap to 1 million acres while keeping the 100,000 acre state maximum.

During 2006, FSA offered CRP participants the opportunity to re-enroll or extend contracts set to expire between 2007 and to 2010 on about 28 million acres. FSA ranked the acreage based on the EBI score when the land was enrolled. The highest ranked were offered new 10 or 15 year contracts. Lower ranking contracts were offered extensions of 2–5 years depending upon the relative ranking. This preserved farmers' ability to protect America's most sensitive agricultural lands. Holders of about 82 percent of expiring contract acres were approved for re-enrollment or extension.

The 2006 supplemental emergency appropriations act authorized the EFCRP to provide assistance to timberland damaged by the 2005 hurricanes. Acreage enrolled does not count against the CRP enrollment cap.

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) extended CRP enrollment authority through September 30, 2012, and required that enrollment be no more than 32 million acres beginning October 1, 2009. Other changes included:

- Expansion of practices under FWP;
- 50 percent cost-share for tree thinning activities;
- New payment limitation applicability and adjusted gross income eligibility criteria;
- Updated cropping history to 4 of 6 years between 2002 and 2007;
- Added new routine grazing authority;
- Added TIP; and
- Added authority to exclude continuous and CREP acreage from the 25 percent county cropland enrollment limit.

4. Purpose/Goals

CRP's purpose is "to assist owners and operators of land to conserve and improve the soil, water, and wildlife resources of such land and to address issues raised by state, regional, and national conservation initiatives."

5. Success in Meeting Programmatic Purpose/Goals

CRP environmental benefits include:

Total Land Enrolled and Land Enrolled in Certain Categories

Measure	Unit	Fiscal Year (FY)				
		2006	2007	2008	2009	2010
Total Land Enrolled	million acres	36.0	36.8	34.6	33.8	31.3
In Buffers	million acres	1.84	1.90	2.00	2.01	2.02
Wetlands	million acres	2.01	2.06	1.98	1.98	2.05
HEL [1]	million acres	25.2	25.5	23.6	22.8	20.5
Reductions (not leaving field or intercepted by buffers)						
Sediment	million tons	210	216	219	220	220
Nitrogen	million lbs	607	623	616	611	607
Phosphorus	million lbs	121	124	123	123	122
Greenhouse Gas Reduction (Carbon Dioxide (CO_2) equivalent/Year)						
CO_2 sequestered	million metric tons	51	50	48	47	44
Energy and Fertilizer	million metric tons	9	9	9	8	8
Total	million metric tons	60	60	57	55	52

[1] HEL means highly erodible land.

CRP improves water quality.

- CRP reduces the nitrogen and phosphorus leaving a field by runoff and percolation. Using models developed by the Food and Agricultural Policy Research Institute (FAPRI), in FY 2010, 607 million pounds less nitrogen and 122 million pounds less phosphorus left fields due to CRP, which accounted for 95 and 86 percent reductions, respectively, as compared to cropped land conditions in 2005/2006.
- Grass filters and riparian buffers (partial field enrollments) intercept sediment, nutrients, and other contaminants before they enter waterways. FAPRI's model estimates that in 2010, 356 million pounds of nitrogen and 72 million pounds of phosphorus were intercepted by 2.0 million acres of CRP buffers, nationally.
- In 2010, grass and tree plantings reduced nitrate loss by 109 million pounds. Nitrate is a form of nitrogen that is biologically available to algae. Excess nitrate contributes to the formation of hypoxic zones in the Gulf of Mexico, Chesapeake Bay, and other waters.
- Wetlands restored and constructed by CRP improve water quality by converting nitrate/nitrogen into benign atmospheric nitrogen. In 2010, Iowa's 65 CREP constructed wetland projects on 1,808 acres reduced nitrate runoff by nearly 650,000 pounds.

CRP enhances wildlife habitat. The 31.3 million acres of grass, trees, and wetlands established by CRP benefit numerous wildlife species. Several independent studies have identified benefits to multiple bird populations including:

- **Prairie Pothole Ducks**—Researchers from the U.S. Fish and Wildlife Service (USFWS) estimated that the CRP contributed to a net increase of about two million additional ducks per year (30 percent increase in duck production) since 1992 in North Dakota, South Dakota, and Northeastern Montana. Populations fluctuate on a year-to-year basis due to differences in precipitation patterns.
- **Ringed-Neck Pheasants**—Western EcoSystems Technology, Inc., found that, in prime pheasant habitat, a four percent increase in CRP herbaceous vegetation was associated with a 22 percent increase in pheasant counts.
- **Sage Grouse**—The Washington Department of Natural Resources found that CRP enrollment was associated with halting a decline (25 percent between 1970–1988) in sage grouse populations. The study found that a region without substantial CRP enrollment had continued sage grouse population decline.
- **Northern Bobwhite Quail**—Mississippi State University found that quail observations were positively related to CRP enrollment. The quail population response varies by cover and region.

- **Grassland Birds**—The CRP was identified as a "Reason for Hope" for grassland birds in the 2009 "State of the Birds" report, which documented serious declines in grassland birds. Researchers from the United States Fish and Wildlife Service, U.S. Geological Survey, and the University of Montana found that CRP had a large impact on grassland bird populations, including two birds designated as species of continental importance by Partners in Flight.

CRP sequesters carbon. CRP sequesters more carbon on private lands than any other federally administered program. In 2010, CRP resulted in the equivalent of a 52 million metric ton net reduction in carbon dioxide (CO_2) from CO_2 sequestration, reduced fuel use, and nitrous oxide emissions avoided from not applying fertilizer. Carbon sequestration helps offset the release of greenhouse gases (GHG) into the atmosphere. GHG have been associated with anthropogenic climate change.

CRP protects and enhances soil productivity. CRP conservation covers reduce erosion and protect soil productivity. By targeting fragile cropland and placing these lands into protective conservation covers, the CRP greatly reduces sheet, rill, and wind soil erosion. Each year since 2002, CRP reduced soil erosion by 325 million tons or more from pre-CRP levels. Since 1986, CRP has reduced more than 8 billion tons of soil erosion. (**Note:** Erosion rates and total sediment provided at the beginning of this section are not comparable measurements because erosion includes the rate of soil loss through wind and water erosion.)

CRP reduces downstream flood damage. CRP lands reduce downstream flood damage by helping to reduce peak flows after storm events by holding and slowly releasing the storm water.

FSA is using CRP enrollment data, the USDA soils and natural resource inventories, and cooperative agreements with Federal, state, and other partners to refine these performance measures and to estimate the benefits from CRP. For more information see: *http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=nra*.

Other sources of information related to the topics discussed above include the following:

http://www.fsa.usda.gov/Internet/FSA_File/factsheet_crp_bennies.pdf
http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=nra
http://www.fsa.usda.gov/Internet/FSA_File/duck_report.pdf
http://www.fsa.usda.gov/Internet/FSA_File/pheasant_study.pdf
http://www.fsa.usda.gov/Internet/FSA_File/sage_grouse.pdf
http://www.fsa.usda.gov/Internet/FSA_File/quail_study.pdf
http://www.fsa.usda.gov/Internet/FSA_File/grassland_birds_fws.pdf
http://www.stateofthebirds.org/2009/habitats/game-birds
http://www.fsa.usda.gov/Internet/FSA_File/fyannual2009.pdf
http://www.fsa.usda.gov/Internet/FSA_File/606586_hr.pdf

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Conservation Reserve Program	$1,784,665	$1,788,852	$1,798,522	$1,863,004	$1,930,723	$1,948,248	$1,990,178	$1,933,660	$1,910,630	$1,997,496
Emergency Forestry Conservation Reserve Program	0	0	0	0	5,500	6,060	9,944	9,881	8,297	9,291

7. Annual Outlays (FY 2002–FY 2011)

CRP is funded by Commodity Credit Corporation (CCC). Budget authority for CCC programs is based on obligations. Funds that are obligated in one fiscal year may not be disbursed until a succeeding fiscal year or fiscal years.

FY 2002 Through FY 2011 Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Conservation Reserve Program	$1,785,059	$1,789,258	$1,800,675	$1,828,470	$1,895,872	$1,963,161	$1,990,867	$1,916,468	$1,910,630	$1,997,496
Emergency Forestry Conservation Reserve Program	0	0	0	0	5,500	6,060	9,524	9,846	8,297	9,291

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Ensure our National Forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our resources.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Conservation					
Conservation Reserve Program	974,124	1,990,178	1,872,881	1,910,630	1,997,496
Grassroots Source Water Protection Program	1,856	3,687	5,000	5,000	5,000
State Mediation Grants [1]	526	1,092	1,092	1,092	1,092
Direct Conservation Loans [1]	0	0	0	114	1,065
Guaranteed Conservation Loans [1]	0	0	0	1	278
Other Conservation Payments [2]	4,600	3,247	46	−4	33,334
Administrative Costs (direct)	107,118	240,070	256,932	278,940	278,825
Indirect costs	9,773	82,642	63,352	68,779	72,804
Total Costs	1,097,997	2,320,916	2,199,303	2,264,552	2,389,894
FTEs	1,228	3,023	2,015	2,928	2,885

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Emergency Conservation Program [3]	149,727.00	128,456.00	0.00	92,459.00	39,719.00
Administrative costs (direct)	776,465.00	683,795.00	694,980.00	744,303.00	753,934.00

Indirect costs	47,548.00	234,633.00	226,905.00	242,967.00	246,299.00
Total Costs	**973,740.00**	**1,046,884.00**	**921,885.00**	**1,079,729.00**	**1,039,952.00**
FTEs	8,905.00	8,620.00	9,528.75	8,355.00	8,140.00
Conservation					
Emergency Conservation Program [3]	0	0	153,044.00	0	0
Administrative costs (direct)	0	0	8,344.00	0	0
Indirect costs	0	0	0	0.00	0
Total Costs	**0.00**	**0.00**	**161,388.00**	**0.00**	**0.00**
FTEs	0.00	0.00	0.25	0.00	0.00

[1] FSA has programs related to supporting the conservation goal that are not part of the specific request.

[2] Grassland Reserve Program (GRP) payments are reported by NRCS for budget purposes. FSA administrative costs related to GRP and Voluntary Public Access and Habitat Incentive Program are included.

[3] The information related to the Emergency Conservation Program (ECP) is reported as an emergency program under Goal 1. We have broken out the program information but the administrative costs relate to all programs for the Income Support and Disaster Assistance Goal.

9. Eligibility Criteria

Eligible Producers

An eligible producer must have owned or operated eligible land for at least 12 months prior to enrollment. In cases where the land was not acquired to enroll in the CRP, a waiver may be authorized.

Eligible Land

Land that may be offered includes cropland that is planted or considered planted to an agricultural commodity 4 of the 6 crop years from 2002 through 2007, and is physically and legally capable of being planted in a normal manner to an agricultural commodity.

For continuous signup, land may be certain marginal pasture land.

Additional Cropland Requirements

In addition to cropping history, for general signup, cropland must meet one of the following:

- Have a weighted average erosion index of 8 or greater;
- Be expiring CRP acreage; or
- Be located in a national or state CRP conservation priority area.

10. Utilization (Participation) Data

- Total enrollment of 31.31 million acres in 750,000 contracts on 416,000 farms.
- Consists of 26.2 million acres in 338,000 contracts on 222,000 farms in general signup enrollment and 5.0 million acres in 412,000 contracts on 239,000 farms.

CRP Enrollment by State as of April 2011

State	Number of Contracts	Number of Farms	Acres	Annual Rental Payments	
				($1,000)	($/Acre)
U.S.	749,913	415,953	31,213,510	1,720,354	55.12
Alabama	9,108	6,488	398,166	18,286	45.93
Alaska	45	28	19,037	671	35.25
Arkansas	5,956	3,289	250,780	14,971	59.70
California	506	390	124,510	4,712	37.84
Colorado	12,744	6,125	2,251,395	74,324	33.01
Connecticut	16	13	163	13	78.44
Delaware	666	349	6,850	754	110.13
Florida	1,318	1,067	56,382	2,262	40.12
Georgia	9,069	6,440	318,782	14,973	46.97
Hawaii	9	9	167	10	57.64
Idaho	5,200	2,960	668,317	29,619	44.32
Illinois	82,044	44,833	1,035,931	118,474	114.36
Indiana	38,168	21,360	286,447	31,196	108.91
Iowa	106,489	53,422	1,673,364	214,169	127.99
Kansas	47,139	26,794	2,738,960	109,973	40.15
Kentucky	17,649	9,459	360,295	40,039	111.13
Louisiana	5,036	3,210	327,661	20,172	61.56
Maine	679	472	17,972	931	51.83
Maryland	6,427	3,518	79,041	10,891	137.78
Massachusetts	4	4	15	3	172.53
Michigan	15,185	8,695	229,140	20,198	88.15
Minnesota	63,002	33,112	1,640,921	110,574	67.39
Mississippi	19,808	12,458	850,134	40,870	48.07
Missouri	36,459	21,063	1,364,524	101,211	74.17
Montana	15,257	5,982	2,863,105	92,025	32.14
Nebraska	28,306	15,872	1,081,185	65,850	60.91
New Hampshire	5	5	58	3	55.46
New Jersey	275	194	2,449	170	69.29
New Mexico	1,978	1,283	453,819	15,221	33.54
New York	2,866	2,032	53,136	3,713	69.87
North Carolina	8,076	5,263	117,457	8,049	68.53
North Dakota	34,254	16,766	2,650,455	95,825	36.15
Ohio	38,008	21,227	343,596	40,952	119.19
Oklahoma	7,500	5,074	861,360	28,902	33.55

CRP Enrollment by State as of April 2011—Continued

State	Number of Contracts	Number of Farms	Acres	Annual Rental Payments ($1,000)	Annual Rental Payments ($/Acre)
Oregon	4,279	2,253	551,279	28,710	52.08
Pennsylvania	12,115	7,625	220,750	22,729	102.96
Puerto Rico	19	19	2,032	130	63.93
South Carolina	7,649	4,323	159,731	6,129	38.37
South Dakota	31,613	14,790	1,165,373	65,084	55.85
Tennessee	7,321	4,883	205,282	13,775	67.10
Texas	22,107	16,234	3,465,165	124,839	36.03
Utah	875	543	167,952	5,206	31.00
Vermont	384	271	2,875	288	100.18
Virginia	5,839	4,464	63,416	3,760	59.29
Washington	12,406	5,168	1,453,510	81,116	55.81
West Virginia	447	363	5,840	431	73.73
Wisconsin	24,642	15,107	400,679	32,064	80.02
Wyoming	965	653	224,020	6,087	27.17
Not Reported	1	1	28	2	82.00

Note: "Not Reported" includes a contract with a data anomaly.

11. Duplication or Overlap with Other Programs

CRP is not a duplicate of other USDA conservation programs. Certain programs may share some common eligibility, but each program provides producers a unique set of options for the short and long-term management of the farm or ranch. Generally, the same parcel of land cannot be enrolled in more than one program at the same time. These programs are complementary because they provide choices for producers in how they voluntarily protect their land and provide conservation benefits to their community and beyond.

CRP enrolls land to create wildlife habitat. All of the lands eligible for CRP could be enrolled in Wildlife Habitat Incentive Program (WHIP) if they fall within the WHIP priority areas but not all lands eligible for WHIP could be enrolled in CRP.

CRP and WRP address the restoration and long term conservation of wetland resources. However, CRP is directed primarily to cropland and marginal pastureland, and many CRP participants with wetland resources are unwilling to have an easement placed on the land.

In the case of Grasslands Reserve Program (GRP), most of the land is either native sod or pasture but some cropland may be enrolled into easements or long-term contracts. There is some potential overlap of eligible acres in riparian areas near streams or rivers, but this gives producers the flexibility to enroll in the program that best suits their needs.

CREP targets specific resource concerns in a state CREP project area while providing additional incentives for enrollment above and beyond what is available under continuous CRP and Initiatives. These additional incentives are made possible through USDA and state government partnerships.

Initiatives and continuous CRP are available nationwide or in certain selected geographic areas.

Both Environmental Quality Incentives Program (EQIP) and CRP address natural resource concerns, the land uses on which the practices are applied generally are distinct. There could be minimal overlap where CRP enrolls windbreaks, shelterbelts and shallow water impoundments for wildlife.

There are many examples of FSA and NRCS programs working together to achieve conservation goals. For example, in the Chesapeake Bay, combinations of land retirement and conservation practices/systems are used to achieve nutrient, sediment and other resource objectives.

12. Waste, Fraud and Abuse

There has been no extensive Office of Inspector (OIG) or Government Accountability Office (GAO) audit of the program during the past 5 years. Although occasional cases of producer misconduct may have been identified and addressed through investigations in the past, we do not have a current audit that indicates on-going systemic waste, fraud or abuse. FSA conducts its own internal investigation through its county office review process and through its internal review audit process. In 2008, 2009 and 2010 the amount of improper payments for CRP was .77 percent, 1.2 percent, and 1.77 percent, respectively.

13. Effect of Administrative PAYGO

Exhibit 1 shows the costs and savings related to USDA's Administrative PAYGO Scorecard.

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1. Program Name

Emergency Conservation Program (ECP).
Prepared by USDA's FSA.

2. Subprograms/Department Initiatives

None.

3. Brief History

ECP was authorized by the Agricultural Credit Act of 1978, as amended, to provide financial assistance to agricultural producers to rehabilitate farmlands damaged by natural disaster when new conservation problems have been created that: (1) if not treated, will impair or endanger the land; (2) materially affect the productive capacity of the land; (3) represent damage that is unusual in character and is not the type that would recur frequently in the same area; and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use. Funding is appropriated by Congress. ECP generally is funded through periodic supplemental appropriations that remains available until expended.

4. Purpose/Goals

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and for carrying out emergency water conservation measures in periods of severe drought.

5. Success in Meeting Programmatic Purpose/Goals

ECP successfully provides financial assistance to agricultural producers to rehabilitate farmlands damaged by natural disasters. In FY 2010, nearly $54 million was allocated to help producers throughout the country address damage from drought, floods, hurricanes, wildfire, tornados and other disasters. As of June 20, 2011, in FY 2011, nearly $65 million (see 2011 allocations table below) has been allocated to assist with similar disasters, including the devastating tornados that have hit states such as Alabama, Arkansas, Alabama, Georgia, North Carolina, Pennsylvania, Virginia and others, and floods in Arkansas, California, Colorado, Iowa, Kentucky, Oregon, Minnesota, New York, North Carolina, Tennessee, Virginia, Wisconsin and other states. If funds allocated to a state are not used within a reasonable period of time, the funds are withdrawn and reallocated to meet ECP needs elsewhere.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Emergency Conservation Program	0	0	$11,929	$150,000	$161,800	$18,000	$204,413	0	0	0

7. Annual Outlays (FY 2002–FY 2011)

The Emergency Conservation Program (ECP) receives no-year discretionary appropriations. Actual ECP cost-share outlays are made when practices are completed.

FY 2002 Through FY 2011 Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Emergency Conservation Program	$32,365	$46,980	$23,100	$57,123	$88,311	$72,166	$27,730	$71,084	$76,879	$71,000

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Ensure our National Forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our resources.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Conservation					
Conservation Reserve Program	974,124	1,990,178	1,872,881	1,910,630	1,997,496
Grassroots Source Water Protection Program	1,856	3,687	5,000	5,000	5,000
State Mediation Grants [1]	526	1,092	1,092	1,092	1,092
Direct Conservation Loans [1]	0	0	0	114	1,065
Guaranteed Conservation Loans [1]	0	0	0	1	278
Other Conservation Payments [2]	4,600	3,247	46	−4	33,334
Administrative Costs (direct)	107,118	240,070	256,932	278,940	278,825
Indirect costs	9,773	82,642	63,352	68,779	72,804
Total Costs	1,097,997	2,320,916	2,199,303	2,264,552	2,389,894
FTEs	1,228	3,023	2,015	2,928	2,885

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Emergency Conservation Program [3]	149,727.00	128,456.00	0.00	92,459.00	39,719.00
Administrative costs (direct)	776,465.00	683,795.00	694,980.00	744,303.00	753,934.00

Indirect costs	47,548.00	234,633.00	226,905.00	242,967.00	246,299.00
Total Costs	**973,740.00**	**1,046,884.00**	**921,885.00**	**1,079,729.00**	**1,039,952.00**
FTEs	8,905.00	8,620.00	9,528.75	8,355.00	8,140.00
Conservation					
Emergency Conservation Program [3]	0	0	153,044.00	0	0
Administrative costs (direct)	0	0	8,344.00	0	0
Indirect costs	0	0	0	0.00	0
Total Costs	**0.00**	**0.00**	**161,388.00**	**0.00**	**0.00**
FTEs	0.00	0.00	0.25	0.00	0.00

[1] FSA has programs related to supporting the conservation goal that are not part of the specific request.

[2] Grassland Reserve Program (GRP) payments are reported by NRCS for budget purposes. FSA administrative costs related to GRP and Voluntary Public Access and Habitat Incentive Program are included.

[3] The information related to the Emergency Conservation Program (ECP) is reported as an emergency program under Goal 1. We have broken out the program information but the administrative costs relate to all programs for the Income Support and Disaster Assistance Goal.

9. Eligibility Criteria

County FSA committees determine land eligibility based on on-site inspections of damage, taking into account the type and extent of damage. For land to be eligible, the natural disaster must create new conservation problems that, if untreated, would:

- impair or endanger the land;
- materially affect the land's productive capacity;
- represent unusual damage which, except for wind erosion, is not the type likely to recur frequently in the same area; and
- be so costly to repair that Federal assistance is or will be required to return the land to productive agricultural use.

Conservation problems existing prior to the applicable disaster are ineligible for ECP assistance.

ECP program participants receive cost-share assistance of up to 75 percent of the cost to implement approved emergency conservation practices, as determined by county FSA committees. Socially-disadvantaged producers may be eligible for up to 90 percent cost-share assistance.

Individual or cumulative requests for cost-sharing of $50,000 or less per person, per disaster are approved at the county committee level. Cost-sharing from $50,001 to $100,000 is approved at the state committee level. Cost-sharing over $100,000 must be approved by FSA's national office. Further, there is a payment limitation of $200,000 per person or legal entity per disaster.

10. Utilization (Participation) Data

Since 1978, ECP has provided assistance to help producers on between 2,000 to nearly 38,000 farms a year. The wide range of assistance stems from the fact that ECP is an appropriated program that is only utilized when needed by farmers and ranchers after disasters strike.

As of June 20, 2011, about $167 million is estimated in unmet ECP needs primarily related to recent natural disasters including flooding, tornadoes, drought, and wildfires.

11. Duplication or Overlap with Other Programs

Although the Emergency Watershed Protection Program (EWP) and ECP have similar goals, generally, ECP is farm level, and EWP is watershed level. Through ECP, USDA works directly with farmers to cost-share on practices to restore land and return it to production after a natural disaster. Under EWP, USDA works with states, counties, or other local sponsors to provide financial assistance to address problems caused by natural disasters that affect area wide issues. Sponsors must provide a share of the resources to support the project.

ECP also works in concert with the Emergency Forest Restoration Program (EFRP), authorized by the 2008 Farm Bill, Forestry Title, to address all eligible private agricultural land after a natural disaster. EFRP addresses the critical need to restore nonindustrial private forestland after a natural disaster such a hurricane or tornado.

12. Waste, Fraud and Abuse

Although occasional cases of producer misconduct may have been identified and addressed through investigations in the past, no current systemic waste, fraud or abuse has been identified related to this program. Due to the nature of ECP funding, ECP has been audited often. Most recently, following appropriations under the 2008 supplemental appropriations act and the 2008 disaster relief and recovery supplemental appropriations act as well as transfer authority provided in the 2009 supplemental appropriations act, OIG conducted the following audits:

a. Review of Emergency Disaster Assistance for 2008 Disasters: Emergency Conservation Program, (Audit 03702–1–TE). This audit, which focused on ECP assistance to address damages from Hurricanes Ike and Gustav, did not find many significant issues.

b. Review of Emergency Disaster Assistance for the 2008 Natural Disasters: Emergency Conservation Program (Audit 03702–1–TE). This audit, which focused on ECP assistance to address damage from the 2008 Midwest Floods, had a number of findings, which could only be addressed with additional funding and staff salary.

13. Effect of Administrative PAYGO

None.

1. Program Name

Voluntary Public Access and Habitat Incentive Program (VPA–HIP).
Prepared by USDA's Farm Service Agency.

2. Subprograms/Department Initiatives

None.

3. Brief History

VPA–HIP is a competitive grant program authorized by the 2008 Farm Bill. Up to $50 million is available through FY 2012. Funding is limited to state and tribal governments establishing new public access programs, expanding existing public access programs, and/or enhancing wildlife habitat on lands enrolled in public access programs.

4. Purpose/Goals

The primary objective of the VPA–HIP is to encourage owners and operators of privately-held farm, ranch, and forestland to voluntarily make that land available for access by the public for wildlife-dependent recreation, including hunting or fishing, under programs implemented by state or tribal governments. VPA–HIP will provide environmental, economic and social benefits including, but not limited to, enhanced wildlife habitat, improved wildlife populations, increased revenue for rural communities, and expanded opportunities for re-connecting Americans with the great outdoors.

5. Success in Meeting Programmatic Purpose/Goals

Funding was first obligated under VPA–HIP in 2010. It is too soon to assess the success in meeting programmatic goals.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Voluntary Public Access and Habitat Incentives Program	0	0	0	0	0	0	0	0	$11,756	$21,578

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Voluntary Public Access and Habitat Incentives Program	0	0	0	0	0	0	0	0	0	$33,334

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Ensure our National Forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our resources.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Conservation					
Conservation Reserve Program	974,124	1,990,178	1,872,881	1,910,630	1,997,496
Grassroots Source Water Protection Program	1,856	3,687	5,000	5,000	5,000
State Mediation Grants [1]	526	1,092	1,092	1,092	1,092
Direct Conservation Loans [1]	0	0	0	114	1,065
Guaranteed Conservation Loans [1]	0	0	0	1	278
Other Conservation Payments [2]	4,600	3,247	46	−4	33,334
Administrative Costs (direct)	107,118	240,070	256,932	278,940	278,825
Indirect costs	9,773	82,642	63,352	68,779	72,804
Total Costs	1,097,997	2,320,916	2,199,303	2,264,552	2,389,894
FTEs	1,228	3,023	2,015	2,928	2,885

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Emergency Conservation Program [3]	149,727.00	128,456.00	0.00	92,459.00	39,719.00
Administrative costs (direct)	776,465.00	683,795.00	694,980.00	744,303.00	753,934.00

Indirect costs	47,548.00	234,633.00	226,905.00	242,967.00	246,299.00
Total Costs	**973,740.00**	**1,046,884.00**	**921,885.00**	**1,079,729.00**	**1,039,952.00**
FTEs	8,905.00	8,620.00	9,528.75	8,355.00	8,140.00
Conservation					
Emergency Conservation Program [3]	0	0	153,044.00	0	0
Administrative costs (direct)	0	0	8,344.00	0	0
Indirect costs	0	0	0	0.00	0
Total Costs	**0.00**	**0.00**	**161,388.00**	**0.00**	**0.00**
FTEs	0.00	0.00	0.25	0.00	0.00

[1] FSA has programs related to supporting the conservation goal that are not part of the specific request.

[2] Grassland Reserve Program (GRP) payments are reported by NRCS for budget purposes. FSA administrative costs related to GRP and Voluntary Public Access and Habitat Incentive Program are included.

[3] The information related to the Emergency Conservation Program (ECP) is reported as an emergency program under Goal 1. We have broken out the program information but the administrative costs relate to all programs for the Income Support and Disaster Assistance Goal.

9. Eligibility Criteria

Only states and tribal governments are eligible for Federal VPA–HIP funding. States and tribal governments may propose to use VPA–HIP grant funding to expand existing public access programs, create new public access programs, and/or provide incentives to enhance wildlife habitat on lands enrolled in state or tribal government public access programs.

10. Utilization (Participation) Data

States and tribal governments participating in VPA–HIP are Arizona, California, Colorado, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Michigan, Minnesota, Montana, Nebraska, New Hampshire, North Dakota, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, Wisconsin, Wyoming and the Confederated Tribes and Bands of the Yakama Nation.

11. Duplication or Overlap with Other Programs

VPA–HIP is unlike any other USDA program as it specifically targets public access. Incentives for enhancing wildlife habitat under VPA–HIP are limited to those private land owners and operators who make land available for public access. The Department of Interior Federal Aid in Wildlife Restoration Act makes funds available from an 11 percent excise tax on sporting arms and ammunition through the Secretary of Interior to states. Activities eligible under the Landowner Incentive Program (LIP) of the USFWS for such funding include acquisition and development of access and improvement of wildlife habitat. VPA–HIP has proven complementary to state public access program initiated as a result of LIP funding.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Grass Roots Source Water Program (Source Water).
Prepared by USDA's Farm Service Agency.

2. Subprograms/Department Initiatives

None.

3. Brief History

Source Water is a grant program implemented for State Rural Water Associations and is designed to help prevent source water pollution in states through voluntary practices installed by producers and other landowners at the local level.

Source Water uses onsite technical assistance capabilities of each state rural water association that operates a source water program in the state. State rural water associations deliver assistance in developing source water protection plans within watersheds for the common goal of preventing the contamination of drinking water supplies.

Source water is surface and ground water that is consumed by rural residents. According to the National Rural Water Association, ground water is the primary source of drinking water for some 44,000 communities in the United States. Through the program, state rural water associations hire, for every participating state, a full-time source water specialist who possesses knowledge and experience in rural issues. The technician works with FSA's state and county leadership, NRCS technicians, local leaders, and communities to create operating plans that identify priority areas where local pollution prevention efforts are needed most in their respective states.

This collaboration is intended to result in the development of a source water protection plan that outlines voluntary measures for farmers, ranchers, and local communities that can be installed on their lands to prevent source water pollution. Voluntary measures may range from storing herbicides, pesticides, or other substances in more secure containers to relocating waste lagoons. By working at the grassroots level, local team members inform and educate participants about source water protection measures that benefit their neighbors and communities. Additionally, the plans also establish steering committees to evaluate voluntary practices that have been implemented. FSA monitors the overall performance of the program.

4. Purpose/Goals

Source Water's goal is to implement source water protection plans in each state by assisting small and rural communities in protecting their drinking water resources. There are source water protection plans in 43 states. The ultimate goal of the project is to assist public water utilities and the agricultural community in coordinating efforts by taking a proactive approach to maintain and/or improve water quality within their source water protection planning areas.

5. Success in Meeting Programmatic Purpose/Goals

Between October 1, 2009, and September 30, 2010, source water protection plans were completed in 119 communities which provide protection measures for 470 public drinking water sources (415 wells and 55 surface water intakes).

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Grassroots Source Water Protection Program	$0	$0	$0	$0	$3,713	$3,713	$3,687	$5,000	$5,000	$3,577

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Grassroots Source Water Protection Program	$0	$0	$0	$0	$3,713	$3,713	$3,687	$5,000	$5,000	$4,242

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Ensure our National Forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our resources.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Conservation					
Conservation Reserve Program	974,124	1,990,178	1,872,881	1,910,630	1,997,496
Grassroots Source Water Protection Program	1,856	3,687	5,000	5,000	5,000
State Mediation Grants [1]	526	1,092	1,092	1,092	1,092
Direct Conservation Loans [1]	0	0	0	114	1,065
Guaranteed Conservation Loans [1]	0	0	0	1	278
Other Conservation Payments [2]	4,600	3,247	46	−4	33,334
Administrative Costs (direct)	107,118	240,070	256,932	278,940	278,825
Indirect costs	9,773	82,642	63,352	68,779	72,804
Total Costs	1,097,997	2,320,916	2,199,303	2,264,552	2,389,894
FTEs	1,228	3,023	2,015	2,928	2,885

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Emergency Conservation Program [3]	149,727.00	128,456.00	0.00	92,459.00	39,719.00
Administrative costs (direct)	776,465.00	683,795.00	694,980.00	744,303.00	753,934.00

Indirect costs	47,548.00	234,633.00	226,905.00	242,967.00	246,299.00
Total Costs	**973,740.00**	**1,046,884.00**	**921,885.00**	**1,079,729.00**	**1,039,952.00**
FTEs	8,905.00	8,620.00	9,528.75	8,355.00	8,140.00
Conservation					
Emergency Conservation Program [3]	0	0	153,044.00	0	0
Administrative costs (direct)	0	0	8,344.00	0	0
Indirect costs	0	0	0	0.00	0
Total Costs	**0.00**	**0.00**	**161,388.00**	**0.00**	**0.00**
FTEs	0.00	0.00	0.25	0.00	0.00

[1] FSA has programs related to supporting the conservation goal that are not part of the specific request.

[2] Grassland Reserve Program (GRP) payments are reported by NRCS for budget purposes. FSA administrative costs related to GRP and Voluntary Public Access and Habitat Incentive Program are included.

[3] The information related to the Emergency Conservation Program (ECP) is reported as an emergency program under Goal 1. We have broken out the program information but the administrative costs relate to all programs for the Income Support and Disaster Assistance Goal.

9. Eligibility Criteria

States are selected based on a formula that ranks states based on total maximum daily loads, impaired waters, total farm acres, and total toxic discharges.

10. Utilization (Participation) Data

States participating in Source Water include: Alaska, Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming. The 43 participating states were chosen based on objective technical criteria relating to water quality and population.

11. Duplication or Overlap with Other Programs

There is no overlap with Rural Development (RD) programs which provide support grants and loans for water and wastewater treatment, distribution, and collection systems.

The FSA source water program is not a duplication but is complementary of the Environmental Protection Agency's (EPA) source water initiatives. The EPA source water program is targeted to compliance of community water supplies with Safe Drinking Water Act regulations. FSA authorized source water efforts focuses incorporating the agriculture community into prevention of contamination in source waters through FSA programs such as the CRP and education of the agriculture community and non-governmental entities.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Grassland Reserve Program (GRP).
Prepared by USDA's NRCS and FSA.

2. Subprograms/Department Initiatives

None.

3. Brief History

GRP was authorized in section 2401 of the 2002 Farm Bill and was reauthorized by section 2403 of the 2008 Farm Bill. NRCS and FSA jointly administer this program. Both agencies share policy development, NRCS administers the easements, and FSA implements the rental contracts. Funding for GRP comes from the Commodity Credit Corporation (CCC).

Legislative Changes. The 2008 Farm Bill:

- Increased the acreage that may be enrolled in the program by 1.2 million acres during the years 2009 through 2012.
- Provided priority for enrollment of expiring acreage from the Conservation Reserve Program (CRP), limited to ten percent of the total acres enrolled in any year.
- Authorized eligible lands to be enrolled into either a permanent easement (or maximum allowed under state law); or a 10, 15, or 20 year rental contract.
- Authorized restoration agreements on lands, enrolled under a either a rental contract or an easement, to receive up to 50 percent cost-share.
- Expanded the definition of eligible to include land that contains historical or archeological resources and land that addresses state, regional, or national conservation priorities.
- Required a grazing management plan for GRP participants.
- Required that valuation of an easement be at the lower of either an appraisal or market survey, a rate set by the Secretary of Agriculture, or the landowner's offer.
- Defined "eligible entities" as units of state, local, or tribal government or non-governmental organizations that have a charter describing a commitment to conserving ranchland, agricultural land, or grassland for grazing and conservation purposes.

- Allowed that easements may now be acquired by eligible entities based on a 50 percent cost-share with the Federal Government.
- Established an annual payment limitation of $50,000 for both rental and restoration agreements.
- Waived a minimum acreage limitation for enrollment.
- Excluded land from the GRP if it is currently enrolled in another conservation program or is already protected by an existing easement, contract or deed restriction or is owned by a conservation organization.
- Allowed interested landowners to submit applications under a continuous signup.

4. Purpose/Goals

The purpose of the Grassland Reserve Program (GRP) is to assist landowners and operators in protecting grazing uses and related conservation values by conserving and restoring grassland resources on eligible private lands through rental contracts, easements, and restoration agreements. The program emphasizes support for working grazing operations; enhancement of plant and animal biodiversity; and protection of grassland and land containing shrubs and forbs under threat of conversion.

5. Success in Meeting Programmatic Purpose/Goals

Montana: GRP Enrollments Support Agency Commitment to Sage Grouse Habitat. In Phillips County, Montana, five GRP projects enrolled in the last 2 years protect 29,485 acres. These projects help preserve rural ranching operations while providing critical wildlife habitat for sage grouse and other grassland birds. The USFWS announced this species as a candidate for listing on the Endangered Species List. NRCS is taking proactive steps to protect and improve habitat in order to prevent listing of this bird in significant decline. More than 80 percent of the acres in these five ranches are prime habitat for of sage grouse. These ranchers have embraced management activities that continue to provide food, clean water, and habitat for mule deer, elk, pronghorn, and a multitude of neo-tropical grassland birds and one of the healthiest populations of sage grouse in the nation.

Pennsylvania: GRP Helps Landowners Manage for Conservation. Conservation-minded landowners are interested in protecting and improving pastures for grazing management, while maintaining wildlife habitat for ground nesting birds. These landowners see the GRP program as a good fit for their management goals. These conservation easements protected nearly 400 acres of grasslands in areas subject to increasing development pressure.

Wyoming: A 2,412 acre GRP easement was placed on land in central Wyoming, adjacent to the Medicine Bow National Forest. The upper meadows are used by an elk herd. Cows and calves graze during late spring and stay all summer. Good feed and water nourish both domestic animals and wildlife, with escape cover on the west end of the pasture. During fall and winter, elk cows and bulls spend days on the pasture. Pronghorn antelope and mule deer are often seen in the lower elevations. Approximately 25 to 35 sage grouse forage in the lower elevation habitat.

Sage-Grouse Recovery: USDA provided $2.5 million in GRP financial assistance to five western states for Greater Sage-Grouse conservation and recovery on lands identified by state wildlife agencies as containing critical sage grouse habitat. The funds were used for enrollment of GRP easements on private lands in California, Colorado, Montana, Utah and Wyoming, with technical assistance and additional financial assistance provided through state and local partnerships.

Conservation on the Ground—GRP in Kansas. Kansas has very productive native grasslands. During FY 2007, ranchers in Kansas signed 47 GRP conservation easements that will protect 22,600 acres of the state's native grassland. GRP conservation easements are one way to prevent the destruction of the Kansas tall-grass prairie. And, Kansas ranchers have demonstrated a keen interest in the program by enrolling 22,600 acres in GRP easements that will forever remain in tall-grass prairie.

Washington State protecting historic grazing lands. The Colvin family has ranched on their 530 acres family homestead along Scatter Creek in Washington State since Ignatius Colvin arrived over the Oregon Trail in the 1850's. GRP easements allow the current generation of the Colvin family to keep the land as a working ranch in perpetuity. Urban development pressures in western Washington make maintaining large tracts of grazing lands very difficult. By granting GRP easements, the entire 530 acres grazing area soon will be protected. The contiguous easements were funded through Fiscal Year 2004, 2005, and 2009 allocations. The Colvin family's grazing management plan, developed with NRCS, maintains and enhances native prairie habitat.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	—
2003	$85
2004	$115
2005	$128
2006	$54
2007	$16
2008	$3
2009	$48
2010	$101
2011	$79

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	$34
2004	$55
2005	$71
2006	$27
2007	$29
2008	$3
2009	$46
2010	$93
2011	$80

NRCS GRP financial assistance (FA) funds support eligibility determinations, rental contracts, easement acquisition, and monitoring. FA for easement acquisition is obligated when the acres to be placed under easement are enrolled but are not expended until the easement has been perfected which is a process that may take over a year. Technical Assistance (TA) funds obligated in a given year are used for workload generated by the enrollment of new acres and acreage already enrolled. The majority of TA funding usually is expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Annual delivery cost for NRCS includes:

Grassland Reserve Program					
Conservation Planning and Technical Consultation	453	155	2,021	2,047	5,880
Conservation Implementation	330	203	835	846	2,430
Financial Assistance—Program Administration	1,079	445	3,240	3,281	9,425
Indirect Costs	1,282	200	520	526	1,512
Sub-total Technical Assistance	3,144	1,003	6,616	6,700	19,247
Financial Assistance—Cost Share & Monetary Incentive	9,843	1,810	41,042	93,408	98,126
Total Costs	12,987	2,813	47,658	100,108	117,373
FTEs	21	7	30	28	55

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

Annual delivery cost for FSA includes:

Department Strategic Goal: Ensure our National Forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our resources.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Conservation						
	Conservation Reserve Program	974,124	1,990,178	1,872,881	1,910,630	1,997,496
	Grassroots Source Water Protection Program	1,856	3,687	5,000	5,000	5,000

State Mediation Grants [1]	526	1,092	1,092	1,092	1,092
Direct Conservation Loans [1]	0	0	0	114	1,065
Guaranteed Conservation Loans [1]	0	0	0	1	278
Other Conservation Payments [2]	4,600	3,247	46	−4	33,334
Administrative Costs (direct)	107,118	240,070	256,932	278,940	278,825
Indirect costs	9,773	82,642	63,352	68,779	72,804
Total Costs	1,097,997	2,320,916	2,199,303	2,264,552	2,389,894
FTEs	1,228	3,023	2,015	2,928	2,885
	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program / Program Items					
Income Support and Disaster Assistance					
Emergency Conservation Program [3]	149,727.00	128,456.00	0.00	92,459.00	39,719.00
Administrative costs (direct)	776,465.00	683,795.00	694,980.00	744,303.00	753,934.00
Indirect costs	47,548.00	234,633.00	226,905.00	242,967.00	246,299.00
Total Costs	**973,740.00**	**1,046,884.00**	**921,885.00**	**1,079,729.00**	**1,039,952.00**
FTEs	8,905.00	8,620.00	9,528.75	8,355.00	8,140.00
Conservation					
Emergency Conservation Program [3]	0	0	153,044.00	0	0
Administrative costs (direct)	0	0	8,344.00	0	0
Indirect costs	0	0	0	0.00	0
Total Costs	**0.00**	**0.00**	**161,388.00**	**0.00**	**0.00**
FTEs	0.00	0.00	0.25	0.00	0.00

[1] FSA has programs related to supporting the conservation goal that are not part of the specific request.
[2] Grassland Reserve Program (GRP) payments are reported by NRCS for budget purposes. FSA administrative costs related to GRP and Voluntary Public Access and Habitat Incentive Program are included.

[3] The information related to the Emergency Conservation Program (ECP) is reported as an emergency program under Goal 1. We have broken out the program information but the administrative costs relate to all programs for the Income Support and Disaster Assistance Goal.

9. Eligibility Criteria

Land is eligible if it is privately owned or Tribal land and it is: (1) grassland that contains forbs or shrubs (including rangeland and pastureland) for which grazing is the predominant use; or (2) located in an area that has been historically dominated by grassland, forbs, or shrubs. The land must also have potential to provide habitat for animal or plant populations of significant ecological value if the land is retained in the current use or restored to a natural condition.

10. Utilization (Participation) Data

Contract Fiscal Year 2010

	Rental Contracts			Easements			Dollars Allocated for Easements	Technical Assistance
	Number [1]	Acres [1]	Obligations	Number [1]	Acres [1]	Obligations for Due Diligence and Market Analysis		
Total	424	273,516	$29,288,185	144	95,907	$3,232,610	$52,318,210	$3,437,072

[1] Numbers currently reported in National Easement Staging Tool (NEST) are undergoing an intense quality assurance review. Numbers are subject to change during this process.

11. Duplication or Overlap with Other Programs

GRP provides for the long-term conservation/preservation of critical grassland resources that are under pressure from conversion. Other long-term conservation programs such as CRP, WRP, and Farm and Ranch Land Protection Program share the common objective to enhance and improve the grassland resources through short-term (10+ year contracts—CRP) or through the purchase of easements under FRPP. Generally, the same parcel of land cannot be enrolled in more than one program at the same time. These programs are complementary because they provide choices for producers in how they voluntarily protect their land and provide conservation benefits to their community and beyond.

These programs share a common goal of restoring and protecting the natural resources benefits of grassland ecosystems to provide wildlife, water quality erosion and other natural resource benefits. In some cases, the restoration of the grassland resources requires the development of grassland habitat or the development of the infrastructure (fences, springs *etc.*) that will enable the long-term management of these resources. In the cases where infrastructure or management changes are needed, there may be some overlap with EQIP, Stewardship, and/or WHIP.

Some of the practices offered through Stewardship to meet the minimum threshold at the end of the contract are also offered through other programs such as EQIP. Utilizing Stewardship for this purpose increases the additionality intent and uniqueness of the program.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Chesapeake Bay Watershed Program (CBWP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

The CBWP was authorized by section 2602 of the 2008 Farm Bill. The Chief of NRCS may implement CBWP in the watersheds of all tributaries, backwaters, and side channels draining into the Chesapeake Bay. These areas include lands in Delaware, Maryland, New York, Pennsylvania, Virginia, and West Virginia.

As of 2010, CBWP participants have enrolled nearly 270,000 acres in about 1,800 agreements in the Chesapeake Bay watershed.

4. Purpose/Goals

The purpose of CWBP is to assist producers in implementing conservation activities on agricultural lands in the Chesapeake Bay for the purposes of (1) improving water quality and quantity in the Chesapeake Bay watershed and (2) restoring, enhancing, and preserving soil, air, and related resources in the Chesapeake Bay watershed.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010:

- NRCS enrolled over 950 agreements on over 156,000 acres.
- The value of the contracts was over $33.5 million.
- The average agreement size is 164 acres.
- On average, NRCS agreed to reimburse participants approximately $35,000 for each long-term agreement.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	—
2003	—
2004	—
2005	—

6. Annual Budget Authority (FY 2002–FY 2011)—Continued

FY	Apportionment ($ in millions)
2006	—
2007	—
2008	—
2009[1]	$23
2010	$43
2011	$72

[1] Chesapeake Bay Watershed Program funding began in FY 2009. Prior to this time, discretionary funds were received through Congressionally designated projects.

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	—
2004	—
2005	—
2006	—
2007	—
2008	—
2009[1]	$3
2010	$23
2011	$41

[1] Chesapeake Bay Watershed Program funding began in FY 2009. Prior to this time, discretionary funds were received through Congressionally-designated projects.

CBWP FA funds are obligated the year a contract is entered into, and this initial obligation is applicable to the entire multi-year span of the contract. As the years pass, FA for contracted practices is not expended until the practices are installed and inspected for quality control by NRCS personnel. For this reason, FA funds tend to outlay for multiple years after obligation. TA funds obligated in a given year are used for workload generated by the enrollment of new contracts and workload generated by prior year contract implementation. The vast majority of TA funding tends to outlay in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Chesapeake Bay Watershed Program					
Conservation Planning and Technical Consultation	—	—	209	676	1,234
Conservation Implementation	—	—	1,083	3,501	6,393
Financial Assistance—Program Administration	—	—	727	2,350	4,292
Indirect Costs	—	—	1,228	3,970	7,251
Sub-total Technical Assistance	—	—	3,247	10,497	19,170
Financial Assistance—Cost Share & Monetary Incentive	—	—	18,595	33,539	52,830
Total Costs	—	—	21,842	44,036	72,000
FTEs	—	—	25	85	172

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2009 and 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Congress provided the authority to deliver CBWP funds through applicable programs in the Chesapeake Bay. Since the purpose of CBWP is similar to the purpose of the Environmental Quality Incentives Program (EQIP), CBWP is administered using the same programmatic rules as EQIP.

To participate in CBWP, both the land and the applicant must be eligible. Eligible land includes cropland, rangeland, pastureland, private nonindustrial forestland, and other farm or ranch lands in the Chesapeake Bay watershed. The land must have an identified natural resource concern that poses a serious threat to soil, water, air, or related resources by reason of land use practices, soil type, terrain, climatic conditions, topography, flooding, saline characteristics, or other natural resource factors or natural hazard. Publicly-owned land is eligible only if: (1) the land is under private control for the contract period; (2) is included within the participant's operating unit; and (3) must have written authorization from the government agency that owns the land to apply conservation practices. For irrigation-related practices, the land must have a history of actively irrigating the land unit for 2 out of the last 5 years.

Applicants must be an agricultural producer, have control of the land for the life of the contract, be in compliance with farm bill provisions (highly erodible land, wetland conservation, protection of tenants and sharecroppers), be within appropriate program payment limitations and adjusted gross income requirements, and develop an EQIP plan of operations. Applications are accepted year round at local USDA Service Centers, but there are application cut-off dates that vary from state to state.

10. Utilization (Participation) Data

CBWP Application/Contract Status data include:

Fiscal Year	Number of Active and Completed Contracts	Financial Assistance Obligated	Total Treated Acres
2009	826	$18,592,739	110,327
2010	953	$33,517,624	156,704
Total	1,779	$52,110,363	267,031

11. Duplication or Overlap with Other Programs

CBWP is a mechanism for focusing funding for maximum impact, is delivered through existing programs such as the EQIP, and is focused in the Chesapeake Bay watershed and on priorities related to controlling nutrient and sediment and habitat conservation.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Watershed Operations Program (Small Watershed).
Prepared by USDA's NRCS.

2. Subprogram/Department Initiatives

None.

3. Brief History

The Watershed Operations programs operate under Public Law 83–566, the Watershed Protection and Flood Prevention Act of 1954, as amended (P.L. 83–566); and Public Law 78–534, the Flood Control Act of 1944 (P.L. 78–534). Both of these laws authorize the Secretary of Agriculture to install watershed improvement measures to reduce flooding, sedimentation, and erosion damage; and improve the conservation, development, utilization, and disposal of water; and advance the conservation and proper utilization of land.

4. Purpose and Goals

The program sets out to develop Watershed Project Plans, with specific actions and schedules that will meet local sponsor and resource concerns and that are physically, environmentally, socially, and economically defensible. The three general purposes set out in P.L. 83–566 include: (a) Preventing damage from erosion, floodwater, and sediment; (b) Furthering the conservation, development, utilization, and disposal of waters; and (c) Furthering the conservation and proper utilization of land. The general purposes set out in P.L. 78–534 are (a) Run-off and water-flow retardation and (b) Soil-erosion prevention. NRCS provides technical and financial assistance to install watershed improvement measures through three means: technical assistance, land treatment measures, and easement and construction measures.

These programs (P.L. 83–566 & P.L. 78–534) provide for cooperation between the Federal Government and the states and their political subdivisions for purposes of:

- Agricultural Water Management
- Fish and Wildlife
- Public Recreation
- Watershed Protection
- Flood Prevention—Flood Damage Reduction
- Water Quality Management
- Municipal & Industrial Water Supply

5. Success in Meeting Programmatic Purpose/Goals

Program Benefits. Estimates of flood prevention and other annual benefits to the environment and communities from P.L. 83–566 and P.L. 78–534 that occurred in FY 2010 are shown below.

Monetary Benefits. Benefits include:

- Agricultural Benefits (not related to flood control): $404 million. Benefits associated with erosion control, animal waste management, water conservation, water quality improvement, irrigation efficiency, change in land use, *etc.*
- Non-Agricultural Benefits (not related to flood control): $899 million. Benefits associated with recreation, fish and wildlife, rural water supply, water quality, municipal and industrial water supply, and incidental recreation uses, *etc.*
- Agricultural Flood Protection Benefits: $320 million. This value includes all crop and pasture damage reduction benefits as well as all other agricultural damage reduction benefits.
- Non-Agricultural Flood Protection Benefits: $434 million. Non-agricultural flood damage prevented to roads, bridges, homes, and other structures that exist in the floodplain.

Natural Resources Benefits include:

- Acres of nutrient management: 674,283
- Tons of animal waste properly disposed: 4,801,640
- Tons of soil saved from erosion: 90,038,700
- Miles of streams and corridors enhanced, or protected: 54,190
- Acres of lakes and reservoirs enhanced, or protected: 2,518,613
- Acre-feet of water conserved: 1,842,813
- Acres of wetlands created, enhanced, or restored: 279,326
- Acres of upland wildlife habitat created, enhanced, or restored: 9,149,776

Social and Community Benefits:

- Number of people: 48,316,354
- Number of farms and ranches: 181,248
- Number of bridges: 61,678
- Number of public facilities: 3,650
- Number of businesses: 46,583
- Number of homes: 610,983
- Number of domestic water supplies: 27,857

6. Annual Budget Authority (FY 2002–FY 2011)

(Watershed and Flood Prevention Operations, P.L. 78–534, and Small Watershed, P.L. 83–566)

FY	Appropriation ($ in millions)
2002	$106
2003	$109
2004	$86
2005	$75
2006	$74
2007	$9
2008	$30
2009	$24
2010	$30
2011	—

7. Annual Outlays (FY 2002–FY 2011)

(Watershed and Flood Prevention Operations, P.L. 78–534, and Small Watershed, P.L. 83–566)

FY	Outlays ($ in millions)
2002	$85
2003	$80
2004	$73
2005	$86
2006	$81
2007	$78
2008	$44
2009	$42
2010	$19
2011	$15

Watershed Operations program TA funds generally outlay in the year the funds are obligated. The only exception to this is when TA funds are obligated through an architecture and engineering services contract to provide planning, design or quality assurance inspection during construction. FA funds are obligated after permitting and/or land rights are obtained. Outlays for these funds are generally expended over a fiscal year, but can extend over multi-years for a complex watershed operations project or for a project whose contract was awarded toward the end of the fiscal year. Given the nature of construction projects, it is possible for outlays to carryon for multiple years after the initial appropriation or obligation of the funds. Watershed Operations program funds are no-year funds.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Watershed and Flood Prevention Operations					
Conservation Planning and Technical Consultation	771	1,027	3,802	824	824
Conservation Implementation	2,514	4,654	18,130	3,827	3,827
Financial Assistance—Program Administration	271	337	1,326	280	280
Indirect Costs	1,779	4,715	11,876	3,133	3,133
Sub-total Technical Assistance	5,335	10,733	35,134	8,064	8,064
Financial Assistance—Cost Share & Monetary Incentive	3,540	19,057	134,155	21,936	21,936
Total Costs	8,875	29,790	169,289	30,000	30,000
FTEs	139	90	94	28	120

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual appropriations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

Fiscal year 2009 includes $145 million in budget authority and associated FTE from the American Recovery and Reinvestment Act of 2009.

9. Eligibility Criteria

Sponsor: All watershed projects must have at least one outside sponsor which must be a state or local organization/agency (*i.e.,* state, city, town, conservancy district, tribal) that has legal authorities to acquire and hold land rights, condemn land if necessary, and perform continuing operations and maintenance. The sponsor(s) must also be able to raise, expend, and publicly account for funds as these projects have a local match or share required.

Project/Structures: Watershed projects involving an estimated Federal contribution in excess of $5 million for construction, or construction of any single structure having a capacity in excess of 2,500 acre-feet of water storage require authorization by Congressional Committee. Watershed projects are limited to 250,000 acres and cannot include any single structure which provides more than 12,500 acre-feet of floodwater detention capacity, or more than 25,000 acre-feet of total capacity. The Chief of NRCS authorizes the use of Watershed Operations funds for all other projects.

Federal financial assistance may be applied to installation costs when land treatment measures are installed primarily to achieve environmental and public benefits such as surface and ground water quality improvement, water conservation, and flood mitigation. The Federal share may not exceed the rate of assistance for similar practices under other USDA conservation programs.

Land treatment measures are installed through project agreements with local sponsoring organizations or through long-term contracts between the landowner and NRCS. In the first case, the local sponsors arrange for and accomplish the work by contract or force account and NRCS makes payments to the local sponsoring organizations as the land treatment measures are installed. In the second case, NRCS contracts directly with landowners.

10. Utilization (Participation Data)

At the end of FY 2010, of the 1,757 projects authorized by the Watershed Protection and Flood Prevention Act, NRCS has assisted sponsors complete implementation on over 1,066 watersheds and are implementing works of improvement in 300 active watershed projects.

11. Duplication or Overlap with Other Programs:

The program was not funded under the 2011 Full-Year Continuing Appropriations Act. The Agency is in the process of closing out operations.

Watershed Operations program payments cannot be applied to payments on land for the same conservation purposes funded through other USDA conservation programs.

12. Waste, Fraud and Abuse:

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

The Watershed Rehabilitation Program.
Prepared by USDA's NRCS.

2. Subprogram/Department Initiatives

None.

3. Brief History

The Watershed Rehabilitation Program (P.L. 106–472) is administered by NRCS to assist project sponsors with rehabilitation of aging project dams. Only dams installed under P.L. 83–566, the Pilot Watershed Program, P.L. 78–534, or Resource Conservation and Development (RC&D) Programs are eligible. This program provides technical and financial assistance to watershed project sponsors in rehabilitating aging dams in their communities.

4. Purpose/Goals

The purpose of P.L. 106–472 is to extend the service life of dams and meet applicable safety and performance standards. Priority is given to those structures that pose the highest risk to life and property. Projects are eligible when hazard to life and property increases due to downstream development and when there is need for rehabilitation to extend the planned life of a structure. Watershed Rehabilitation Program work can consist of repairing or replacing deteriorated components, repairing damages from catastrophic events, upgrading the structure to meet state dam safety laws, or to decommission a structure.

5. Success in Meeting Programmatic Purpose/Goals

The Natural Resources Conservation Service has authorized the rehabilitation of 162 of these high hazard dams in 22 states as of the end of FY 2010. Many of these structures were originally set in rural areas and designed and constructed as "low hazard" structures. As a result of land use change and downstream development, many of these dams now represent a "high hazard" to surrounding communities. These rehabilitated structures are constructed to high hazard standard which provide millions of dollars of flood protection. Through this program, NRCS is making sure that the rehabilitation of these dams will not only ensure that these watershed dams remain safe and protect the lives of people, property, and infrastructure, but continue to provide flood control, recreation and wildlife habitat to the citizenry and communities for an additional 50 to 100 years.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Appropriation ($ in millions)
2002	$10
2003	$30
2004	$30
2005	$27
2006	$31
2007	$31
2008	$20
2009	$40
2010	$40
2011	$18

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	$6
2003	$10
2004	$19
2005	$21
2006	$21
2007	$22
2008	$31
2009	$24
2010	$32
2011	$17

The Watershed Rehabilitation Program TA funds are generally expended in the year the funds are obligated. The only exception to this is when TA funds are obligated through a services contract to provide planning, design or quality assurance inspection during construction. FA funds are obligated after permitting and/or land rights are obtained. These funds are generally expended over a fiscal year, but can extend over multi-years for a complex dam rehabilitation project or for a project whose contract was awarded toward the end of the fiscal year. Given the nature of constructions projects, it is possible for outlays to carryon for multiple years after the initial appropriation or obligation of the funds. Watershed Rehabilitation Program funds are no-year funds.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Watershed Rehabilitation Program					
Conservation Planning and Technical Consultation	2,573	845	4,739	1,994	1,368
Conservation Implementation	2,799	2,972	16,667	7,008	4,805
Financial Assistance—Program Administration	1,193	342	1,918	806	553
Indirect Costs	10,460	3,135	17,581	7,392	5,070
Sub-total Technical Assistance	17,025	7,294	40,905	17,200	11,796
Financial Assistance—Cost Share & Monetary Incentive	14,284	12,566	49,095	22,961	28,365
Total Costs	31,309	19,860	90,000	40,161	40,161
FTEs	113	65	72	82	71

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual appropriations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

Fiscal year 2009 includes $50 million in budget authority and associated FTE from the American Recovery and Reinvestment Act of 2009.

9. Eligibility Criteria

A dam must be under proper and active maintenance, and only dams installed under P.L. 83–566, the Pilot Watershed Program, P.L. 78–534, or RC&D Programs are eligible.

Each project requires a local cooperating sponsor that works closely with NRCS to complete the rehabilitation of each dam. Each sponsor must provide thirty-five (35) percent of the costs to rehabilitation a dam. Through several means, sponsors in these communities contribute their funds through the collection bonds, County budgets, state appropriations, state park division, Municipal taxing authority, Watershed taxing authority, and through In-kind technical services.

11. Duplication or overlap with other programs

There is no duplication or overlap with other USDA conservation programs.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Healthy Forests Reserve Program (HFRP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

Title V of the Healthy Forests Restoration Act of 2003 (Public Law 108–148) authorized the establishment of the Healthy Forests Reserve Program (HFRP) which was reauthorized by the 2008 Farm Bill.

HFRP provides financial assistance for specific conservation actions completed by the landowner. As funds are made available, the NRCS Chief solicits project proposals State Conservationists have developed in cooperation with partnering organizations. States selected for funding provide public notice of the availability of funding within the selected area. HFRP offers four enrollment options:

- *10 year restoration agreement* for which the landowner may receive 50 percent of the average cost of the approved conservation practices;
- *30 year contract* (equivalent to the value of a 30 year easement) for which the landowner may receive 75 percent of the easement value of the enrolled land plus 75 percent of the average cost of the approved conservation restoration practices. This option is available to Indian Tribes only;
- *30 year easement* for which the landowner may receive 75 percent of the easement value of the enrolled land plus 75 percent of the average cost of the approved conservation practices; or
- *Permanent easement* for which landowners may receive 100 percent of the easement value of the enrolled land plus 100 percent of the average cost of the approved conservation practices.

4. Purpose/Goals

HFRP assists landowners in restoring, enhancing, and protecting forest ecosystems to: (1) promote the recovery of threatened and endangered species; (2) improve biodiversity; and (3) enhance carbon sequestration. HFRP supports the NRCS Mission Goal of Healthy Plant and Animal Communities.

5. Success in Meeting Programmatic Purpose/Goals

The following provides examples of HFRP results:

Oregon: Partnership Protects Working Forest and Enhances Habitat. In FY 2010, NRCS partnered with the USFWS and the Oregon Department of Forestry (ODF) to provide private landowners the opportunity to create a northern spotted owl (NSO) habitat while maintaining a working forest. NSO habitat in the Pacific Northwest is an important criterion for defining healthy forests, making HFRP an excellent vehicle for this effort. NRCS developed HFRP long term management requirements and sideboards as a supplement to the ODF Forest Stewardship Plan on 11 properties being offered for permanent easements.

The supplements specify the long term management requirements and sideboards of each individual property; some properties opted for even-age stand management and others for the uneven-age stand management regime. The FSP–HFRP supplement recognizes the requirements of a State of Oregon Stewardship Agreement and will require that the landowner intends to meet or exceed all Oregon Forest Practices Act standards current at the time of approval including provisions for Riparian Management Areas. The information contained in the supplement provides guidance and requirements to reach landowner and program goals and objectives. The supplements include area regulation timelines and overall forest management practices for thinning, patch cuts, planting, canopy cover requirements and specific management regimes for each property.

NRCS worked closely with USFWS and ODF to ensure consistency among agencies' requirements while developing the supplements. The supplements use forest management to enhance future NSO habitat and maintain existing habitat. NRCS, USFWS, and ODF entered into a programmatic Safe Harbor Agreement to provide assurances to the landowner if they manage the property according to the Forest Stewardship Plan supplement. NRCS develops conservation plans and landowner conservation program contracts to implement the conservation practices necessary for restoration, enhancement, and management for NSO as planned in the Forest Stewardship Plan supplement. NRCS has completed the supplement plans for 11 properties in western Oregon totaling 1,852 acres of valuable habitat for the endangered NSO on these potential permanent easements. The HFRP work has been an excellent demonstration of one-on-one conservation planning resulting in detailed landowner decisions while allowing management flexibility for plans that will stretch into perpetuity. This has been an excellent model for all nonindustrial forest planning.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Appropriation/Apportionment ($ in millions)
2002	—
2003	—
2004	—
2005	—
2006	$2
2007	$2
2008	$2
2009	$10
2010	$10
2011	$10

Note: FY 2006 through 2008 is Discretionary appropriations. FY 2009 through 2011 is the Mandatory apportionments.

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	—
2004	—
2005	—
2006	—
2007	—
2008	$1
2009	$1
2010	$3
2011	$6

Note: FY 2006 to 2008 is Discretionary funding and Mandatory funding from 2009 to 2011.

HFRP FA funds support easement acquisition and restoration. Funds are expended when the easement is perfected or the practices necessary for restoration are installed and verified by NRCS personnel, both processes which may take over a year to complete. TA funds obligated in a given year are used for workload generated by the enrollment of new easements and workload generated by easements enrolled in prior years. The vast majority of TA funding tends to be expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Healthy Forests Reserve Program					
Conservation Planning and Technical Consultation	19	12	180	187	301
Conservation Implementation	21	15	382	398	641
Financial Assistance—Program Administration	9	58	459	478	770
Indirect Costs	78	66	314	328	529
Sub-total Technical Assistance	127	151	1,335	1,391	2,241
Financial Assistance—Cost Share & Monetary Incentive	2,349	1,835	1,191	6,226	7,509
Total Costs	2,476	1,986	2,526	7,617	9,750
FTEs	1	2	5	6	23

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 and 2008 are the discretionary appropriations. The 2009 and 2010 are actual mandatory obligations; and Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Only privately held land, including acreage owned by an Indian Tribe, is eligible for enrollment in HFRP. In addition, to be eligible, the landowner must commit to restoring, enhancing, or measurably increasing the likelihood of recovery of a threatened or endangered species or candidates for the Federal or state threatened or endangered species list, and must improve biological diversity or increase carbon sequestration. Land enrolled in HFRP must have a restoration plan that includes practices necessary to restore and enhance habitat for species listed as threatened or endangered or species that are candidates for the threatened or endangered species list. NRCS provides technical assistance to help owners comply with the terms of their HFRP restoration plans.

Landowners may receive safe harbor assurance for land enrolled in the HFRP who agree, for a specified period, to protect, restore, or enhance their land for threatened or endangered species habitat. In exchange, landowners avoid future regulatory restrictions on the use of that land under the Endangered Species Act.

10. Utilization (Participation) Data

Contract Fiscal Year 2010

	10 Year Restoration Agreements	30 Year Easements	Permanent Easements
Number [1]	1	2	9
Acres [1]	2,747	1,416	1,472
Dollars Obligated	$599,988	$882,139	$4,994,249

[1] Numbers currently reported in NEST are undergoing an intense quality assurance review.

11. Duplication or Overlap with Other Programs

To the extent that these programs each allow for 10 year restoration agreements to improve wildlife habitat, there is duplication and overlap with the WHIP program and the 10 year restoration agreement portion of HFRP.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Conservation Security Program (Security).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

The 2002 Farm Bill authorized the Security. Except for existing program contracts, it was replaced by the Conservation Stewardship Program (Stewardship) by the 2008 Farm Bill.

Security is a voluntary program that provides financial and technical assistance through 5 to 10 year contracts to promote the conservation and improvement of soil, water, air, energy, plant and animal life, and other conservation purposes on Tribal and private working lands.

The Chief of NRCS was authorized to implement Security in all 50 states, the Caribbean Area, and the Pacific Basin area. The program provides equitable access to benefits to all producers, regardless of size of operation, crops produced, or geographic location.

4. Purpose/Goals

Security's goal is to identify and reward those farmers and ranchers who are meeting the highest standards of conservation and environmental management on their operations and to support ongoing stewardship of private agricultural lands by providing payments for maintaining and enhancing natural resources.

5. Success in Meeting Programmatic Purpose/Goals

In Fiscal Year 2011, a total of $180,292,191 was expended to cover the obligations of 15,031 prior year contracts (2004–2008).

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	—
2003	$4
2004	$41
2005	$202
2006	$259
2007	$297
2008	$379
2009	$283
2010	$234
2011	$204

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	—
2004	$38
2005	$186
2006	$263
2007	$294
2008	$309
2009	$276
2010	$220
2011	$205

Security's FA funds are obligated separately for each year of the contract with the producer. They are expended during the year of obligation. TA funds obligated for a given year are used for workload generated by prior year contract implementation. The vast majority of TA funding also are expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Conservation Security Program					
Conservation Planning and Technical Consultation	2,033	2,228	1,264	941	990
Conservation Implementation	2,348	2,920	1,657	1,233	1,297
Financial Assistance—Program Administration	17,204	11,714	6,647	4,947	5,205
Indirect Costs	4,321	27,728	20,315	15,120	13,446
Sub-total Technical Assistance	25,906	44,590	29,883	22,241	20,938
Financial Assistance—Cost Share & Monetary Incentive	268,451	272,461	246,121	199,928	182,468
Total Costs	294,357	317,051	276,004	222,169	203,406
FTEs	200	367	220	154	132

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

- Applicants must have submitted an application applied prior to Oct. 1, 2008.
- Eligible applicants include an individual producer, partnership, association, corporation, estate, trust, other business or other legal entities controlling eligible lands. The term producer means an owner, operator, landlord, tenant or sharecropper that shares in the risk of producing any crop or livestock; and must be entitled to share in the crop or livestock available for marketing from an agricultural operation.
- An applicant must be in compliance with highly erodible land and wetland conservation provisions, and average adjusted gross income requirements.
- Working lands include cropland, grassland, prairie land, improved pasture, and range land, as well as forested land that is an incidental part of an agriculture operation.

10. Utilization (Participation) Data

Security Dollars Obligated on Active/Completed Contracts data include:

	Financial Assistance Obligated	Technical Assistance Obligated
Total	$199,927,828.26	$16,985,614.49

11. Duplication or Overlap with Other Programs

Because Security is available only for contracts that were entered into prior to the enactment date of the 2008 Farm Bill, a producer who receives Security payments cannot also receive payments under the Stewardship.

12. Waste, Fraud and Abuse

In July 2009, OIG issued an audit report on the Conservation Security Program. They noted potential improper payments made to participants that were ineligible and participants that received payments for more than one Security contract at a time. The audit involved review of 20,653 contracts. Of those contracts, 37 percent (7,666) contained errors, mostly minor or technical in nature. Three contracts (less than one percent of all the contracts) were found to be fraudulent. Corrective actions were taken on all errors and were completed by December 31, 2009.

To recover the improper payments that were made, NRCS sent demand letters and bills to participants. For certain participants, liquidated damages have also been assessed. NRCS has recovered $4.618 million to date as result of these corrective actions. To remediate the situation, updated procedures were issued to require field verifications prior to funds being obligated. NRCS continues to work to recover all improper payments made.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Conservation Stewardship Program (Stewardship).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

The 2008 Farm Bill authorized Stewardship with an enrollment of 12,769,000 acres for each fiscal year (FY) for the period beginning October 1, 2008, and ending on September 30, 2017.

The Chief of NRCS makes Stewardship available to all producers, regardless of operation size or crops produced, in all 50 states, the District of Columbia, and the Caribbean and Pacific Island areas.

Since it was first funded in 2008, Stewardship has enrolled 20,567 contracts on over 25.1 million acres.

4. Purpose/Goals

The purpose of Stewardship, as a voluntary program, is to encourage agricultural and forestry producers to address resource concerns by: (1) undertaking additional conservation activities; and (2) improving and maintaining existing conservation systems. Stewardship provides financial and technical assistance to help land stewards conserve and enhance soil, water, air, and related natural resources on their land.

Stewardship participants receive payments for conservation performance—the higher the performance, the higher the payment. It provides two possible types of payments. An annual payment is available for installing new conservation activities and maintaining existing practices. A supplemental payment is available to participants who also adopt a resource conserving crop rotation. Through 5 year contracts, NRCS makes payments as soon as practical after October 1 of each fiscal year for contract activities installed and maintained in the previous year.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010:

- NRCS enrolled 20,567 contracts on 25,164,327 acres.
- The value of the contracts is $320,399,890.
- The average contract size is 1,224 acres.
- On average, NRCS agreed to reimburse participants $15,578 for each contract.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	—
2003	—
2004	—
2005	—
2006	—
2007	—
2008	—
2009	$10
2010	$469
2011	$601

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	—
2004	—
2005	—
2006	—
2007	—
2008	—
2009	$5
2010	$51
2011	$389

Stewardship's FA funds are obligated separately for each year of the 5 year contract for installing new or maintaining existing conservation activities. FA funds are expended one year after obligation, after NRCS personnel perform a field visit to site-verify that the conservation activities are installed and maintained to specifications. TA funds obligated in a given year are used for workload generated by the enrollment of new contracts and workload generated by prior year contract implementation. The vast majority of TA funding tends to be expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Conservation Stewardship Program					
Conservation Planning and Technical Consultation	—	—	398	2,939	3,356
Conservation Implementation	—	—	520	3,849	4,397
Financial Assistance—Program Administration	—	—	2,086	15,440	17,645
Indirect Costs	—	—	6,374	47,187	45,581
Sub-total Technical Assistance	—	—	9,378	69,415	70,979
Financial Assistance—Cost Share & Monetary Incentive	—	—	—	320,398	529,855
Total Costs	—	—	9,378	389,813	600,834
FTEs	—	—	75	496	540

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2009 and 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

- Eligible land includes cropland, grassland, prairie land, improved pastureland, rangeland, nonindustrial private forestland, and agricultural land under the jurisdiction of an Indian tribe.
- Eligible applicants include individuals, legal entities, joint operations, or Indian tribes. Applicants must be the operator of record in the USDA farm records management system for the eligible land being offered for enrollment and have effective control of the land for the term of the proposed contract.
- Applicants must be in compliance with the highly erodible land and wetland conservation provisions requirements and adjusted gross income provisions prior to receiving program payments.

Stewardship contract provisions provide:

- A person or legal entity may have more than one Stewardship contract but, for all Stewardship contracts combined, may not receive more than $40,000 in any year or more than $200,000 during any 5 year period.
- The contract limit is the same as the payment limit except in the case of joint operations, for which the contract limit is $80,000 per fiscal year and $400,000 over the term of the contract period.

10. Utilization (Participation) Data

2010 Stewardship Application/Contract Status data includes:

	Number of Active and Completed Contracts	Financial Assistance Obligated	Total Treated Acres	Technical Assistance Obligated
Total	20,567	$320,397,871	25,164,327	$59,940,382

11. Duplication or Overlap with Other Programs

Some of the practices offered through Stewardship to meet the minimum threshold at the end of the contract are also offered through other programs such as EQIP. Utilizing Stewardship for this purpose increases the additionality intent and uniqueness of the program.

12. Waste, Fraud and Abuse

In an effort to implement lessons learned from the 2009 Conservation Security Program OIG audit, NRCS undertook an independent inquiry of FY 2010 Conservation Stewardship Program Contracts. The agency reviewed ten random contracts from 15 selected states after all states completed a "Checklist to Address Conservation Stewardship Program O&E Review Findings." The results of the review showed inconsistencies in the calculation of additional activity points. To address these matters NRCS has undertaken an extensive follow-up regime with all states providing additional guidance, training, written directives and net conferences to alleviate the problem. Finally, each new contract entered into must now have a NRCS conservationist field review the operation's on-the-ground compliance prior to enrollment.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Wetlands Reserve Program (WRP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

Congress first authorized WRP in the 1990 Farm Bill and has reauthorized it with little change in the three farm bills since. WRP is a voluntary program that provides technical and financial assistance to enable eligible landowners to address wetland, wildlife habitat, soil, water and related natural resource concerns on private lands in an environmentally beneficial and cost effective manner. The program achieves solutions to local community issues related to farms, ranches, rural lands and other areas by establishing easements and long-term agreements on eligible farmlands and establishing 30 year contracts on Tribal lands. Over the last 20 years, WRP's voluntary, private lands approach has made it the Federal Government's private lands wetland restoration and conservation program. Year after year, WRP has delivered benefits to both the individuals participating and the American public benefitting from the services the WRP wetlands provide.

4. Purpose/Goals

The primary purpose of WRP is the restoration, protection and enhancement of wetlands and associated habitats for the benefit of wetland-dependent wildlife, with an emphasis on migratory birds and special status species. The WRP goal is to achieve the greatest wetland functions and values, along with optimum wildlife habitat, on every acre enrolled in the program. WRP is most suited for frequently flooded agricultural lands, where restoration will maximize habitat for migratory birds and other wildlife, and improve water quality. WRP focuses on:

- Enrolling marginal lands that have a history of crop failures or low production yields;
- Restoring and protecting wetland values on degraded wetlands;
- Maximizing wildlife benefits;
- Achieving cost-effective restoration with a priority on benefits to migratory birds;
- Protecting and improving water quality; and
- Reducing the impact of flood events.

5. Success in Meeting Programmatic Purpose/Goals

WRP has become the preeminent Federal private lands program for protecting and restoring wetlands. Over the last 20 years, WRP has helped more than 11,000 private landowners voluntarily restore, protect and enhance wetlands and wildlife habitat on over 2.3 million acres nationwide. Currently, about 30 percent of those acres are in the restoration process and will require continued conservation assistance in order to reach full restoration. WRP has proven to be a program under which NRCS, landowners and many various partners can work together to achieve truly cooperative conservation resulting in long-term benefits on a landscape scale that will ensure our wetland resources are available for future generations.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	$275
2003	$306
2004	$280
2005	$273
2006	$273
2007	$283
2008	$184
2009	$571
2010	$675
2011	$611

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	$98
2004	$231
2005	$205
2006	$234
2007	$154
2008	$249
2009	$131
2010	$278

7. Annual Outlays (FY 2002–FY 2011)—Continued

FY	Outlays ($ in millions)
2011	$348

WRP TA funds support staff time needed to conduct eligibility determinations, finalize easement transactions, complete restoration designs, develop management and maintenance plans, and conduct monitoring of wetlands under easement. WRP FA funds support the easement costs paid to the landowner, restoration costs paid for implementation of restoration design, and implementation costs for maintenance and repairs on existing easements. FA for easement acquisition is obligated when the acres to be placed under easement are enrolled but is not expended until the easement is perfected, a process that may take years. FA for restoration is obligated when contracts are developed based on final restoration designs but is not expended until the installation of practices used to restore the wetlands is complete and verified by NRCS personnel, which also may occur over several years. TA funds obligated in a given year are used for workload generated by the enrollment of new acres and workload generated by acquisition, restoration, and monitoring of prior year enrollments which requires the majority of the TA funds obligated in a given year. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Wetlands Reserve Program					
Conservation Planning and Technical Consultation	4,346	2,363	2,191	2,558	3,807
Conservation Implementation	21,771	12,719	11,791	13,764	20,482
Financial Assistance—Program Administration	17,382	11,186	10,370	12,106	18,015
Indirect Costs	16,599	6,923	6,418	7,492	11,148
Sub-total Technical Assistance	60,098	33,191	30,770	35,920	53,452
Financial Assistance—Cost Share & Monetary Incentive	187,757	149,758	404,941	594,219	672,647
Total Costs	247,855	182,949	435,711	630,139	726,099
FTEs	190	225	191	217	343

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Owners of private and tribal lands are eligible to participate in the WRP. WRP offers a perpetual easement, 30 year easement, or 10 year restoration cost-share agreement available to all private and tribal landowners and a 30 year contract option for tribal landowners only. Land is eligible if it contains wetlands that have been degraded primarily as a result of agricultural use and have a high likelihood of successful restoration that will maximize wildlife benefits and wetland functions and values taking cost into consideration. Associated habitats and lands functionally related to the eligible wetlands may also be enrolled if they will contribute significantly to the wetland functions and values or practical administration of the enrolled area.

10. Utilization (Participation) Data

During the 2008 Farm Bill, WRP has enrolled an average of approximately 215,000 acres on 1,200 projects each year. Since its inception in 1992, WRP has enrolled over 2.3 million acres on over 11,000 projects. The majority of enrollments, over 77 percent are perpetual easements, 16 percent are 30 year easements and 30 year contracts with tribes, and the remaining six percent are restoration cost-share agreements.

2010 WRP Number of Agreements and Dollars Obligated data includes:

	30 Year Contracts		30 Year Easements		Permanent Easements		Restoration Cost Share Agreement		Total Agreements		Financial Assistance Obligated	Technical Assistance Obligated
	Acres	Number	Acres	Number	Acres	Number	Acres	Number	Acres	Number		
Total	1,761	4	60,154	425	206,692	954	4,155	31	272,762	1,414	$592,562,106	$28,910,632

Note: Numbers currently reported in NEST are undergoing an intense quality assurance review. Numbers are subject to change during this process.

11. Duplication or Overlap with Other Programs

There is some potential overlap of the restoration cost-share agreement enrollment option of WRP with WHIP. Because the restoration cost-share agreement enrollment option does not have an associated easement, it provides technical and financial assistance in the form of a cost-share agreement for the implementation of wetland restoration. The wetland restoration practices implemented through the WRP restoration cost-share agreements would potentially be eligible for cost-share under WHIP. The primary benefit of the WRP restoration cost-share agreement that sets it apart from WHIP is the length of the agreement. The WRP agreements require the restoration to be maintained for a longer period of time—a minimum of 10 years after the date the last practice is installed and, in contrast, WHIP agreements can be for one year to a maximum of 10 years. Thus, the WRP restoration cost-share agreements provide for a longer term protection of the public investment and realization of the public benefits resulting from the restored wetlands.

CRP land eligibility criteria is more narrow than WRP. The nature of the agreements with landowners is also vastly different. Although there may be some overlap of eligible land with the CRP, WRP does not offer enrollment options similar to CRP.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Farm and Ranch Lands Protection Program (FRPP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

FRPP was last reauthorized in 2008 Farm Bill. This legislation expanded the purpose of the Farm and Ranch Lands Protection Program from "protecting topsoil" to "protecting agricultural use and related conservation values of the land." The program now allows for long term agreements with cooperating entities. Such agreements may be 5 years in duration for certified entities and 3 years for eligible entities that are not certified. The 2008 Farm Bill defines a "certified entity" as an eligible entity with a proven record of acquiring and monitoring conservation easements. Entities may submit proposals to protect farm and ranch lands throughout the term of the agreement.

4. Purpose/Goals

FRPP is a voluntary program that helps farmers and ranchers keep their land in agriculture. The program provides matching funds to state, Tribal, or local governments and non-governmental organizations with existing farm and ranch land protection programs to purchase conservation easements.

5. Success in Meeting Programmatic Purpose/Goals

The following is an example of the benefits of FRPP:

The 180 acre Carpenter Farm and the 142 acre Sparks Farm in Salem County were protected from development with funding from the State Agriculture Development Committee (SADC), Garden State Preservation Trust, and FRPP. The Carpenter Farm has been in agriculture for more than 300 years. Wheat and soybeans are the primary crops cultivated on the Sparks Farm. In addition to protecting rich, fertile farmland and investing in the agricultural economy of the region, preserving these lands also provides a significant environmental benefit. The resulting land and waterscape is one of the top areas in the state for waterfowl diversity and has been designated an Important Bird Area by New Jersey Audubon.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	$50
2003	$100

6. Annual Budget Authority (FY 2002–FY 2011)—Continued

FY	Apportionment ($ in millions)
2004	$112
2005	$112
2006	$74
2007	$74
2008	$97
2009	$121
2010	$150
2011	$175

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—
2003	$15
2004	$54
2005	$63
2006	$59
2007	$91
2008	$73
2009	$74
2010	$102
2011	$97

FRPP FA funds are obligated the year parcels are enrolled in the program but not expended until easements are closed, which may take several years. TA funds obligated in a given year are used for workload generated by the enrollment of new parcels and workload generated by parcels enrolled in prior years. The vast majority of TA funding tends to be expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Farm and Ranch Lands Protection Program					
Conservation Planning and Technical Consultation	N/A	325	336	336	460
Conservation Implementation	N/A	17	18	18	25
Financial Assistance—Program Administration	958	3,704	3,828	3,830	5,248
Indirect Costs	2,185	1,615	1,669	1,670	2,289
Sub-total Technical Assistance	3,143	5,661	5,851	5,854	8,022
Financial Assistance—Cost Share & Monetary Incentive	69,940	90,520	112,915	144,042	166,978
Total Costs	73,083	96,181	118,766	149,896	175,000
FTEs	24	29	34	29	44

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Individual landowners must apply to and be accepted by the eligible state, tribe, or local government or nongovernmental programs to participate in FRPP. As a Title XII program, these individual landowners must meet farm bill payment eligibility requirements for adjusted gross income, wetland conservation, and highly erodible land conservation. The land to be enrolled in FRPP must meet one of three criteria to qualify for consideration: (1) have at least 50 percent prime, unique, or important farmland soil; (2) have historic or archeological resources; or (3) support the policies of a state or local farm and ranch lands protection program.

To qualify, farmland must: be part of a pending offer from a state, tribe, or local farmland protection program; be privately owned; have a conservation plan for highly erodible land; be large enough to sustain agricultural production; be accessible to markets for what the land produces; have adequate infrastructure and agricultural support services; and have surrounding parcels of land that can support long-term agricultural production. Depending on funding availability, proposals must be submitted by the eligible entities to the appropriate NRCS State Office during the application window.

10. Utilization (Participation) Data

2010 FRPP Number of Parcels and Dollars Obligated data includes:

	Number of Parcels [1]	Acres [1]	Financial Assistance Obligated for Easement Acquisition	Technical Assistance Obligated
Total	403	170,412	$144,041,755	$4,425,878

[1] Numbers currently reported in NEST are undergoing an intense quality assurance review. Numbers are subject to change during this process.

11. Duplication or Overlap with Other Programs

GRP also offers long-term and permanent easements to protect grazing lands from conversion to other uses. Lands eligible for GRP are generally eligible for FRPP; however, FRPP is more broadly applicable to include cropland or other lands that may not be eligible for GRP.

12. Waste, Fraud and Abuse

NRCS has uncovered few instances of entity misuse of landowner contributions in acquiring easements through FRPP. However, a 2005 OIG audit found that the entity coerced landowners into returning some of the proceeds of the sale of the easement to the entity, who had claimed these as part of their non Federal match. As a result, the entity did not pay the required 25 percent of the purchase price for the FRPP easement. In response, NRCS terminated the agreement with the eligible entity and arranged for parcels to be included in a subsequent agreement with another eligible entity. Internal controls have been instituted that require landowners to sign a "Confirmation of Matching Funds" to ensure that cooperating entities do not use landowners' proceeds from the easement acquisition to cover the entities' contribution. In addition NRCS State Office staff interview landowners to be certain that they are not being forced to provide the entity cash match.

In Wisconsin, the eligible entity misrepresented the source of its funds by certifying that it had not obtained the money from landowners when it had. This resulted in NRCS overpaying on these easements. The Office of General Counsel is currently reviewing legal options. As a result of this case, changes were made to FRPP policy requiring NRCS State office staff to visit every FRPP parcel and interview every landowner, inform them of FRPP regulations, and confirm the estimated easement value, Federal contribution, entity contribution, landowner donation, and recommended contribution to stewardship funds before a cooperative agreement is signed.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Resource Conservation and Development (RC&D).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

RC&D was initiated under the Soil Conservation and Domestic Allotment Act, (16 U.S.C. 590a–590f), the Bankhead-Jones Farm Tenant Act (16 U.S.C. 1010 and 1011), and the Food and Agriculture Act of 1962, and is authorized under subtitle H, title XV of the Agriculture and Food Act of 1981, (16 U.S.C. 3451–3461), as amended. Through the program, RC&D areas establish or improve coordination systems in rural communities, and build rural community leadership skills to more effectively use Federal, state, and local programs for the communities' benefit. The 2002 Farm Bill permanently authorized the program. The 2008 Act further strengthened the relationship between USDA and RC&D councils. The program began with ten pilot areas and grew to 375 areas designated by the Secretary of Agriculture.

A RC&D area is a locally defined multi-county area, sponsored and directed by a RC&D Council that carries out the program encouraging natural resource conservation and utilization, accelerated economic development, and/or improvement of social conditions where needed to foster a sound local economy. The RC&D Council consists of sponsors from the public and private sector that represent a diverse cross-section of community interests. Sponsors include county and city governments, soil and water conservation districts, sub-state districts, Tribal governments, and other interested private organizations in the area. The RC&D program is based on grassroots involvement and decision-making. From public meetings to identify community concerns, needs, and problems, the RC&D Council develops an area plan that details the goals, objectives, and action items needed to address the local communities' priorities and concerns. The RC&D Council then collects data about identified problems, develops alternatives, and recommends solutions. Implementation of an action item may include one step or a full range of steps, such as problem identification, development of alternatives, plan development, and funding.

4. Purpose/Goals

The purpose of the RC&D program is to—

(i) Develop and carry out area plans and projects in designated areas in order to conserve, develop, and improve the use of land.

(ii) Develop natural resources.

(iii) Improve and enhance the social, economic, and environmental conditions in primarily rural areas of the United States.

(iv) Encourage and improve the capability of state and local units of government, Indian Tribes, nonprofit organizations, and councils.

The mission of the RC&D Program was to make the financial, administrative, educational, and technical resources of USDA and other public and private partners available to increase the ability of communities to meet their regionally identified resource conservation and economic development needs.

5. Success in Meeting Programmatic Purpose/Goals

The program has been successful in meeting its purpose and goals. Each year RC&D Councils and their partners, with technical assistance from NRCS, help to create, retain, and expand businesses and the formation of cooperatives. RC&D Council projects create and retain jobs. Each RC&D Council brings in external grant funds for direct project implementation into their area.

RC&D Councils assist farm or ranch operations with agri-tourism activities and direct marketing from the field to the consumer via Community Supported Agriculture groups (CSAs), restaurants, commercial stores, or public access farmers markets.

Efforts to improve natural resources within RC&D areas result in the improvement of wildlife habitat, lakes and other water bodies, and streams. RC&D Councils assist animal agricultural operations with water quality projects; assist the construction or rehabilitation of flood control structures; and preserve or protect agricultural land. Over the last 5–8 years, RC&D Councils have begun implementing renewable energy projects.

RC&D Councils hold workshops, tours and seminars nationwide on agriculture, aquaculture, forestry and wildlife; and training sessions on leadership development, grant writing, business development, nonprofit management and environmental education. These educational projects have helped people develop new skills.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Appropriation ($ in millions)
2002	$48
2003	$51
2004	$52
2005	$51
2006	$51
2007	$51
2008	$51
2009	$51
2010	$51
2011 [1]	—

[1] The 2011 Appropriations Act provided no funding for this program. Based on authority provided through multiple short-term continuing resolutions, a total of $27 million was available for this program through April 15, 2011.

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	$49
2003	$49
2004	$51
2005	$51
2006	$51
2007	$52
2008	$52
2009	$51
2010	$50
2011	$22

RC&D primarily funded the support of RC&D Coordinators. Given the nature of this expense, outlays generally occurred in the year of appropriation and obligation. Prior to FY 2009, RC&D funds were no-year funds.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Resource Conservation and Development					
Conservation Planning and Technical Consultation	27,693	21,364	21,364	21,364	21,364
Conservation Implementation	21,495	19,355	19,355	19,355	19,355
Financial Assistance—Program Administration	N/A	N/A	N/A	N/A	N/A
Financial Assistance—Cost Share & Monetary Incentive	N/A	N/A	N/A	N/A	N/A
Indirect Costs	1,900	10,011	10,011	10,011	10,011
Total Costs	51,088	50,730	50,730	50,730	50,730
FTEs	453	440	412	403	423

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual appropriations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Eligible entities for the RC&D program are nonprofit entities that are established by volunteers or representatives of states, local units of government, Indian tribes, or local nonprofit organizations specifically to participate in the RC&D program. They apply to the Secretary of Agriculture to be designated as a USDA RC&D area. The size and configuration of an area must be based on an assessment of rural development needs, institutional arrangements, and the natural resources of the region. Boundaries of an RC&D area are established on a multi-jurisdictional basis to make the most efficient use of area plans relating to land conservation, land management, community development, and environmental enhancement. Commonality of existing needs and opportunities are important aspects relating to the geographic boundaries of the area. The Secretary selects designated areas for assistance on the basis of the elements of the RC&D Council's area plan.

10. Utilization (Participation) Data

There are 375 RC&D areas serving 2,696 counties in every state, the Caribbean, and the Pacific Basin. Designated areas continue to serve over 85 percent of U.S. counties and more than 77 percent of the U.S. population. There are 39 applicant areas covering 236 additional counties that have applied for the designation by USDA.

11. Duplication or Overlap with Other Programs

The Federal support for the program was not funded under the FY 2011 Full-Year Continuing Appropriations and agency technical support for the program is being closed out. RC&D councils may continue to compete to participate in other programs.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Environmental Quality Incentives Program (EQIP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

Agricultural Water Enhancement Program.
Conservation Innovation Grants (CIG).
Organics.
Air Quality Initiative.

3. Brief History

EQIP was established in the 1996 Farm Bill and was reauthorized in the 2002 and 2008 Farm Bills. The Chief of NRCS may implement EQIP in any of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, and the Commonwealth of the Northern Mariana Islands.

4. Purpose/Goals

NRCS is charged with carrying out EQIP in a manner that optimizes environmental benefits and provides:

- Flexible technical and financial assistance to farmers and ranchers that face the most serious threats to soil, water, air, and related natural resources;
- Assistance to farmers and ranchers in complying with Federal, state, and local environmental regulatory requirements;
- Assistance to farmers and ranchers in making beneficial, cost-effective changes to cropping systems, grazing management, manure, nutrient, pest, or irrigation management, land uses, or other measures needed to conserve and improve soil, water, air, and related natural resources; and
- For the consolidation and simplification of conservation planning and implementation to reduce the administration burden on producers.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010:

- NRCS enrolled almost 36,500 agreements on over 13,000,000 acres.

- The value of the contracts was over $839 million.
- The average agreement size is 357 acres.
- On average, NRCS agreed to reimburse participants approximately $23,000 for each agreement.

6. Annual Budget Authority (FY 2002–FY 2011)

EQIP supports CCPI and CIG. These are not appropriated separately or tracked separately in the NRCS financial system.

FY	Apportionment ($ in millions)
2002	$200
2003	$695
2004	$975
2005	$1,000
2006	$995
2007	$996
2008	$1,200
2009	$1,067
2010	$1,180
2011	$1,238

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	$185
2003	$626
2004	$859
2005 [1]	−$531
2006	$771
2007	$815
2008	$953
2009	$943
2010	$1,059
2011	$1,171

[1] Prior to FY 2005, NRCS advanced funding for the EQIP program to FSA. In FY 2005 all obligations from FY 2005 and prior and the remaining funding to pay those obligations came back to NRCS. The negative outlays meant there was additional cash available to pay for the EQIP obligations that came back to NRCS.

EQIP FA funds are obligated the year of contract enrollment for the entire multi-year span of the contract. As the years pass, FA for contracted practices is not expended until the practices are installed and inspected for quality control by NRCS personnel. For this reason, FA funds tend to be expended over multiple years after obligation. TA funds obligated in a given year are used for workload generated by the enrollment of new contracts and workload generated by prior year contract implementation. The vast majority of TA funding tends to be expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Enironmental Quality Incentives Program					
Conservation Planning and Technical Consultation	27,928	17,315	19,132	20,429	22,277
Conservation Implementation	119,171	89,704	99,117	105,837	115,411
Financial Assistance—Program Administration	80,152	60,221	66,540	71,051	77,479
Indirect Costs	15,460	101,729	112,404	120,025	130,883
Sub-total Technical Assistance	242,711	268,969	297,193	317,342	346,050
Financial Assistance—Cost Share & Monetary Incentive	750,140	924,221	757,389	856,697	833,950
Total Costs	992,851	1,193,190	1,054,582	1,174,039	1,180,000
FTEs	2,171	2,313	2,395	2,407	2,872

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

To participate in EQIP, both the land and the applicant must be eligible. Eligible land includes cropland, rangeland, pastureland, private nonindustrial forestland, and other farm or ranch lands. The land must have an identified natural resource concern that poses a serious threat to soil, water, air, or related resources by reason of land use practices, soil type, terrain, climatic conditions, topography, flooding, saline characteristics, or other natural resource factors or natural hazard. Publicly owned land is eligible when the land is under private control for the contract period, and is included in the participant's operating unit, and must have written authorization from the government agency to apply conservation practices. For irrigation-related practices, the land must have a history of actively irrigating the land unit for 2 out of the last 5 years.

Applicants must be an agricultural producer, have control of the land for the life of the contract, be in compliance with farm bill provisions (highly erodible land, wetland conservation, protection of tenants and sharecroppers), be within appropriate program payment limitations and adjusted gross income requirements, and develop an EQIP plan of operations.

Organics—The Organic Initiative is a nationwide special initiative within EQIP to provide assistance to organic producers as well as producers in the process of transitioning to organic production.

Air Quality Initiative—The Air Quality Initiative is a nationwide special initiative within EQIP to provide assistance to farmers and ranchers to reduce air pollution generated from agricultural operations in areas designated by the EPA as non-attainment areas for ozone and particulate matter.

10. Utilization (Participation) Data

EQIP Application/Contract Status data includes:

FY	Number of Active or Completed Contracts	Financial Assistance Obligated	Total Treated Acres
2005	49,406	$792,091,721	18,080,499
2006	41,190	$784,849,667	21,115,275
2007	41,700	$781,954,270	17,104,234
2008	48,116	$943,407,338	16,944,359
2009	31,960	$731,099,112	12,003,583
2010	36,499	$838,985,212	13,034,363
Total	**248,871**	**$4,872,387,320**	**98,282,313**

11. Duplication or Overlap with Other Programs

EQIP is one of the program structures through which CBWP is delivered. CBWP has more focused priorities by concentrating on water quality and quantity and only in the Chesapeake Bay watershed.

Although similar to EQIP, WHIP has expanded priorities to support fish and wildlife.

Although similar to EQIP in implementation, Agricultural Management Assistance (AMA) is limited to 16 statutorily-designated states that have low participation in Federal Crop Insurance Programs. There are some practices that can be installed through AMA but not EQIP

Although similar to EQIP, Agricultural Water Enhancement Program (AWEP) focuses on ground and surface water conservation and water quality, and is a component of EQIP.

Both EQIP and CRP address natural resource concerns, the land uses on which the practices are applied generally are distinct. There could be minimal overlap where CRP enrolls windbreaks, shelterbelts and shallow water impoundments for wildlife.

12. Waste, Fraud and Abuse

An audit by the OIG revealed that participant contracts for the Migratory Bird Habitat Initiative in one Louisiana Parrish received an increased payment rate for the socially disadvantaged designation although those participants were not actually in a socially disadvantaged group. It was identified by OIG that staff inadvertently selected an incorrect payment schedule. It was recommended to adjust the agency's business tools so that the socially disadvantaged designation indicated by the participant would automatically provide the correct payment rate without staff having to manually select various payment schedules for each application. For the improper payments, the agency provided each participant with the option to either return the overpayment amount or to receive a reduction in future scheduled payments.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Conservation Innovation Grants (CIG).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

First authorized in the 2002 Farm Bill and reauthorized by each subsequent farm bill, CIG is a voluntary program intended to stimulate the development and adoption of innovative conservation approaches and technologies while leveraging Federal investment in environmental enhancement and protection, in conjunction with agricultural production. Under CIG, EQIP funds are used to award competitive grants to non-Federal governmental or non-governmental organizations, Tribes, or individuals.

CIG enables NRCS to work with other public and private entities to accelerate technology transfer and adoption of promising technologies and approaches to address some of the nation's most pressing natural resource concerns. CIG will benefit agricultural producers by providing more options for environmental enhancement and compliance with Federal, state, and local regulations.

4. Purpose/Goals

CIG provides grants on a competitive basis to stimulate the development and adoption of innovative conservation approaches and technologies while leveraging Federal investment in environmental enhancement and protection, in conjunction with agricultural production.

NRCS expects to incorporate innovative technologies and approaches which result from CIG into NRCS technical manuals, guides, activities, and references, and to transfer these innovations to others in the public sector. CIG projects target innovative on-the-ground conservation, including pilot projects and field demonstrations.

5. Success in Meeting Programmatic Purpose/Goals

The following provides examples of CIG project results:

(a) In 2005, the Washington State University was awarded a CIG grant to implement the project titled "Development and Integration of a National Feed Management Education Program and Assessment Tools into a Comprehensive Nutrient Management Plan (CNMP)" in Washington. The intend of the project was to develop a two-tier tool for assessing the impacts of feed management practices on whole farm nutrient balance for animal nutritionists and NRCS staff and TSP advisors; develop the content of a Feed Management chapter for the NRCS Agricultural Waste Management Field Handbook (AWMFH), and develop and implement an education program targeting integration of feed management into a CNMP.

At the end of the project in 2008, the Washington State University (WSU) developed educational materials that are applicable at the national level and provided training for NRCS staff, agricultural professionals, and technical service providers (TSP's) in feed management concepts and practices that minimize import of nutrients to the farm. WSU provided training in the use of computer models and software for strategic ration balancing, whole farm nutrient balance, and nutrient excretion estimates based upon feed and animal performance inputs, and developed a chapter for the NRCS Agricultural Waste Management Field Handbook (AWMFH) on Feed Management. Education materials were used to assist with the understanding of the conservation practice standard (CPS) code 592 Feed Management, feed management plan development and implementation tools, and a decision aid tool were developed (Feed Nutrient Management Economics software—FNMP$).

Workshops have been conducted in the States of Washington, California, Texas, Maryland, Nebraska, Pennsylvania, and Wisconsin. Collaborating states with these trainings included: Idaho, Oregon, Virginia, Indiana, Iowa, and Minnesota. In addition, the national CNMP training program led by Iowa State has incorporated our Feed Management project material into their curriculum. Approximately 70 individuals have become certified through the American Registry of Professional Animal Scientists organization to be feed management planners.

While the funding for this project has ended, the interest and implementation activities are continuing. The project team is available to work with individual states with adoption of CPS 592 Feed Management. In addition, the American Registry of Professional Animal Scientists continues to provide the exam process for certifying that a nutritionist is qualified to develop a nutrient management plan.

The Feed Management chapter for the AWMFH was completed by September 2008. In addition, NRCS is converting a decision aid tool called Feed Management Nutrient Planning Economics (FNMP$) from Excel to an Access data base format. Efforts to provide training for nutritionists and TSPs will continue.

(b) The World Wildlife Fund, Inc. (WWF), received a CIG grant in 2005 for a project titled "Market-Based Program for Environmental Services on South Florida Ranch Lands." The main goal of the project was to engage ranchers, public agencies, and public interest groups to design, establish, and install a market-based incentive program for phosphorous reduction in the Lake Okeechobee (Northern Everglades) region; monitored and evaluate the environmental benefits (Phosphorous load reduction) achieved by the water management alternatives installed by the livestock producer participants; and design a scaled-up version of the pilot incentive program for use on a broader scale and communicated results of the field tests through field days, journal articles, workshops, and conferences.

When the project was completed in 2006, eight (8) ranching operations located within the Northern Everglades—Lake Okeechobee region in south Florida were contracted by WWF to developed Water Management Alternatives (WMA's) on formerly drained wetlands that had been converted to pasturelands in an effort to retain surface waters and nutrients. Each rancher had different circumstances for which to implement practices and to demonstrate surface water retention/water quality benefits. Sizes of the rancher WMA's ranged from very small in-pasture systems of 49 acres to two large systems involving 3,748 and 2,500 acres respectively. The average size of the eight WMA project areas was 1,092 acres.

This CIG project has successfully established a foundation for a Payment for Environmental Services (PES) program that is locally accepted among livestock producers, and local, state and Federal agencies. The eight pilot projects WMA's demonstrated an average of 3 metric tons of phosphorous retained on-site from 0.5–2.24 acre-feet of water retained within their CIG project areas. As a result of this CIG project, the first effective PES program was generated on a large regional scale to benefit a globally recognized imperiled ecosystem, the Everglades, and will do so by maintaining agriculture as part of the solution. The CIG PES Program offered a previously unrecognized environmental benefit from the installation of conservation practices for farm bill participants located within the Northern Everglades—Lake Okeechobee region.

The project titled "Wisconsin's Dairy and Livestock Air Emission/Odor Project" from Wisconsin Department of Agriculture, Trade, and Consumer Protection (ATCP) was funded in 2005 to implement best management practices to establish the connection between agricultural ambient air concentrations and odor and evaluate various best management practices installed on dairy and other livestock operations to reduce odor, ambient air concentrations, and overall environmental impacts; and to test the odor standards developed as part of the administrative rule to implement Wisconsin's Livestock Siting Law.

Wisconsin Department of Agriculture developed and implemented a plan to evaluate the odor standards in ATCP 51 LIVESTOCK FACILITY SITING, Wisconsin Administrative Code through odor measurements and the relationship with measured ambient air concentrations on six to eight dairy/livestock farms. Evaluation installation of a manure digester to produce methane for production of electricity was completed. An evaluation of post implementation impacts on ambient air concentrations, odors, and water quality was conducted. And results were communicated through the Wisconsin Agricultural Stewardship Initiative (WASI).

This project provided actual air sampling data associated with the implementation of practices on dairies in the Midwest U.S. This data verified that impermeable covers are extremely effective at controlling odors and permeable covers are considerably effective at controlling odors. This data also emphasized the importance of proper design and operation (proper retention time, operational reliability, and addition of substrate material) for anaerobic digesters and that storage lagoons receiving digested manure may require additional management for odors and ammonia. Solids separation with aeration does appear to reduce odors (about 25 percent) and hydrogen sulfide, but may increase ammonia emissions. Overall, the project provided some much-needed data regarding the effectiveness of certain odor control practices. Although the data set is somewhat limited, it does provide some trends and identification of areas for further study.

(c) In 2005, the Chesapeake Bay Foundation received a CIG grant for a project titled "Precision Dairy Feeding to Reduce Nutrient Pollution in Pennsylvania's Waters and the Chesapeake Bay" to demonstrate to dairy producers that precision feeding of dairy cows could facilitate reductions in the protein (nitrogen) and phosphorus being fed to dairy animals while maintaining or even improving milk production and possibly improving animal health.

A total of 66 diverse farms were enrolled in the precision dairy feeding program and received technical assistance from the University of Pennsylvania. Forage, feed, and feces samples were collected quarterly from these farms and analyzed to adjust their rations to more precisely meet the nutrient needs of the dairy herds. An additional 33 farms had their forage, feed, and feces sampled and received technical assistance through nutritionists and veterinarians who were trained to precisely balance dairy rations by the University of Pennsylvania. Dairy producers with their nutritionists regularly adjusted rations to maintain and improve production while minimizing manure nutrients.

Based on the finding from these feeding trials, the Pennsylvania State University Cooperative Extension developed the "Dairy Tool" to help farmers identify the greatest opportunities to improve profitability on their farms. Feed management is an essential component of this assessment. In addition, several publications related to feed management were prepared by the project participants in August 2008. Further the findings from the CIG project were presented at various conferences through display of posters and booths. Also, the Chesapeake Bay Foundation created and distributed a brochure entitled "Feed Efficiency: Improving Dairy Production while Cutting Feed Costs" to introduce precision to 13,000 dairy producers who were not participants in the program. Further several workshops and training sessions were conducted in Pennsylvania to present the findings and benefits of precision dairy feeding to dairy farmers throughout Pennsylvania.

Widespread application of the "precision dairy feeding" techniques that were demonstrated and analyzed in this project could be most valuable to NRCS in achievement of lower phosphorus and nitrogen loading rates to receiving streams and water bodies. This could make an especially beneficial contribution to improved water quality in many watersheds with high concentrations of dairy animals. Further this feeding technology could aid development acceptable alternatives in development of CNMP's. In addition, improvements in animal health through precision dairy feeding would contribute towards addressing health issues related to the animal resource.

The findings through this project relating to the evaluation and promotion of "precision dairy feeding" could the s significant value to NRCS in assisting dairy producers with the development and implementation of resource management systems and the achievement of water quality pollutant loading limits.

6. Annual Budget Authority (FY 2002–FY 2011)

CIG is not appropriated as a separate program. CIG is an initiative within the Environmental Quality Incentives Program and is reported in the immediately preceding Questionnaire.

7. Annual Outlays (FY 2002–FY 2011)

CIG is a sub-program of EQIP. Budget Authority and Outlays for CIG are reported as part of EQIP. Since 2004, $125.9 million has been awarded to CIG grant recipients.

8. Annual Delivery Cost (FY 2007–FY 2011)

CIG is not appropriated separately. It is a subprogram of the EQIP. The program delivery costs for CIG are included in the total EQIP delivery cost and are reflected in the EQIP table.

9. Eligibility Criteria

CIG is available to all eligible applicants in the 50 states, Caribbean Area (Puerto Rico and the Virgin Islands), and the Pacific Islands Area (Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands).

10. Utilization (Participation) Data

FY	Number of Applications	Number of Grants
2004	148	40
2005	175	54
2006	199	63
2007	194	50
2008	260	56
2009	391	52
2010	388	58
2011	411	TBD

11. Duplication or Overlap with Other Programs

There is no duplication or overlapping with USDA conservation programs. Because the purposes and functions of CIG are unique, CIG payments do not overlap with other USDA conservation payments.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Agricultural Water Enhancement Program (AWEP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

AWEP was authorized by the 2008 Farm Bill as a CCC-funded program within EQIP. The Chief of NRCS may enter into AWEP partnership agreements with eligible partners who compete through the Request for Proposals process in any of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, and the Commonwealth of the Northern Mariana Islands.

4. Purpose/Goals

The purpose of the AWEP is to promote ground and surface water conservation and water quality by helping producers implement agricultural water enhancement activities. NRCS is charged with carrying out AWEP in a manner that optimizes environmental benefits and encourages the following activities with respect to agricultural land:

- Development of a water quality or water conservation plan, including resource condition assessment and modeling;
- Water conservation restoration or enhancement projects, including conversion of dryland farming or to producing commodities that are less water intensive;
- Water quality or quantity restoration or enhancement projects;
- Irrigation system improvement and irrigation efficiency enhancement;
- Activities designed to mitigate the effects of drought; and
- Related activities that the Secretary of Agriculture determines will help achieve water quality or water conservation benefits on agricultural land.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010, NRCS obligated approximately $60.8 million in 1,489 new contracts to implement conservation practices on nearly 271 thousand acres of agricultural lands. Partners provided approximately $50.5 million in technical and financial assistance. Through AWEP, the agency approved 28 new partner project areas during FY 2010, and continued to provide support for 63 projects approved during FY 2009.

Approximately 54 percent of the projects approved in FY 2010 are located in the designated high-priority water quantity concern areas. Socially disadvantaged producers received 2.8 percent of all contracts under the program.

For FY 2011 eight new projects in seven states were approved for a total of $4.7 million. Producer enrollment currently underway for FY 2011 projects.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	$0
2003	$0
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0
2009	$73
2010	$73
2011	$74

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	$0
2003	$0
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0
2009	$7
2010	$48
2011	$70

AWEP FA funds are obligated the year of contract enrollment for the entire multi-year span of the contract. As the years pass, FA for contracted practices is not expended until the practices are installed and inspected for quality control by NRCS personnel. For this reason, FA funds tend to outlay for multiple years after obligation. TA funds obligated in a given year are used for workload generated by the enrollment of new contracts and workload generated by prior year contract implementation. The vast majority of TA funding tends to outlay in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Agricultural Water Enhancement Program					
Conservation Planning and Technical Consultation	—	—	1,264	1,257	3,757
Conservation Implementation	—	—	4,390	4,367	13,052
Financial Assistance—Program Administration	—	—	3,091	3,075	9,190
Indirect Costs	—	—	2,661	2,648	7,914
Sub-total Technical Assistance	—	—	11,406	11,347	33,913
Financial Assistance—Cost Share & Monetary Incentive	—	—	60,397	60,813	40,087
Total Costs	—	—	71,803	72,160	74,000
FTEs	—	—	66	65	223

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2009 and 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Eligible partners include: Federally recognized Indian Tribes, states, units of local government, agricultural or silvicultural associations or other groups of such producers such as an irrigation association an agricultural land trust, or other non-governmental organizations with experience working with agricultural producers.

The Managers' Report to the 2008 Farm Bill provides direction for the Secretary to give priority to producers in six priority areas: The Eastern Snake Plain Aquifer region, Puget Sound, the Ogallala Aquifer, the Sacramento River watershed, Upper Mississippi River Basin, the Red River of the North Basin, and the Everglades.

10. Utilization (Participation) Data

Approximately 46 percent of valid applications were funded during FY 2010. Funding the remaining 54 percent of valid applications would require an additional $70.4 million. For FY 2011, requirements for continued funding of previous-year projects will significantly impact the number of new projects awarded and increase the percentage of unfunded applications. This condition is expected to continue to impact the number of new applications funded in future years.

AWEP Application/Contract Status data includes:

FY	Active or Completed Contracts	Financial Assistance Obligated	Total Acres
2009	1,704	$60,385,278	488,380
2010	1,489	$60,813,288	270,667

11. Duplication or Overlap with Other Programs

The Agricultural Management Assistance (AMA) also focuses on ground and surface water conservation and water quality. Although similar to AMA in implementation, AWEP is available nationwide. There are some practices that can be installed through AMA but not AWEP.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Cooperative Conservation Partnership Initiative (CCPI).
Prepared by USDA's Natural Resources Conservation Service.

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 2707 of the 2008 Farm Bill authorized the CCPI as a CCC-funded program. The Chief of NRCS may enter into CCPI partnership agreements with eligible partners who compete through the Request for Proposals process in any of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, and the Commonwealth of the Northern Mariana Islands.

4. Purpose/Goals

The purposes of the CCPI are to:

- Address conservation priorities involving agriculture and nonindustrial private forestland on a local, state, multi-state, or regional level;
- Encourage producers to cooperate in meeting applicable Federal, state, and local regulatory requirements related to production involving agriculture and nonindustrial private forestland;
- Encourage producers to cooperate in the installation and maintenance of conservation practices that affect multiple agricultural or nonindustrial private forest operations; or

- Promote the development and demonstration of innovative conservation practices and delivery methods, including those for specialty crop and organic production and precision agriculture producers.

NRCS may make EQIP, Wildlife Habitat Incentive Program (WHIP), and Stewardship program resources available to owners and operators of agricultural and nonindustrial private forestlands who are located in an approved CCPI project area.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010, NRCS obligated approximately $42.3 million in 279 new contracts to implement conservation practices on nearly 1.2 million acres of agricultural lands. Through CCPI, the agency approved 51 new partner project areas during FY 2010, and continued to provide support for 110 projects approved during FY 2009.

For FY 2011 51 new projects were approved for a total of $20 million. Producer enrollment currently underway for FY 2011 projects.

6. Annual Budget Authority (FY 2002–FY 2011)

CCPI is not appropriated as a separate program. CCPI is a provision for delivering up to six percent of the resources within the WHIP, EQIP, and Stewardship.

7. Annual Outlays (FY 2002–FY 2011)

CCPI is not appropriated as a separate program. CCPI is an initiative within WHIP, EQIP, and Stewardship resources.

8. Annual Delivery Cost (FY 2007–FY 2011)

CCPI is not appropriated separately. It is a provision through which several existing programs may be delivered, including the Environmental Quality Incentives Program, Conservation Stewardship Program, and Wildlife Habitat Incentive Program. The program delivery costs for CCPI are included in the delivery costs for EQIP, Stewardship, and WHIP and are reflected in the tables for those programs.

9. Eligibility Criteria

Eligible partners include: Federally recognized Indian Tribes, states, units of local government, agricultural or silvicultural associations or other groups of such producers such as an irrigation association an agricultural land trust, or other non-governmental organization with experience working with agricultural producers.

10. Utilization (Participation) Data

Approximately 42 percent of valid applications were funded during FY 2010. Prior year project were funded to approximately 90 percent of the original request.

2010 CCPI—EQIP Application/Contract Status data includes:

	Number of Active and Completed Contracts	Financial Assistance Obligated	Total Treated Acres
Total	1,188	$23,234,738	1,080,901

2010 CCPI–WHIP Application/Contract Status data includes:

	Number of Active and Completed Contracts	Financial Assistance Obligated	Total Treated Acres
Total	106	$654,375	12,549

11. Duplication or Overlap with Other Programs

CCPI is a provision that is delivered through existing programs, including EQIP, Conservation Stewardship Program, and WHIP. CCPI is a way for partners to identify target areas where program funds will be spent.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

1. Program Name

Wildlife Habitat Incentive Program (WHIP).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

WHIP was first authorized in the 1996 Farm Bill and was reauthorized in the 2002 and 2008 Farm Bills. The Chief of NRCS may implement WHIP in any of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, and the Commonwealth of the Northern Mariana Islands.

4. Purpose/Goals

The purpose of WHIP is to help participants develop fish and wildlife habitat on private agricultural land, nonindustrial private forestland, and Indian land.

In order to provide direction to the state and local levels for implementing WHIP and achieving its objective, NRCS has established the following national priorities:

(i) Promote the restoration of declining or important native fish and wildlife habitats.

(ii) Protect, restore, develop, or enhance fish and wildlife habitat to benefit at-risk species.

(iii) Reduce the impacts of invasive species on fish and wildlife habitats.

(iv) Protect, restore, develop, or enhance declining or important aquatic wildlife species' habitats.

(v) Protect, restore, develop, or enhance important migration and other movement corridors for wildlife.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010

- NRCS enrolled over 4,700 agreements on over 1,000,000 acres.
- The value of the contracts was almost $63 million.
- The average agreement size is 223 acres.
- There were 68 contracts valued at over $3.7 million with American Indian and Alaska Native Lands.
- On average, NRCS agreed to reimburse participants approximately $13,000 for each long-term agreement.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	$15
2003	$30
2004	$42
2005	$47
2006	$43
2007	$43
2008	$85
2009	$85
2010	$85
2011	$85

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	$2
2003	$9
2004	$14
2005	$21

7. Annual Outlays (FY 2002–FY 2011)—Continued

FY	Outlays ($ in millions)
2006	$27
2007	$31
2008	$44
2009	$53
2010	$58
2011	$63

Please explain changes between budget authority and outlays:

WHIP FA funds are obligated the year of contract enrollment for the entire multi-year span of the contract. As the years pass, FA for contracted practices is not expended until the practices are installed and inspected for quality control by NRCS personnel. For this reason, FA funds tend to outlay for multiple years after obligation. TA funds obligated in a given year are used for workload generated by the enrollment of new contracts and workload generated by prior year contract implementation. The vast majority of TA funding tends to outlay in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Wildlife Habitat Incentives Program					
Conservation Planning and Technical Consultation	1,310	3,554	2,770	2,733	2,769
Conservation Implementation	3,410	7,563	5,895	5,817	5,893
Financial Assistance—Program Administration	3,688	9,086	7,083	6,989	7,080
Indirect Costs	1,919	6,220	4,849	4,785	4,846
Sub-total Technical Assistance	10,327	26,423	20,597	20,324	20,588
Financial Assistance—Cost Share & Monetary Incentive	32,131	57,080	52,146	62,602	64,412
Total Costs	42,458	83,503	72,743	82,926	85,000
FTEs	77	150	128	126	150

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

To be eligible for WHIP, the land must be:

- Private agricultural land including cropland, grassland, rangeland, pasture, and other land determined by NRCS to be suitable for fish and wildlife habitat development.
- Nonindustrial private forestland including rural land that has existing tree cover or is suitable for growing trees.
- Indian land.
    - An exception may be made by the Chief in the case of land allotted by the Bureau of Indian Affairs or Indian land where there is sufficient assurance of control.

Applicants are subject to adjusted gross income provisions and must provide NRCS with written evidence of ownership or legal control of the land.

WHIP plays an important role in implementing a number of NRCS special initiatives.

- *Longleaf Pine Initiative.* In Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Texas, and Virginia, WHIP improved the health and extent of the longleaf pine forest ecosystem in ways that benefited both the health of the plant community and wildlife habitat. During FY 2010, NRCS enrolled over 33,000 acres of longleaf pine forest in almost 400 contracts valued at nearly $4.65 million.
- *Lesser Prairie Chicken Initiative.* WHIP enrolled land in Colorado, Kansas, New Mexico, Oklahoma, and Texas to keep this candidate species from being listed as threatened and endangered under the Endangered Species Act, while also improving grazing and wildlife habitat. During FY 2010, NRCS enrolled over 98,000 acres in these states in 138 WHIP contracts valued at more than $3.8 million.
- *New England-New York Forestry Initiative.* WHIP expanded stewardship opportunities for forestlands and wildlife in the New England States of Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. During FY 2010, NRCS enrolled over 48,500 acres in these states in more than 300 WHIP contracts valued at more than $4.6 million.
- *Sage-Grouse Initiative.* In 11 states (California, Colorado, Idaho, Montana, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming) WHIP implemented conservation practices that will reduce threats to sage-grouse habitat; these practices are designed both to keep this candidate species from being listed as threatened and endangered and to provide grazing land for ranches. During FY 2010, NRCS enrolled almost 90,000 acres in these states in 37 WHIP contracts valued at more than $3.8 million.

10. Utilization (Participation) Data

Approximately 56 percent of valid applications were funded during Fiscal Year 2010. Funding the remaining 44 percent would require an additional $44 million.

WHIP Application/Contract Status data includes:

FY	Number of Active and Completed Contracts	Financial Assistance Obligated	Treated Acres
2005	3,333	$33,246,702	454,091
2006	2,717	$31,464,158	324,954
2007	2,107	$31,494,465	357,699
2008	3,495	$57,221,029	646,491
2009	3,706	$51,998,722	812,497
2010	4,731	$62,862,480	1,054,095

11. Duplication or Overlap with Other Programs

WHIP provides for developing, restoring, and enhancing wildlife habitats which can also be done under EQIP. EQIP has one national priority in regard to at-risk species habitat conservation as does WHIP. However, WHIP has four additional priorities for fish and wildlife.

EQIP is agriculturally support based while WHIP is fish and wildlife habitat support based. EQIP requires lands to be in production agriculture to be eligible. Lands can be in agriculture or have the potential to be in agriculture to be eligible for WHIP. Public lands connected with eligible lands are eligible for EQIP but not for WHIP.

CRP enrolls land to create wildlife habitat. All of the lands eligible for CRP could be enrolled in WHIP if they fall within the WHIP priority areas but not all lands eligible for WHIP could be enrolled in CRP.

12. Waste, Fraud and Abuse

An audit by the Office of Inspector General (OIG) revealed that participant WHIP contracts for the Migratory Bird Habitat Initiative in one Louisiana Parrish received an increased payment rate for the socially disadvantaged designation although those participants were not actually in a socially disadvantaged group. It was identified by OIG that staff inadvertently selected an incorrect payment schedule. It was recommended to adjust the agency's business tools so that the socially disadvantaged designation indicated by the participant would automatically provide the correct payment rate without staff having to manually select various payment schedules for each application. For the improper payments, the agency provided each participant with the option to either return the overpayment amount or to receive a reduction in future scheduled payments.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Agricultural Management Assistance (AMA).
Prepared by USDA's NRCS.

2. Subprograms/Department Initiatives

None.

3. Brief History

AMA was originally authorized under the Agricultural Risk Protection Act of 2000, Title I, Section 133, Public Law 106–224, on June 22, 2000. This title was amended by the 2002 Farm Bill and the 2008 Farm Bill.

AMA is available in 16 states where participation in the Federal Crop Insurance Program is historically low: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming.

4. Purpose/Goals

AMA provides financial assistance payments to agricultural producers to voluntarily address issues such as water management, water quality, and erosion control by incorporating conservation practices into their farming operations. The Agricultural Marketing Service (AMS) is responsible for using AMA funding for organic certification assistance, and the Risk Management Agency (RMA) is responsible for using AMA funds for mitigation of financial risks through assisting producers to purchase risk insurance. Funding is authorized at $15 million for FY 2008–2012 and of the funding made available each fiscal year, not less than 50 percent is to be provided to NRCS, 40 percent to RMA, and 10 percent to AMS.

5. Success in Meeting Programmatic Purpose/Goals

AMA currently has over 660 contracts in implementation and a continuing backlog of applications that indicates strong support among producers for the program. At the end of FY 2010, AMA had a backlog of 767 applications, with an estimated contract value of $5.1 million, covering over 9,500 acres.

AMA provides many producers a first-time opportunity to address natural resource concerns on their lands. For instance, many producers have not been able to participate in EQIP because they do not meet the eligibility criterion that land must have been irrigated for 2 of the previous 5 years to receive EQIP funding. A number of these EQIP-ineligible producers are small-acreage or specialty-crop farming operations that provide high dollar value products to the general public. By helping to mitigate the risks associated with these kinds of agricultural enterprises, AMA helps agriculture remain a valuable segment of local economies.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Apportionment ($ in millions)
2002	$0
2003	$0
2004	$14
2005	$14
2006	$5
2007	$5
2008	$8
2009	$8
2010	$8
2011	$8

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	$0
2003	$0
2004	$2
2005	$7
2006	$6
2007	$7
2008	$5
2009	$5
2010	$6
2011	$6

AMA FA funds are obligated the year of contract enrollment for the entire multi-year span of the contract. As the years pass, FA for contracted practices is not expended until the practices are installed and inspected for quality control by NRCS personnel. For this reason, FA funds tend to outlay for multiple years after obligation. TA funds obligated in a given year are used for workload generated by the enrollment of new contracts and workload generated by prior year contract implementation. The vast majority of TA funding tends to outlay in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Agricultural Management Assistance					
Conservation Planning and Technical Consultation	458	147	150	147	212
Conservation Implementation	2,386	457	465	457	659
Financial Assistance—Program Administration	940	433	441	433	624
Indirect Costs	775	457	141	165	238
Sub-total Technical Assistance	4,559	1,494	1,197	1,202	1,733
Financial Assistance—Cost Share & Monetary Incentive	—	5,756	6,181	6,048	5,767
Total Costs	4,559	7,250	7,378	7,250	7,500
FTEs	27	9	9	12	33

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual obligations; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Applicants must own or control the land within an identified AMA state and comply with adjusted gross income limitation provisions. Eligible land includes cropland, rangeland, grassland, pastureland, nonindustrial forestland, and other private land that produces crops or livestock where risk may be mitigated through operation diversification or change in resource conservation practices.

10. Utilization (Participation) Data

Approximately 36 percent of valid applications were funded during FY 2010. Funding the additional remaining 64 percent of valid applications would require an additional $5.1 million. The FY 2010 funded applications covered over 11,000 acres.

AMA Application/Contract Status data includes:

Fiscal Year	Number of Active and Completed Contracts	Financial Assistance Obligated	Treated Acres
2005	766	$9,578,046	74,255
2006	275	$3,718,549	13,328
2007	0	$0	0
2008	276	$5,756,087	33,202
2009	214	$6,179,956	13,875
2010	426	$6,048,438	11,102
Total	1,957	$30,942,815	145,762

11. Duplication or Overlap with Other Programs

The priorities of AMA are the same as for EQIP. There are some practices that can be implemented under AMA that cannot be under EQIP.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF SPECIALTY CROP PROGRAMS)

THURSDAY, JULY 7, 2011

SUBCOMMITTEE ON NUTRITION AND HORTICULTURE,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 2:52 p.m., in Room 1300 of the Longworth House Office Building, Hon. Jean Schmidt [Chairwoman of the Subcommittee] presiding.

Members present: Representatives Schmidt, Southerland, Crawford, Baca, Pingree, and Costa.

Staff present: Patricia Barr, John Goldberg, Pam Miller, Mary Nowak, Matt Perin, Debbie Smith, Keith Jones, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. JEAN SCHMIDT, A REPRESENTATIVE IN CONGRESS FROM OHIO

The CHAIRWOMAN. I would like to thank our witnesses. I am sorry for the delay, but at least we got the first set of votes out of the way.

First off, I just want to say thank you to everybody for your patience, and especially to our witnesses for the USDA's Agricultural Marketing Service, and to the Animal and Plant Health Inspection Service, or APHIS, for joining us. I look forward to your insight and to your testimony. I also want to thank my good friend, Ranking Member Joe Baca, who got an exciting gift from a friend of his today. He actually bought the baseball, but—can I brag for you? Well, Hank Aaron signed his baseball. Is that like the coolest thing in the world? Sorry I had to steal your thunder, but I just am really impressed. So obviously, this is a big day for Mr. Baca. But, thank you for joining me in this hearing, it is well known that a certain degree of bipartisanship exists in this Committee. It is one of the best committees to actually be on because we fight about regional issues, not about Republican *versus* Democratic. I am really glad that he is my friend throughout this whole process.

As we approach the next farm bill, I look forward to hearing from the farming community, the producers, the handlers, everyone from around the country. And as Chairman Lucas said and has continued to say, that there has to be a firm understanding of the programs within the framework of the farm bill, because as he has said, everything is on the table. So I look forward to hearing from

APHIS and AMS with a general snapshot of the spending of each program that they administer.

I just want to say to Ms. Pegg, I understand you are leaving, so I won't bother you with any leafy green issues today. But we will be looking at your testimony and asking questions. We will study the financial aspects of these programs and consider whether or not the program's goals are being met, and whether the programs are financially prudent. We will join the other Subcommittees in looking for instances of program overlap, as well as examples of waste, fraud, and abuse.

An additional benefit to examining programs and their operation is the education that members will receive. Many of us do not have firsthand knowledge of how each program is administered on a daily basis. I appreciate the opportunity to learn what you all do, and I am excited to hear your testimony.

It is our hope that this process of evaluation and education will give Members a clear picture of the farm bill as a whole and see how well programs are being administered before engaging in policy discussions before the next farm bill. Today's audit hearing is focused specifically on specialty crop programs found in Title X of the farm bill, as well as the administration of Section 32 of the Act of August 24, 1935. While many programs that affect the specialty crop industry are found throughout the farm bill, we will do our best to stay focused on Title X.

USDA's Agricultural Marketing Service and APHIS are the agencies charged with administering most of the Title X programs. AMS also administers a series of grant programs, including the Specialty Crop Block Grant Program, which is designed to enhance the competitiveness of fruits and vegetables, tree nuts, dry fruits, horticulture, floriculture, and nursery crops. These grants are widely used throughout the states in a variety of ways. I know many in Ohio are beneficiaries of and like the flexibility that Specialty Crop Block Grant Program provide.

Creating technical assistance programs throughout the Ohio Produce Marketing Agreement has been helpful and beneficial. Last July, a grower from a neighboring district appeared before our Subcommittee. In his testimony, he stated "In states like Ohio, we do not have existing support programs and systems of technical assistance similar to what other states enjoy. The Specialty Crop Block Grant Program is one of the few tools we have to support our growers and better realize our specialty crop opportunities." Further, AMS administers research and promotion programs, as well as marketing orders and agreements to help stabilize markets for specific commodities. One marketing agreement that has received a considerable amount of attention is the National Leafy Green Marketing Agreement that AMS is considering, and that is currently open for public comment. I look forward to learning how AMS is administering Section 32 funds which have supported agricultural commodities like fruits, vegetables, and meats, which are not typically covered by mandatory price supports. AMS has the responsibility of administering a wide range of programs, including the National Organic Program, which oversees the labeling of products as organic.

In addition to AMS testifying, APHIS will detail their responsibilities in administering the pest and disease programs, including the National Clean Plant Network, which propagates pest and disease-free nursery stocks for the industry. As we approach the next farm bill, it is imperative that we hear directly from the Department so we can fully understand from your firsthand experience what is working and what is not working. Some of the decisions on program authorizations and funding levels will be difficult, but with proper evaluation, I am confident that we can put together a farm bill that meets the goals of food safety and security, rural prosperity, and nutritional well-being.

Again, I look forward to the panel, and to the witnesses from the Department and for Ms. Bech and Ms. Pegg for joining us today.

[The prepared statement of Mrs. Schmidt follows:]

PREPARED STATEMENT OF HON. JEAN SCHMIDT, A REPRESENTATIVE IN CONGRESS FROM OHIO

Thank you all for coming to this hearing to review specialty crop programs to help us prepare for the next farm bill. I thank our witnesses from USDA's Agricultural Marketing Service and Animal and Plant Health Inspection Service for joining us today. I look forward to hearing your insightful testimony.

I also want to thank my friend, Ranking Member Baca, for joining me in holding this hearing today. It is well known that a certain degree of comity or bipartisanship exists here on the Agriculture Committee and I look forward to working with my friend as we go through this farm bill process.

As we approach the next farm bill, I look forward to hearing from producers and handlers from around the country. But before we begin that process, I agree with Chairman Lucas that Members need to have a firm understanding of the programs within the framework of the farm bill.

I look forward to hearing from APHIS and AMS with a general snapshot of the spending of each program that they administer. We will study the financial aspects of these programs and consider whether or not the programs' goals are being met and whether the programs are financially prudent.

We will join the other Subcommittees in looking for instances of program overlap as well as examples of waste, fraud, and abuse.

An additional benefit to examining programs and their operation is the education that Members will receive. Many of us, do not have firsthand knowledge of how each program is administered on a daily basis. I appreciate the opportunity to learn as much about individual programs before the farm bill hearings begin.

It is our hope that this process of evaluation and education will give Members a clear picture of the farm bill as a whole and see how well programs are being administered before engaging in policy discussions before the next farm bill.

Today's audit hearing is focused specifically on specialty crop programs found in Title X of the farm bill as well as the administration of Section 32 of the Act of August 24,1935. While many programs that affect the specialty crop industry are found throughout the farm bill, we will do our best to stay focused on those in Title X.

USDA's Agricultural Marketing Service (AMS) and Animal and Plant Health Inspection Service are the agencies charged with administering most of the Title X programs.

AMS also administers a series of grant programs including the Specialty Crop Block Grant Program which is designed to enhance the competitiveness of fruits and vegetables, tree nuts, dried fruits, horticulture, floriculture and nursery crops. These grants are widely used throughout the states in a variety of ways.

I know many of my Ohio constituents like the flexibility that the Specialty Crop Block Grant Program provides producers, creating technical assistance programs through the Ohio Produce Marketing Agreement. Last July, a grower from near my district appeared before our Subcommittee. In his testimony, he stated "In states like Ohio, we do not have existing support programs and systems of technical assistance similar to what other states enjoy. The block grant program is one of the few tools we have to support our growers and better realize our specialty crop opportunities."

Further, AMS administers research and promotion programs as well as marketing orders and agreements to help stabilize markets for specific commodities. One marketing agreement that has received a considerable amount of attention is the National Leafy Green Marketing Agreement that AMS is considering and that is currently open for public comment.

I also look forward to learning how AMS is administering Section 32 funds, which have supported agricultural commodities like fruits, vegetables, and meats, which are not typically covered by mandatory price supports.

AMS has the responsibility of administering a wide range of programs including the National Organic Program which oversees the labeling of products as organic.

In addition to AMS testifying, APHIS will detail their responsibilities in administering the Pest and Disease programs including the National Clean Plant Network which propagates pest and disease-free nursery stock for the industry.

As we approach the next farm bill, it is imperative that we hear directly from the Department so we can fully understand from your first-hand experience what is working and what is not working. Some of the decisions on program authorizations and funding levels will be difficult, but with proper evaluation, I am confident that we can put together a farm bill that meets the goals of food safety and security, rural prosperity, and nutritional well-being.

Again, I would like to thank the witnesses from the Department, Ms. Bech and Ms. Pegg, for joining us today. I look forward to your testimony and today' s discussion.

The CHAIRWOMAN. Now I will turn this over to the Ranking Member, my good friend, Joe Baca.

OPENING STATEMENT OF HON. JOE BACA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. BACA. Good afternoon, and thank you, Madam Chairwoman Schmidt for holding this important hearing to examine programs that are contained within Title X of the 2008 Farm Bill. I appreciate your bipartisanship in working with these issues. I appreciate the little bit of stealing the thunder of Hank Aaron signing this autographed ball. As you know, he broke Babe Ruth's record and still holds the record for most home runs right now. Some of us who play in the Congressional game, hope we can hit a home run.

The CHAIRWOMAN. Can I just add that the Cincinnati Reds could use some help. Do you think you could come help?

Mr. BACA. Some of us are willing to come out of retirement. Maybe even to play for the Reds. I do appreciate that. Thank you very much, Madam Chair.

Let's get back to the original topic here. The 2008 Farm Bill was historic legislation that included the fundamental improvements to the USDA nutrition and farm conservation programs, but perhaps none more important that its recognition of specialty crops and organic agriculture.

Specialty crops now represent nearly 50 percent of the farm gate value of the plants based in U.S. agriculture. Organic fruits and vegetables now account for over 11 percent of all fruits and vegetable sales in the United States. The availability of fruits, vegetables, and other specialty crops are critical to the health of the American consumer, especially as we look at obesity and other health-related problems that are impacting us. If we don't deal with that, the additional taxpayer costs will be roughly around $197 billion. As we look at alternative fruits and vegetables, we need to focus on American products. Let me state that again, we need *American* products grown by *American* farmers to better ensure the economic well-being of our citizens.

The specialty crops and organic sector were recognized in the 2008 Farm Bill because they looked to the future in areas like research, conservation, pests and disease management, and expansion of market opportunities. Congress responded to this forward thinking with a nearly $3 billion in investment in the future of specialty crops and organic producers. This investment is vital to farms across the nation.

My home State of California is blessed as the nation's top producer of many fruits, tree nuts, and other crops. California also leads the nation in the amount of certified organic cropland with over 430,000 acres. As we now know, the 2012 Farm Bill will be written during a time of unprecedented fiscal challenges. The question of how to wisely use American's hard-earned tax dollars will never be far from us. We must not lose sight of the fact that any farm bill, at its core, is about good public policy. If we are smart, the 2012 Farm Bill can save money, improve health and nutrition, and strengthen our economy.

I am convinced that we are on the right policy track with the programs that we will be reviewing today. I look forward to working with my colleagues to ensure that the down payment made on behalf of specialty crops and organic producers does not go to waste in 2012. Again, I want to thank the panelists for their patience in waiting for our votes to conclude. I want to, again, thank the Chairwoman for holding this hearing.

With that, I yield back the balance of my time.

[The prepared statement of Mr. Baca follows:]

PREPARED STATEMENT OF HON. JOE BACA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Good afternoon. Thank you Chairwoman Schmidt for holding this important hearing to examine programs that are contained within Title X of the 2008 Farm Bill.

The 2008 Farm Bill was historic legislation that included fundamental improvements to USDA nutrition and farm conservation programs.

But perhaps no policy change was more vital than the recognition of specialty crops and organic agriculture.

Specialty crops now represent ***nearly 50 percent*** of the farm gate value of plant based U.S. agriculture.

Organic fruits and vegetables now account ***for over 11 percent*** of all fruit and vegetable sales in the U.S.

The availability of fruits, vegetables, and other specialty crops is critical to the health of America's consumers.

And we need **American products**—grown by **American farmers**—to better ensure the economic well-being of our citizens.

The specialty crop and organic sectors were recognized in the 2008 Farm Bill—because *they looked to the future* in policy areas, like:

- Research and conservation;
- Pest and disease management; and
- Expansion of market opportunities.

Congress responded to this forward thinking with a nearly $3 billion investment in the future of specialty crop and organic producers.

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My home State of California is blessed as the nation's top producer of many fruits, tree nuts, and other crops.

California also leads the nation in the amount of certified organic crop-land—with over ***430 thousand acres.***

As we all know—the 2012 Farm Bill will be written during a time of fiscal challenges.

We must not lose sight of the fact that any farm bill—at its core—is about ***good public policy.***

If we are smart—the 2012 bill can save money, improve health and nutrition, and strengthen our economy.

I am convinced that we are on the right policy track with the programs that we will be reviewing today.

I look forward to working with my colleagues to ensure the down payment made on behalf of specialty crop and organic producers does not go to waste in 2012.

Again—I want to thank the Chairwoman for holding this hearing—and thank our witnesses for taking the time to help us better understand these programs. ***I yield back.***

The CHAIRWOMAN. Thank you very much. The chair would request that other Members submit their opening statements for the record so the witnesses may begin their testimony in a timely manner, since we already are an hour delayed.

[The prepared statement of Mr. Southerland follows:]

PREPARED STATEMENT OF HON. STEVE SOUTHERLAND II, A REPRESENTATIVE IN CONGRESS FROM FLORIDA

I welcome the opportunity to reauthorize Federal agricultural policies affecting American agricultural production in the development of the 2012 Farm Bill. As a significant contributor to U.S. farm receipts and balance of trade, it is extremely important that the issues affecting specialty crops play a meaningful role in the farm bill. Specialty crops, including fruits, vegetables, nuts, horticultural crops and others, represent over ⅓ of gross agricultural cash receipts in the U.S., and hence have a significant stake in our nation's agricultural policy.

Florida ranks among the top ten states in the nation in agricultural crop value and second in the specialty crop production with a wide variety of fruit, vegetable and nursery crops grown through the state. The farm bill 5 year farm policy measure should continue and strengthen its emphasis on key areas such as pest and disease, research, as well as giving states the flexibility needed to better address environmental challenges and ensuring critical resources are available to respond to the unique needs of specialty crops in most budget efficient manner possible.

Historically, many Florida agricultural producers—and specialty crop growers throughout the country—have chosen to base their economic decisions on the marketplace and have not relied on Federal farm price support programs. However, these markets can be very volatile and the industry faces extreme and somewhat unique pressures including ever increasing environmental challenges, labor and production costs beyond that of our competitors, subsidized foreign market competition. In addition, unprecedented exposure to pests and disease and state-of-the-art agricultural research needs tailored to the needs of fruit and vegetable production is also vital.

Florida is listed by the USDA as the number two high risk state second only to California regarding exotic pest and disease introductions pressure. According to the Florida Department of Agriculture, costs to combat pests and diseases affecting Florida farmers, have easily exceeded $1 billion over the last decade.

Specialty crop farm bill measures such as the such Pest and Disease Management Program "Section 10201", the Specialty Crop Block Grants, the Specialty Crop Research Initiative, and well as marketing, nutrition, and other programs provide valuable opportunities for Florida and U.S. specialty crop industry in American farm policy.

Mindful of the fiscal constraints facing our Federal budget and increasing national debt, we must be vigilant within this Committee and working with the U.S. Department of Agriculture to focus valuable Federal resources in those areas with the most effective impact to sustain and strengthen specialty crop and agricultural production in our nation. I look forward to working with my colleagues toward that end as we consider reauthorization of the 2012 Farm Bill.

The CHAIRWOMAN. I am going to begin with introducing our first panelist, Ms. Rayne Pegg, who is the Administrator, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C., and Ms. Rebecca Bech, Deputy Administrator for the Plant Protection and Quarantine, Animal and Plant Health Inspection Service, U.S. Department of Agriculture, Washington, D.C.

Ms. Pegg, we will let you begin.

STATEMENT OF RAYNE PEGG, ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. PEGG. Thank you very much, Chairwoman Schmidt, Ranking Member Baca, and Members of the Subcommittee. Thank you for inviting me to appear before you today to provide a comprehensive picture of the activities authorized in the Organic Agriculture Title X of the farm bill, as well as the activities under Section 32. It is our hope that this examination of specialty crop, organic, pest and disease management and Section 32 provisions from the last farm bill will prove helpful as you begin the next farm bill discussions.

USDA Agricultural Marketing Service and the Animal and Plant Health Inspection Service are the primary agencies with the responsibility for implementing Title X. Rebecca Bech from APHIS is here with me today to answer any APHIS-specific questions that you might have.

As you mentioned earlier, AMS administers two grant programs that were reauthorized and amended in the 2008 Farm Bill. Specialty Crop Block Grant Program provides funding to states and U.S. territories to enhance the competitiveness of specialty crops. Specialty crops are defined as fruits and vegetables, tree nuts, dried fruits, horticulture, and nursery crops, including floriculture.

The 2008 Farm Bill provided the following funding levels for the block grants program from CCC funding: $10 million in 2008, $49 million in 2009, $55 million for 2010 through 2012. In Fiscal Year 2010, approximately $55 million was awarded for 54 grants, which funded a total of 822 different projects. This year's application deadline is July 13.

The Farmers Market Promotion Program is another AMS grant program covered under Title X. This works to help improve and expand domestic Farmers Markets, roadside stands, community-supported agricultural programs—sorry, agriculture tourism activities, and other direct producer to consumer market opportunities. The 2008 Farm Bill extended the Farmers Market Promotion Program through 2012, and provided a total of $33 million in CCC funding. In 2008, that funding was at $3 million, 2009, $5 million, and in 2010, it was still $5 million, and for 2011 and 2012, we are going up to $10 million in funding. In 2010, with the $5 million funding, we funded a total of 81 awards that went to 35 different states. In 2011, we have notified—we published notice of funding availability in June of 2011, and the deadline for applying for those funds was last Friday, July the 1st.

AMS's *Market News* disseminates detailed information on marketing conditions for hundreds of agricultural commodities at major domestic and international wholesale markets, production areas, and ports of entry. Using direct contacts of salespersons, suppliers, brokers, buyers, *Market News* reporters collect, validate, analyze, and organize unbiased data on price, volume, quality, and condition, making it available within hours of collection. In the 2008 Farm Bill, there was specialty crop market news allocation which authorized $9 million for each fiscal year, starting in 2008 through 2012. Although funding was not appropriated, AMS continues to carry out specialty crop *Market News* activities as the agency collects information on current supply, demand, and price for nearly

400 domestic and 700 international fruits, vegetables, nuts, ornamental and specialty crops.

Title X also directed USDA to collect data on production, pricing, and marketing of organic agricultural products, provided $5 million in CCC funds, available until expended. Of the $5 million, $3.5 million was directed specifically to AMS. AMS is working to enhance *Market News* systems to expand reporting of organic market prices. By the end of 2009, AMS *Market News* had expanded the daily reporting of organic commodities to include a total of 234 items.

Marketing orders and agreements serve as tools to help fruit and vegetable growers work together to solve marketing problems that they cannot solve independently. These programs are designed to help balance the availability of quality product with the need of adequate returns to producers and demand of consumers. There are currently 32 active specialty crop marketing orders and agreements that the agency oversees.

Authorized by Federal legislation, research and promotion programs, often referred to as check-off programs, are designed to strengthen the position of the industry in the marketplace, and to maintain and expand domestic and foreign markets. The programs are fully funded by the industry. Board members are nominated by the industry and appointed by the Secretary. AMS oversees the activities of boards and approves their budgets in order to ensure compliance with the legislation.

There were two research and promotion provisions in the 2008 Farm Bill. The first made a number of amendments to the Honey Research Promotion and Consumer Information Act. As a result of those amendments, a Honey Packers and Importers Program became effective in 2008. A final research and promotion provision in the last farm bill allowed for the development of a program for good agricultural practices and good handling practices under the Mushroom Promotion Research and Consumer Information Order, as well as reapportioned the membership of the Mushroom Council to reflect the shifts in the industry.

To support organic agriculture, the 2008 Farm Bill authorized funding for the National Organic Program at $5 million for Fiscal Year 2008, $6.5 million for 2009, $8 million for 2010, $9.5 million for 2011, and $11 million for 2012. For the Fiscal Year 2010, Congress appropriated $6.9 million, and the 2011 budget for the program is $6.91 million. In addition the National Organic Certification Cost-share Program makes funds available to states and U.S. territories that are interested in providing cost-share assistance to organic producers and handlers certified under the National Organic Program. The 2008 Farm Bill provided $22 million in CCC funding for cost-share activities. It also increased the amount of reimbursement from $500 to $750. Of the $22 million for the program, $6.5 million remains for the Fiscal Year 2011 and 2012 to be spent.

To support domestic producers, Section 32 of the Act of August 24, 1935, authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under Customs laws of the United States during the preceding calendar year. These funds are specifically used to encourage domestic consumption of non-price supported perishable commodities and reestablish farmers' purchasing power through a variety of activities. These activities include purchasing commodities, removal of surplus commodities from the marketplace for distribution to our Federal nutrition programs, including those programs that support the National School Lunch Program as well as food banks, diversion programs that bring production into line with demand to assist producers, and disaster assistance. AMS annually purchases approximately $1 billion worth of commodities for distribution through various nutrition assistance programs. The 2008 Farm Bill authorized a spending cap for AMS purchases that has since been modified through subsequent appropriations.

In addition to the 2002 Farm Bill which established that there be a minimum of $200 million used for the purchases of fruits and vegetables, the 2008 Farm Bill established additional fruit and vegetable purchases for each subsequent year. The minimum purchase requirement for the 2011 year for fruits and vegetables is a total of $403 million. To make up this purchase, entitlement purchases, Department of Defense purchases, and bonus buys can make up the total requirement for meeting the minimum fruit and vegetable purchasing requirement under the farm bill.

AMS and APHIS undertake numerous activities to facilitate the competitive and efficient marketing of the U.S. agricultural products, as well as to protect and promote U.S. agricultural health. I hope that this testimony and subsequent questions and answers will prove useful to the Subcommittee as you undertake your work on the next farm bill.

I want to introduce Rebecca Bech, who will add some additional comments regarding APHIS's administration of Title X of the farm bill.

STATEMENT OF REBECCA BECH, DEPUTY ADMINISTRATOR FOR PLANT PROTECTION AND QUARANTINE, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. BECH. Well, thank you for inviting me to join Administrator Pegg today to talk to you about the specialty crop provisions from the 2008 Farm Bill that APHIS continues to implement.

The Animal and Plant Health Inspection Service is charged with protecting American agriculture from foreign pest and disease introductions, and within APHIS, I head up the Plant Protection Quarantine Program, which focuses on both plant pests and diseases that can harm our specialty crops, but also our forests and natural resources, as well as traditional crops.

To accomplish that mission, APHIS has developed a robust agricultural safeguarding system, which consists of a set of comprehensive interlocking programs that work together to protect our agricultural resources.

The 2008 Farm Bill created two programs that take these measures further by targeting specific segments of agriculture and activities that particularly benefit the specialty crops, and I would like to thank the Committee for its continued support for these crucial programs. Both the programs, the Plant Pest and Disease Management and Disaster Prevention Program, and the National Clean Plant Network, have proven to be highly effective and widely supported by stakeholders and industry. Through the Plant Pest and Disease Management and Disaster Prevention provision, which we refer to as Section 10201 of the farm bill, APHIS is partnered with numerous states, tribes, universities, and other community partners to strengthen and expand the scope of APHIS's pest and disease prevention activities. Under the program, which is funded through the Commodity Credit Corporation, APHIS is allocated $50 million in Fiscal Year 2011, and as of today, we have funded 317 projects this year with over 100 cooperators. The agency provided $45 million in Fiscal Year 2010, along with $12 million in Fiscal Year 2009. This program has been hugely successful and well-supported as we continue to see the positive impact of the various 2009, 2010, and 2011 projects.

Because of this influx of farm bill funding, we have been able to work with states and industry to eradicate the plum pox virus in Pennsylvania, enhance California's ability to detect dangerous pests entering through mail and freight. We have eradicated 13 separate Mediterranean fruit fly outbreaks without the use of emergency funding, and we work with states across the country to survey for pests so that we can respond to any pest issues swiftly.

These are just a few of the success stories that we have seen through this effort, but the net effect of these efforts and the many partnerships is a demonstrated improvement in USDA's ability to detect and respond to a plant pest or disease outbreak. Detecting and responding to a plant pest or disease in the early stage of an introduction is a significant cost saving for taxpayers, and can help minimize the potentially devastating impact on agriculture.

The second farm bill program that helps address plant pest and diseases is Section 10202, the National Clean Plant Network. The network is a partnership of APHIS, the Agricultural Research Service, and the National Institute of Food and Agriculture. The network works to develop and produce clean propagative material, so that should a plant pest or disease strike, clean plant material is available to states, private nurseries, and the producers. Essentially, it is like an insurance policy that guarantees that there will be fresh stock of disease-free plants. The network is currently comprised of clean plant networks for fruit trees, grapes, citrus, berries, and hops. It includes 18 supported clean plant centers and associated programs located in 14 states. We continue to see broad support within the specialty crop industry, and also interest from other commodity groups in becoming part of this program.

I would like to thank you again for the opportunity to testify today, and we look forward to working with the Subcommittee as you develop the next farm bill.

Thank you.

[The prepared statement of Ms. Pegg and Ms. Bech follows:]

Joint Prepared Statement of Rayne Pegg, Administrator, Agricultural Marketing Service; Rebecca Bech, Deputy Administrator for Plant Protection and Quarantine, Animal and Plant Health Inspection Service, U.S. Department of Agriculture, Washington, D.C.

Chairwoman Schmidt, Ranking Member Baca, and Members of the Subcommittee, thank you for inviting me to appear before you today to provide a comprehensive picture of the activities authorized in the Horticulture and Organic Agriculture Title of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), as well as the activities under Section 32 of the Act of August 24, 1935 (Section 32). It is our hope that this examination of the specialty crop, organic, pest and disease management, and Section 32 provisions from the last farm bill will prove helpful as you begin work on the next farm bill.

The Horticulture and Organic Agriculture Title (Title X) of the 2008 Farm Bill represents the first time that a farm bill title was devoted exclusively to these two sectors. The U.S. Department of Agriculture's (USDA) Agricultural Marketing Service (AMS) and the Animal and Plant Health Inspection Service (APHIS) are the primary agencies with responsibility for implementing Title X. APHIS Deputy Administrator Bech is here with me today to answer any APHIS-specific questions that you might have.

The economic vitality of rural America and the U.S. economy at large depends on a competitive, efficient, and productive agricultural system. In order to increase prosperity and sustainability in our nation's agricultural system and rural communities, AMS conducts oversight activities designed to protect producers from unfair competition and business practices. AMS assists producers in management and marketing through the development and oversight of national standards for the production and handling of agricultural products. Under the National Organic Program (NOP), the agency also develops and oversees the standards of products labeled as organic. AMS also supports producers by providing market trend analysis and business and marketing tools to cover hundreds of commodities every day and producing information that impacts billions of dollars in agricultural products each year.

Grant Programs

The Specialty Crops Competitiveness Act of 2004, as amended by the 2008 Farm Bill, defines specialty crops to include fruits and vegetables, tree nuts, dried fruits, horticulture and nursery crops, including floriculture. Using this definition, specialty crops accounted for about 20 percent of the $283 billion in U.S. farm cash receipts in 2009. Yet, only about three percent of total crop acres in the U.S. are devoted to specialty crops.

AMS administers two grant programs that were reauthorized and amended in the 2008 Farm Bill. The Specialty Crop Block Grant Program provides funding to states and U.S. territories to enhance the competiveness of specialty crops. The agency, commission, or department responsible for agriculture within each of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands is eligible to apply for these grant funds from USDA. The minimum base grant each state or U.S. Territory is eligible to receive is equal to the higher of $100,000 or ⅓ of 1 percent of the total amount of funding made available for that fiscal year (FY).

The 2008 Farm Bill provided the following funding levels for the Specialty Crop Block Grant Program from the Commodity Credit Corporation (CCC): $10 million in FY 2008, $49 million in FY 2009, and $55 million for each Fiscal Year 2010 through 2012. In Fiscal Year (FY) 2010, approximately $55 million was awarded for 54 grants that funded 827 projects, an approximate ten percent increase in the number of projects funded the previous year. The application deadline for FY 2011 awards is July 13, 2011.

The last farm bill also amended the definition of specialty crop to include horticulture, and added Guam, American Samoa, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands to the list of "states" eligible to apply for grants. These changes required AMS to undertake rulemaking that was completed on March 27, 2009, with the publication of the final rule in the *Federal Register.*

The other AMS grant program reauthorized and amended in Title X of the 2008 Farm Bill is the Farmers Market Promotion Program (FMPP). This program seeks to improve and expand domestic farmers markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. The 2008 Farm Bill extended the FMPP through 2012 and provided $33 million in CCC funds: $3 million in FY 2008, $5 million in each Fiscal Years 2009 and 2010, and $10 million in each Fiscal Years 2011 and 2012.

The farm bill specified statutorily the categories of farmer-to-consumer direct marketing activities eligible for funding under the program. It also required that not less than ten percent of the funds used to carry out the program in a fiscal year are to be used to support the use of Electronic Benefits Transfers (EBT) at farmers' markets. The 2010 awards were announced in October 2010, and totaled approximately $4.3 million (81 awards in 35 states). A proposed rule that established eligibility and application requirements, the review and approval process, and grant administration procedures, was published in the *Federal Register* on June 1, 2011. The 2011 Notice of Funding Availability (approximately $10 million) was published on June 3, 2011, with a deadline of July 1, 2011 for submission of grant proposals.

Market News

AMS' *Market News* disseminates detailed information on marketing conditions for hundreds of agricultural commodities at major domestic and international wholesale markets, production areas, and ports of entry. Using direct contacts with salespeople, suppliers, brokers, and buyers, *Market News* reporters collect, validate, analyze, and organize unbiased data on price, volume, quality and condition, making it available within hours of collection.

In the 2008 Farm Bill, there was a Specialty Crops *Market News* allocation which authorized $9 million for each Fiscal Year 2008 through 2012, to remain available until expended. Although recent appropriations have not specified specialty crops, AMS continues to carry out specialty crops *Market News* activities as the agency collects information on the current supply, demand and prices on nearly 400 domestic and 70 international fruits, vegetables, nuts, ornamental and specialty crops.

Title X also directed USDA to collect data on the production, pricing, and marketing of organic agricultural products and provided $5 million in CCC funds, available until expended. Of the $5 million provided in FY 2008, $3.5 million was directed to AMS. In addition, the bill required a report to Congress within 180 days of enactment on the progress made implementing these activities and identifying additional production and marketing data needs. The report was delivered to Congress on December 29, 2008. AMS is working to enhance *Market News* systems to expand reporting of organic market prices. By the end of 2009, AMS *Market News* had expanded the daily reporting of organic commodities to include 234 items. AMS *Market News* also added an additional section on the advertised specials on organic products to the weekly *National Fruit and Vegetable Retail Report.*

Marketing Orders and Agreements

Marketing orders and agreements serve as tools to help fruit and vegetable growers work together to solve marketing problems that they cannot solve individually. These programs are designed to balance the supply of quality product with the need for adequate returns to producers and the demands of consumers. There are currently 32 active specialty crop marketing orders and agreements.

Marketing orders are typically initiated by producers who have an active role in the development of program provisions. Before any program is implemented or amended, approval by a ⅔ or larger majority by number or volume represented in a referendum is required. Local committees of farmers and handlers—appointed by the Secretary of Agriculture—administer the orders.

Marketing orders are binding on all individuals and businesses classified as "handlers" in the geographic area covered by the order. As defined by most agreements and orders, a handler is anyone who receives the commodity from producers, grades and packs it, transports, or places the commodity in commercial channels. However, this definition is ultimately defined by an individual program. Marketing orders are distinguished from marketing agreements, in that the agreements are binding only on handlers who are signatories of the agreements. Handlers must comply with the grade, size, quality, volume, and other requirements established under the specific program.

In the 2008 Farm Bill, Congress directed USDA to add clementines to the list of products in Section 8e of the Agricultural Marketing Agreement Act of 1937. Section 8e provides that whenever a specified domestically produced commodity is regulated under a Federal marketing order, imports of the commodity must meet the same or comparable product standards as the domestic commodity. However, this provision has not been implemented as the industry has not pursued establishing a Federal clementines marketing order.

Also, Title X provided for an expedited marketing order for Hass avocados relating to grades and standards. The order would become effective within 15 months of the date that the Department began the procedures for determining if the order should proceed. To date, AMS has not received an industry proposal.

Research and Promotion

Research and promotion programs, often referred to as "check-offs", are designed to strengthen the position of the industry in the marketplace and to maintain and expand domestic and foreign markets. The programs are all fully funded by industry assessments and are authorized by Federal legislation. Board or council members are nominated by the industry and officially appointed by the Secretary of Agriculture. In order to ensure compliance with the legislation, AMS oversees the activities of the boards or councils and approves their budgets.

There were two research and promotion provisions in the 2008 Farm Bill. The first made a number of amendments to the Honey Research, Promotion, and Consumer Information Act. It directed AMS to consider a national research and promotion program for honey packers and importers. AMS received a proposal for the packers and importers program, and conducted a referendum on that proposal from April 2–16, 2008. In the referendum, 78 percent of those voting, representing 92 percent of the volume of referendum voters, approved the program. The program became effective on May 22, 2008, one day after the final rule was published in the *Federal Register*. The first board meeting took place on September 4, 2008. With the approval of this new program, the collection of assessments under the Honey Research, Promotion and Consumer Information Order—authorized under the Honey Research, Promotion and Consumer Information Act—was suspended. A termination order for that program was published in the *Federal Register* on April 17, 2009.

Furthermore, USDA was directed to consider establishing a research and promotion program for domestic honey producers. On July 14, 2009, AMS published a proposed rule and solicited comments for a domestic honey producer program. The rule and referendum procedures were published on April 12, 2010. The referendum was held May 17–June 4, 2010, and resulted in the producers rejecting the domestic research and promotion program.

Another research and promotion provision in the last farm bill allowed for the development of a program for Good Agricultural Practices and Good Handling Practices under the Mushroom Promotion, Research and Consumer Information Order, as well as reapportioned the membership of the Mushroom Council to reflect shifts in domestic mushroom production. AMS published the final rule implementing these provisions in the *Federal Register* on October 2, 2009.

Organics

The Organic Foods Production Act (OFPA) of 1990 required USDA to develop national standards for organically produced agricultural products and to assure consumers that agricultural products marketed as "organic" meet consistent and uniform standards. The National Organic Program (NOP) is a marketing program administered by AMS.

The 2008 Farm Bill authorized funding for the NOP at $5 million for FY 2008, $6.5 million for FY 2009, $8 million for FY 2010, $9.5 million for FY 2011, and $11 million for FY 2012. For FY 2010, Congress appropriated $6.96 million while the FY 2011 funding for NOP is $6.91 million.

The National Organic Certification Cost-Share Program makes funds available to states and U.S. territories that are interested in providing cost-share assistance to organic producers and handlers that are certified under the NOP. The 2008 Farm Bill provided $22 million in CCC funds, to remain available until expended, for organic cost-share activities, and increased the cost-share reimbursement from $500 to $750 annually. Also, USDA was directed to submit an annual report to Congress, by March 1 of each year, that describes requests by, disbursements to, and expenditures for each state during the current and previous fiscal years, including the number of producers and handlers served. The program made approximately $4.8 million available for FY 2010 and approximately $5.2 million is available for FY 2011.

Section 32

Section 32 of the Act of August 24, 1935 authorizes the appropriation for each fiscal year of an amount equal to 30 percent of the gross receipts from duties collected under customs laws of the United States during the previous calendar year. These funds are used to encourage domestic consumption of non-price supported perishable commodities and to re-establish farmers' purchasing power through a variety of activities, including: purchases of commodities and removal of surplus commodities from the marketplace for distribution to Federal nutrition assistance programs such as the National School Lunch Program and diversion programs that bring production in line with demand to assist producers. AMS annually purchases approximately $1 billion in commodities for distribution to various nutrition assistance programs. Section 32 funds are also used to finance the administrative costs associated with the purchase of commodities and the development of specifications used for food procurement throughout the Federal Government.

The 2008 Farm Bill directed USDA to make Section 32 specialty crop purchases of (in addition to the $200 million required in the 2002 Farm Bill): $190 million for FY 2008, $193 million for FY 2009, $199 million for FY 2010, and $203 million for FY 2011, and $206 million for FY 2012 and each fiscal year thereafter. AMS purchased $390.3 million in specialty crops in FY 2008, $472.8 million in FY 2009, $511 million in FY 2010, and plans to purchase $403 million in FY 2011.

The 2008 Farm Bill also required USDA to arrange for an independent study and evaluation of the purchasing processes principally devoted to perishable agricultural commodities provided in Section 32. The report was released on May 13, 2010.

Pest and Disease Management

The mission of protecting American agriculture from foreign pests and disease introduction is among USDA's most critical. To accomplish that mission, APHIS has developed a robust agricultural safeguarding system. While APHIS' efforts benefit all of agriculture, its programs are of particular importance to specialty crops, as foreign pest and disease introductions could potentially devastate them.

The agricultural safeguarding system that APHIS has developed is a set of comprehensive, interlocking programs that work together to protect agriculture. While the border inspection function—which was transferred to the Department of Homeland Security's Customs and Border Protection in 2003—is a critical component, it is but one part of the layered system in place, which has programs that begin well before products or people reach the border, and continues after their entry.

The system relies on APHIS' strength as a science and risk based regulatory agency, and the many measures the Agency has developed, including:

- Sound regulatory policies based upon strong science and thorough risk assessments;
- Pre-clearance inspections of commodities in overseas countries before shipment to the United States;
- Extensive pest surveillance activities, both here and abroad;
- Inspection of living plants imported through USDA-operated plant inspection stations;
- Supervision of fumigation and other pest mitigation treatments when protocols require; and
- Robust emergency response activities in the event of significant pest or disease introductions.

Together, these multi-faceted activities serve as a safety net that allows all agriculture to succeed.

APHIS has two programs that take these measures further, by targeting specific segments of agriculture and activities that particularly benefit specialty crops. Both programs, which were created in the 2008 Farm Bill, have proven to be highly effective, and widely supported by stakeholders and industry.

The first, section 10201 of the farm bill, Plant Pest and Disease Management and Disaster Prevention, is a new program that allows APHIS to partner with numerous states, Tribes, universities, and other community partners to strengthen and expand the scope of APHIS' pest and disease prevention activities.

Under the program, which is funded through the CCC, APHIS allocated $50 million in FY 2011 to fund 270 projects with over 100 cooperators that prevent the introduction or spread of plant pests and diseases. This follows $45 million in FY 2010 and $12 million in FY 2009.

Projects originate as suggestions from hundreds of cooperators throughout the country. These projects aim to improve the six key goals of the program:

1. Enhancing plant pest analysis and survey
2. Targeting domestic inspection activities at vulnerable points
3. Enhancing threat identification tools and technology
4. Developing programs to safeguard nursery production
5. Enhancing outreach and education to increase public awareness and support of plant pest and disease eradication and control programs
6. Enhancing mitigation capabilities

Projects are evaluated based on how well they align with these goals, the expected impact of the project, and their technical approach.

The program provides strong protection to America's agricultural and environmental resources, and helps nursery and specialty crop growers flourish. Over the last 2 years, Section 10201 projects have played a significant role in many USDA successes, such as including the eradication of plum pox in Pennsylvania, minimizing the effect of a Mediterranean fruit fly outbreak in Florida, survey work for European grapevine moth in California, national surveys for honeybee pests, and methods development work to combat citrus pests.

The net effect of these efforts and the many partnerships is a demonstrated improvement in USDA's ability to detect and respond to a plant pest or disease. Detecting and responding to a plant pest or disease in the early stages of an introduction is a significant cost savings for taxpayers, and can help minimize the potentially devastating impact on agriculture.

The second farm bill program that helps address plant pests and disease is Section 10202, the National Clean Plant Network (NCPN). The NCPN is a partnership of three USDA Agencies: APHIS, the Agricultural Research Service and the National Institute of Food and Agriculture. It aims to develop and produce clean propagative plant material. Should a plant pest or disease strike, the network could then provide clean plant material to states for certified clean plant programs and to private nurseries and producers. Essentially, it is an insurance policy that guarantees that there will be fresh stock of disease-free plants.

NCPN is comprised of commodity-based networks. Commodities that have developed a clean plant network under the auspices of the program are fruit trees, grapes, citrus, berries and hops. These five networks include 18 supported clean plant centers and associated programs located in 14 states. There has been broad support within the specialty crop industry, and other commodities have expressed interest in the program as well. The NCPN national stakeholder database has about 500 people enrolled who expressed specific interest in the program, which includes nursery and grower industries, scientists, state regulatory officials, and educators. The program has been funded with $5 million in CCC funding each fiscal year from 2009 to 2012, to remain available until expended.

Miscellaneous

The 2008 Farm Bill provided country of origin labeling requirements for honey that bears any official certificate of quality, grade mark or statement, continuous inspection mark or statement, sampling mark or statement or any combination of the certificates, marks, or statements of USDA. An interim rule, which became effective October 6, 2009, established a new regulation addressing country of origin labeling for packed honey bearing any official USDA mark or statement and added a new cause for debarment from inspection and certification service for honey. The final rule was published on January 4, 2011, with an effective date of February 3, 2011.

It should be noted that USDA did not implement the 2008 Farm Bill's Food Safety Education Initiatives provision or the Grant Program to Improve Movement of Specialty Crops as no funding was provided by Congress.

Conclusion

AMS and APHIS undertake numerous activities to facilitate the competitive and efficient marketing of U.S. agricultural products, as well as to protect and promote U.S. agricultural viability. These efforts support the overall mission of USDA, which is to protect and promote food, agriculture, natural resources and related issues. I hope that this testimony and the subsequent questions and answers will prove useful to the Subcommittee as you undertake your work on the next farm bill.

The CHAIRWOMAN. Thank you so much for your testimony, and I will remind the Members that just came in, that if you have any written statements, you have 5 calendar days to bring them to the Committee, and that we will begin questioning in order of who came and then by seniority, and so I will begin.

I would like to start with Specialty Crop Block Grants, probably to Ms. Pegg.

Ms. Pegg, in Fiscal Year 2010, approximately 13 percent of block grant funding was used for research. How do states or the USDA ensure that there are not duplicative research projects funded with both block grants and other research projects?

Ms. PEGG. This is a good question, because not only regarding research projects but also with the Farmers Market Promotion Project, we need to keep this in mind when people make applications. There are two tracks that occur. If a project applies for a Farmers Market Promotion Grant or another research grant throughout the Department, when that project comes in it is shared with the other agencies and divisions to look at if they are receiving block grant funds, therefore it may be disqualified. Regarding block grant applications, they will come in and we will review them, and they will have to justify if they are receiving other grant funds, what is the benefit, why do they need this funding, and why do they specifically need it for this one component?

So they have to create a justification or not receive the funding at all for that, and that is part of our review process.

The CHAIRWOMAN. Thank you. Can you elaborate on what activities are considered allowable marketing and promotion activities, and allowable education activities under the block grant program?

Ms. PEGG. There are a number of educational activities. It must be for the benefit of specialty crops defined under the farm bill, so if it is a marketing program, it must specifically demonstrate that it is going to promote specialty crops and not other commodities that are not defined. We want to ensure that is the case when handing out the dollars, awarding the dollars to each of the recipients. So it can vary from a specific commodity being promoted. Education can be, for instance, in Ohio they have done a number of projects regarding food safety training for their producers, creating food safety manuals and practices that are specific for their specialty crop industry as well as their region.

So those are some examples there that they have focused on.

The CHAIRWOMAN. Thank you. When the block grants are made to states, how much funding is being used by the states for administration or overhead costs to run the program, and are states required to disclose this information when they are applying for the funding?

Ms. PEGG. Yes, there is already a ten percent cap that they can use for administration costs for each state. They must also provide—we go in and do site visits of the states as well as financial audits that they provide to the program, and so they will supply that to demonstrate that they are meeting that cap.

The CHAIRWOMAN. Thank you. Can you talk about the process a project must undergo to be approved for a grant?

Ms. PEGG. The process initially starts with a state—each state administers it according to what is best for their program, whether they have a pool of people that are reviewing the grants and then grading them and then making the determination, but the state makes the initial determination. They send those recommendations to USDA. We review those to make sure that they are in compliance with the statute, that they do support specialty crops specifically, and that there is no other conflicts that may occur regarding other funding that may be received before giving the final approval for the award funds to go out to the state.

The CHAIRWOMAN. And is the program set up to favor one type of project over another?

Ms. PEGG. No, not at all.

The CHAIRWOMAN. Okay. In Section 32, the DOD Fresh Program uses Section 32 funds to purchase fresh fruits and vegetables for child and other nutrition programs. I understand there has been concern over DOD's administration of this program. Do you think it is cost effective and efficient for DOD to make these purchases as opposed to AMS that makes the other Section 32 fruit and vegetable purchases?

Ms. PEGG. This is a question that a number of people have been discussing. DOD is effective in certain parts of the United States, and we really look to our FNS, our Food and Nutrition Service counterpart as well as those Food Service directors that are dealing directly with DOD to see the effectiveness. However, we have been discussing with our counterparts regarding if it is not effective, are there some other alternatives in which AMS could either administer or the Food Service directors could administer directly.

So we are looking at other alternatives. We would love to continue the conversation with the Committee at looking at other options for schools. We do think that the DOD model is effective for some schools, but we are also open to looking at some other alternatives where it may not be as effective.

The CHAIRWOMAN. Thank you so much. I will allow Mr. Baca at this time to question the panel.

Mr. BACA. Thank you, Madam Chair.

Ms. Pegg, we appreciate your insight as we look to determine the best policies for specialty crops and organic agriculture in the next farm bill. Since first serving on the House Agriculture Committee, one of my greatest passions in Congress has been the work of the Committee to improve and expand the nutrition programs. Specifically, I am proud of the progress we have made with the SNAP Program in the 2008 Farm Bill. Not only did we increase the benefit level, but we also went a long way to remove the stigma associated with food stamps by changing the name of the program and switching to debit cards.

That said, can you update the Subcommittee on AMS's efforts in working with Food and Nutrition Service to ensure the farmers markets accept SNAP benefits through debits as a form of payment? Another question, do you have any specific data on the number of farmers markets that currently can accept the SNAP benefits?

Ms. PEGG. Regarding your question, this has been an important topic and one that both my agency as well as Food and Nutrition Service have been working on collaboratively to determine what are the hurdles that people are facing in terms of getting more SNAP benefits into farmers markets. There are a couple programs that are working to increase EBT at farmers markets, the accessibility of EBT at farmers markets. That is the Farmers Market Promotion Program, of course. That grant program provides for ten percent of the funds. However, in 2010, we saw 30 percent of the dollars in the Farmers Market Promotion Program go to support EBT transactions in farmers markets.

We are also working directly with Food and Nutrition Service to look at the hurdles. We have developed a handbook to help farmers markets, individual stalls in order to help them put in EBT machines, how to administer that effectively, how to make it cost effective, looking at some of those hurdles and providing a handbook that gives them some additional tools for making it simpler, so that these things are more accessible in more markets.

We have increased the number of EBTs at farmers markets to 1,600, and we really hope to improve that over the years as we look at some of these issues that they are facing and find new ways to address them, so that we are creating more access in more markets throughout the United States.

Mr. BACA. Thank you.

In the 2008 Farm Bill, we established a minimum of ten percent set aside with FMPP funds to cover electronic benefit transfer equipment. This allows folks participating in SNAP to use their benefits at farmers markets. I understand since adding this set-aside for the program demands for these debit funds has far exceeded the supply. Are you finding this to be the case? How many applications have you received that included EBTs, and how many have been funded?

Ms. PEGG. Well, I don't have the 2011 numbers yet, but when we saw the $5 million in funding of the Farmers Market Promotion Program, we saw 30 percent of those funds going to support EBT in farmers markets. So that is a clear indication now we are dealing with $10 million in the 2011 year. So we are hopeful that once we review all of those applications that we received on July 1, we will actually see an increase in the number of applicants for those supporting EBT transactions at farmers markets, CSAs, food hubs, and so forth. And you are seeing a lot of various entities throughout the nation recognize the need for providing this to their constituency, whether it is Detroit's food hub, that they recognize that they are doing $30,000 a month in sales just for food stamp recipients every month, that they need to be providing this service at their food hub. It is one that people are recognizing the need for, and therefore they are utilizing Farmers Market Promotion dollars——

Mr. BACA. Let me follow up with another question since you mentioned that. Beyond FMPP, what else could we in Congress do to ensure that fruit and vegetable farmers selling directing to SNAP and WIC customers, can afford to do so. That has been the problem. Can they afford to? Costs are going up, the debit card amounts have not. The costs of fruits and vegetables is a lot higher.

Ms. PEGG. Well, this is one that a lot of nonprofits are also addressing, whether they are providing the benefit of double dollars specifically to go for fruit and vegetable purchases. A lot of nonprofits have been focused on those pilot programs. I think we have to be creative. It is not only those programs within AMS, but whether it is Rural Development or other programs throughout USDA in terms of how to address this very specific need in creating more access of foods for those that are underserved.

Mr. BACA. Our schools are now doing a lot of the fresh fruits and vegetables. That costs a lot. With our school lunch facilities downsizing and a lack of funding for these efforts, a lot of needy children who need fresh fruits and vegetables, aren't receiving them.

Ms. PEGG. Yes, it is a very critical issue that we need to think about how these different programs can be used to benefit a lot of these difficult times and difficult struggles that a lot of local entities are facing right now.

Mr. BACA. Right. I know that my time has run out. Hopefully in the second round I can ask Ms. Bech some questions.

The CHAIRWOMAN. Thank you, and now, Mr. Southerland, you have 5 minutes.

Mr. SOUTHERLAND. Thank you, Madam Chair. Ms. Bech, I wanted to ask—you may not be aware, but I am from Florida and so obviously in Florida, we have an enormous number of specialty crops. I just want to ask you some questions regarding the Specialty Crop Research Initiative, if I could read a brief statement here. "Florida, as many other specialty crop regions of the country, are fighting an extremely dangerous threat due to citrus greening"—which I am sure you are familiar with—"represents an immediate threat to the entire $12.2 billion citrus industry in Florida, California, Alabama, Louisiana, and Texas. The specialty crop disease has the ability to kill citrus trees and their fruit within a few short years, literally placing the future of citrus production in this nation at risk. Citrus ranks nearly first in the nation among crop value, among fruit and vegetable specialty crops, according to the USDA's National Agricultural Statistics Services. Timely research on citrus greening and its vector, the Asian citrus psyllid, is absolutely essential to ensuring the future of citrus production in this country." As you know, Congress authored the Specialty Crop Research Initiative under the farm bill in an effort to meet the critical needs of the specialty crop industry by developing and disseminating science-based tools to address needs of specialty crops, including pest and disease management, resistance to pest, and diseases and management strategies in an effort to identify and address threats from pests. This is the type of research need for which Congress intended to address through the SCRI, and it would be difficult to identify a specialty crop of such major national significance that faces more of a devastating risk to the future of its existence. Recognizing this dire challenge, domestic citrus growers have self-funded more than $39 million in research annually over the past 4 years. Please explain, if you would, why the USDA has declined to fund over the last 3 years this devastating disease through Specialty Crop Research Initiative Program, as I have stated, designed by Congress and intended specifically for the purposes such as these.

Ms. BECH. Well, we certainly share your concern. Citrus Greening is a very devastating disease. The Specialty Crop Research Program is administered underneath the National Institute of Food and Agriculture, which is not my program, and we can get you some information about the administering of that particular program.

For APHIS, I would like to say that we have a Citrus Health Response Program in which part of that funding we set aside for research, and we have worked very closely with the growers and the industry down in Florida as well as the rest of the citrus industry to try to address the concerns about citrus greening.

Mr. SOUTHERLAND. I think—and that would be helpful. I will tell you, having been there and been on the ground there, no country that has ever faced this has ever solved it. It literally wipes out the citrus industry. This is an enormous problem, and having met the farmers that are there that are funding this, and perhaps not getting the assistance that I think some of the funds were set up to aid is bothersome. So I would appreciate that. Thank you very much.

Ms. Pegg, I want to ask a quick question. The Specialty Crop Block Grants provide Florida flexibility to meet the unique farming challenges of our state, targeting specialty crops including fruits and vegetables and nursery to support projects and marketing research innovation, education, pest disease management, and other things. Florida, as I stated, is the second largest recipient based on specialty crop production, receiving $24.3 and $4.9 million annually.

Please comment, just with the time I have remaining, on this block grant program which gives the states flexibility to address their unique agricultural needs.

Ms. PEGG. Well, I think you have raised a lot of the points that are important to this program. It really is one of the programs that is very beneficial to each state and the growers in that state and what they are facing. What the projects that Florida may be focused on, whether it is food safety or finding new tomato varieties or looking at methyl bromide's alternatives are really specific to those needs of that industry *versus* what Ohio or even California will focus on, which I think is really the success of this program, is it is really meeting the unique needs of whatever those producers are facing. I think that is why it has been such a successful program and why people really do feel that they are seeing the benefits of those dollars.

Mr. SOUTHERLAND. Madam Chair, I see that I am out of time so I will yield back what time I don't have.

The CHAIRWOMAN. Thank you. Why don't we go to Mr. Crawford, 5 minutes, and then we will go to round two on questions.

Mr. CRAWFORD. All right, thank you, Madam Chair.

Last fall, USDA announced that Section 32 funds would be used to fund $630 million in disaster assistance. Ms. Pegg, can you cite the authority that the Department used to establish such a disaster assistance program under Section 32 funds?

Ms. PEGG. You know, it is really important under Section 32 to look at all the clauses which give us the authority for the different activities that we do. So Clause 1 is encourage exportation of agricultural products. Clause 2 is encourage domestic consumption. Clause 3 is reestablish farmer's purchasing power by making payments in connection with normal production of agricultural commodities. In addition, the Secretary also has the authority to direct Section 32 funds to be used for special disaster assistance programs, and this is the authority that we used to provide that funding. We provided a total of $270 million in support for those that were experiencing the excessive moisture flash flooding disaster in the Midwest.

It is important to note that this authority has not only been used in recent years, but you know, in 2007 it was used to help hog producers with the melamine poisoning. It was also used in 2006 to help citrus growers with citrus canker in Florida. So it has been a tool that many Secretaries have used over the years to help those producers that are struggling. There is a number of tools under Section 32, not only providing disaster assistance, but whether that be bonus buys and so forth.

Mr. CRAWFORD. Okay. I understand the Commodity Credit Corporation funds were to be used to make up for this shortfall in Section 32 funds. How much CCC funding has been used to make commodity purchases that would have normally been bought with Section 32 funds?

Ms. PEGG. So just to back up a little bit, initially it was announced that $550 million would be used to provide support. We didn't use all of that $550 million; only $270 million was actually used in support. So there is roughly, $160 million still available to provide, whether it be bonus buy assistance or disaster assistance under the Section 32 account. So there are still funds available to meet the needs, should anything occur in the remainder of the fiscal year.

Mr. CRAWFORD. Okay. I understand CCC has a line of credit with the Treasury that has to be paid back. Will future Section 32 funds have to be used to reimburse the CCC?

Ms. PEGG. Well, there is the authority to use Section 32 CCC funds if we need to, and there—we can consider if we need to, to reimburse CCC funds. That has not yet been determined if that is necessary at this time.

Mr. CRAWFORD. Okay. I yield back. Thank you. Thank you, Ms. Pegg.

The CHAIRWOMAN. I would now like to look at pest and disease issues, and probably Ms. Bech would be better suited for this, but feel free to chime in.

What is the main conclusion that can be drawn from the 2009 Annual *Pesticide Data Report* you just released this spring? That would be you, Ms. Pegg.

Ms. PEGG. Sorry about that, we were—yes. The *Pesticide Data Report* is I think the one you are referring to regarding the residues, and this is a really important report because it is really showing us the historical trends in terms of pesticide use throughout the United States. It looks at pesticide usage for all the different commodities primarily consumed in the marketplace.

So what it is indicating is it is indicating that we are seeing that pesticide use over time is reducing. There is a changing in trends in terms of pesticide use. Producers are moving to softer chemicals, as well as overall, our annual report shows that pesticide residues found on foods tested at levels below tolerances established by EPA. So you know, as we are always encouraging people to eat more fruits and vegetables and to wash them before you do, and I think this age-old rule still applies.

The CHAIRWOMAN. What do you believe the purpose of the 2009 annual report is, and what value was derived from it, do you believe?

Ms. PEGG. Pardon, what was the second question?

The CHAIRWOMAN. What was the value of the program shown in the report?

Ms. PEGG. Well, there are a lot of purposes for it. I mean, not only does it help inform EPA in terms of trends that we are seeing in terms of usage, there is also value in it in that it is also used in discussions with foreign countries when they ask about pesticide usage for various commodities to set maximum residue limits. What we are seeing the trends is that overall usage is changing, and we are using softer chemicals and transitioning from some of the older chemicals that were used in previous years. So you are seeing some developments in terms of that science and technology, and the products that are available in the marketplace.

The CHAIRWOMAN. When consumers hear about residue, they might get concerned. I think you have answered the question you tell them to wash the fruit, but what advice is there for consumers who are still troubled by the newspaper stories warning of the consumption of produce based in this report?

Ms. PEGG. Well, once again our annual report shows that overall pesticide residues found on foods tested are at levels below the tolerance established by EPA, and it also shows us to continue eating fruits and vegetables, and wash them before you do.

The CHAIRWOMAN. All right, and then to go back to Section 32 again. Does the Department have the ability to operate the DOD Fresh Program, or would legislative language be needed for you to operate it?

Ms. PEGG. We do have the authority to operate that program, should it be necessary.

The CHAIRWOMAN. Okay. In your testimony outlines, the required Section 32 specialty crop purchases for each fiscal year, and that AMS plans to purchase $403 million in Fiscal Year 2011. Can you tell me how much of this you have spent so far?

Ms. PEGG. Yes. There is the total requirement for fruit and vegetable purchases of the $403 million that you mentioned, and so far we have purchased $232 million in fruit and vegetable purchases. So we will have to meet that minimum before the end of the fiscal year.

The CHAIRWOMAN. Last fall, the USDA announced that Section 32 funds would be used to fund $630 million in disaster assistance. What authority did the Department use to establish such a disaster assistance program using Section 32 funds?

Ms. PEGG. The authority that we used is the Secretary also has the authority to direct Section 32 funds to be used for special disaster assistance programs is the authority that we used. And we used a total of $270 million to provide that assistance to sweet potato, rice, soybean, cotton farmers that were experiencing crop loss.

The CHAIRWOMAN. Has the Department used this authority before?

Ms. PEGG. Yes, we have used this authority a number of years. In 2006, we used it for Florida growers dealing with citrus canker. We have used it for the melamine incident with pork producers. So we have used it on a number of occasions.

The CHAIRWOMAN. Okay. And now since I am about out of time, first off, Mr. Costa has joined the dais. Do we have unanimous consent that he can ask questions of the panel? Is there agreement? Fine. And I think the next 5 minutes goes to the Ranking Member, Mr. Baca, and then Mr. Southerland and then Mr. Costa.

Mr. BACA. Thank you, Mrs. Schmidt. With a constant threat of invasive species like the Asian citrus psyllid, and the European grapevine moth, pest and disease management is critical to agriculture in my home State of California. Because of this, I am very interested in the implementation of Section 10201 of the 2008 Farm Bill. While I am pleased to know that the pest prevention project in California has received approximately $12 million in funding for the Fiscal Year 2011, I am concerned regarding APHIS prohibition from funding the administration costs associated with these projects. Congress has now acted on three separate occasions, the Recovery Act, the Agriculture Appropriation Bill for 2011, and the Agriculture Appropriation Bill for 2012, to provide technical correction that allows APHIS to move forward with the administrative funding needed. Do you have any recommendations for how these issues can be permanently resolved so that constant funding for the program may continue?

Ms. BECH. Yes, well we share the concern and first, we appreciate Congress passing the temporary fixes. We agree that there needs to be a permanent fix, and we believe that the permanent fix can be achieved either through the farm bill or another law. We would look forward to working with you with language.

Mr. BACA. Okay. Can you please provide the Subcommittee in writing of the USDA's Office of General Counsel's opinion on the current prohibition and their recommendation as to how to best resolve it?

Ms. BECH. Well, we would be happy to work with our Office of General Counsel to address your request about the opinion, and I am no lawyer, but I would be happy to talk a little bit about it.

We know that according to USDA's General Counsel and the Department of Justice that the statute provided that the Secretary can use the funds, facilities, and authorities of CCC to carry out a particular program or activity. However, the funding cap on administrative expenses of the CCC Charter Act continues to apply, so we can work with our Office of General Counsel to address your requests.

[The information referred to is located on p. 225.]

Mr. BACA. Okay, thank you. In 2009, APHIS released a pest and disease risk assessment update for 50 states. This update mentioned specific challenges and identified risks and suggestions that included county level data that would be helpful in better identifying the risks moving forward. Has the Department released an updated risk assessment analysis since October of 2009? If not, can you tell me how APHIS plans to refine its interpretation of the pest finding and trends, and how would these changes impact partnership among the Federal, state, and industry cooperators?

Ms. BECH. Well, we initially characterized the states' risk by applying certain criteria, and we looked at different things such as the susceptibility of the state to invasive species, the number of ports that they have, as well as things like the impact and the agricultural commodities that are grown in the state. And while we did that with consulting our National Plant Board, as well as working with the Specialty Crops Farm Bill Alliance, you can imagine when we came out with the assessment that there was some concern about how different states ranked. But we used that—it is not a formula-based method that we used to establish the funding of the project, so this is only one aspect that we used. But because there was some concern, what we have done is we have authorized the use of funds for some of the projects working with states to redefine what that assessment process would look like, and we funded two projects with that. We are hoping that they will be completed this year. By the end of the year, we hope to reassess the assessment for the risk ranking of the states, and we would be able to then look at how that would be implemented.

So the actual impact on it right now I think it really shows that we have to work together and that we can employ all the different interests to come together to administer the funds. I think it would actually support a stronger team-building effort.

Mr. BACA. Thank you. I know that my time has run out, are there any duplicated services that can be consolidated in trying to implement this?

Ms. BECH. The specific risk——

Mr. BACA. Yes, are there duplicated services that we might want to consolidate to reduce our costs, and yet still provide these important services?

Ms. BECH. Well, I think that the risk assessment as well as the other things that we look at, and the transparency in which we go about looking at the projects and the funding list have served us well, and it shows a coordinated effort, especially because a lot of the projects that we fund cross multiple states and we look at regional approaches as well. So it is really looking at it nationally as well as individually.

Mr. BACA. Thank you. I know my time has run out, Madam Chair.

The CHAIRWOMAN. Mr. Southerland?

Mr. SOUTHERLAND. Thank you, Madam Chair.

Mrs. Bech, I apologize for asking you a question outside of your purview here, but obviously we will track that down, because citrus greening is terribly important to all of those, especially the Florida delegation.

Moving over to APHIS, could you explain to me, as a new Member, just—and this will be very simple as my only question—just elaborate how the USDA assesses risk. Help me understand: I know 4½ minutes is not a long time, but give me kind of a kindergartner's understanding of how that—how it works. How do you go after it?

Ms. BECH. Well, that is a good question, and we can provide you with some additional information after this hearing about it.

Mr. SOUTHERLAND. Okay.

Ms. BECH. But one of the things we have done is we have really created a very collaborative approach with working with the states, as well as the industry groups to look at the risk, and as I mentioned earlier, we had a risk assessment that was done, looking at the different risks of the states and looking at the kinds of commodities, the impacts, the kinds of invasive species that are coming through, such as citrus greening and the Asian——

Mr. SOUTHERLAND. So they are the ones that—I apologize for interrupting, but you are basically put on notice from the states because they have obviously—something has been triggered and they see it, so they are doing basically R&D for you?

Ms. BECH. Well, what the states are doing is we are working together to survey and to look at the pests that are coming in, and so we are working as a team to address the threats as they come in.

Mr. SOUTHERLAND. Okay.

Ms. BECH. And we have been enhancing the surveys that the states do, as well as providing traps and lures, things like that. So it is really a real partnership.

Mr. SOUTHERLAND. Collaborative effort. Is that—and part of your assessment, obviously when you have aid that you can send to the states, I mean, is there—do you always take into account the economic impact if those diseases or insects would go unhampered? I mean, as far as being able to prioritize, okay, because obviously you have a finite resource and you have so many problems. I mean, do you prioritize based upon the impact economically, because that is a jobs issues to many states.

Ms. BECH. Yes. Well, we do look at economics but there are other factors that weigh in as well, and we try to look at the impact—like you are a citrus-producing state. Certainly the problems that you are facing in Florida impact the other citrus-producing states as well, so we take many things into consideration and the impact on the commodity itself, yes.

Mr. SOUTHERLAND. Very good, thank you. And if you could give me information, maybe provide it to our office, I would welcome that. I would love to learn more about how you go about assessing. So thank you.

I yield back.

The CHAIRWOMAN. Thank you. Now, Mr. Costa from California.

Mr. COSTA. Thank you very much, Madam Chairperson, for allowing me to participate with the Subcommittee this afternoon. It is an important issue, and I look forward to questioning the witnesses.

For my colleague from Florida, what we tend to do is look at this in terms of risk assessment *versus* risk management. Your ability to manage the risk is based upon your ability to assess the various aspects of risk. Then with state agencies and local ag commissioners in California, you make a determination on what resources should be placed on the management of the risk, based upon the risk assessment that has taken place.

I would like to ask this question as it relates to APHIS. As you know, over the 16 year period from 1995 to 2010, as it relates to our ability to export our products abroad, we have had 312, World Trade Organization SPS trade concerns that have been raised. Of these, 212 trade concerns, I understand, remain unresolved. California, is at the tip of this spear. California uses over 500,000 phytosanitary export certificates to access those markets.

My question to you is how APHIS works with all Federal agencies in trying to deal with this backlog? How does it assist the USTR on these SPS trade concerns? Ms. Bech, can you address that quickly, because I have some other questions.

Ms. BECH. Okay. Well, I will try to address what APHIS has done, but of course, our USTR and others take the lead in——

Mr. COSTA. I know, but I want to understand APHIS's role.

Ms. BECH. Yes, so we provide technical support on that, we do bilateral agreements with the——

Mr. COSTA. But how well are you helping USTR deal with those 212 trade concerns? You haven't been able to come up to speed on the risk management side to provide those export certificates.

Ms. BECH. Well, the export certificates are to meet the trade obligations for the others, and what we do is provide the assessments. I believe that might be what you are talking about. However, I would like to clarify that there is no backlog of export certificates.

Mr. COSTA. Right.

Ms. BECH. And we have certainly worked very carefully in shortening the risk assessment, categorizing it into a tiered process to look at the priorities to address that——

Mr. COSTA. Can you clarify the link between the pest and the disease challenges, how in working with your partners in USDA possible trade disruptions and the potential economic losses that would occur to our agricultural producers are addressed and hopefully minimized?

Ms. BECH. Well, I think if I can clarify, if I might ask a clarifying question. Are you asking what we are doing with the other USDA agencies in addressing the disease impacts on the economics? Then we are providing, again, the assessments that go into that economic analysis and working with our Foreign Agriculture Service to address those issues.

Mr. COSTA. Do you have any explanation as to why only ⅓ of the SPS certificates or trade concerns have been addressed?

Ms. BECH. Well, I could get further information on it.

[The information referred to is located on p. 234.]

Mr. COSTA. Let me, move quickly because my time is expiring. I would like your agency to respond to our folks who really rely upon you in their ability to get those trade certificates expedited so that we can access international markets.

Ms. BECH. Yes, sir.

Mr. COSTA. Thank you.

Ms. Pegg, enjoying Washington?

Ms. PEGG. Yes, very much so.

Mr. COSTA. Good. She is a former Californian. We used to interact in the old days.

The Chairwoman and the Ranking Member were asking you on your agency's various efforts on the USDA school lunch and breakfast programs. How to expand the commodity purchases. You talked about the amount of money left in this fiscal year. How would you, with your previous experience and background, suggest improvements to get healthy fruits and vegetables, and better diets into our schools. How would you assess our efforts, thus far, since the 2008 Farm Bill, both in California and here in Washington?

Ms. PEGG. Well, I think the 2008 Farm Bill, because it established those minimums—you know, in previous years, we have exceeded the minimum amount, whether it was the minimum, $399 million, we have purchased in the $400 to $500 million amount. This year, we are seeing a slightly different situation because we aren't getting a number of bonus buy requests because people aren't having oversupply in the marketplace. So that does impact some of the products supplied to schools and food banks.

I think not only is it the collective work of our purchases, it is also the food and nutrition standards that they establish, and then to schools and what they do with that. I mean, you are seeing a lot of schools that are really recognizing how they can change their menus to provide more variety, healthier choices for their students, and that is not just—it is both including bonus buy, pork buy that we may deliver to them, as well as complementing that with a local orange to make a citrus pork dish. I mean, really schools are being creative to provide more variety in their menus, and I think we are also developing a lot more programs to assist them in that, whether it is through more training, different services to those food service directors, as well as looking at the menu of items that we purchase directly from our Section 32 account.

Mr. COSTA. Madam Chairperson, my time has expired. I appreciate the answer. Madam Chairperson, knowing how health conscious you are and how many marathons you run, and having a good healthy diet, this is an area that is a constant source of frustration. We see obesity continuing to increase among our young people. Our efforts with regard to a better healthy nutrition program in our schools is a step in the right direction. I am just not sure if this Subcommittee can continue to examine some new efforts on how we can do a better job. We grow the healthiest, most abundant food products anywhere in the world. Our farmers, our dairymen, our ranchers, excel in doing this. Trying to get those products—those healthy food products in our school lunch and breakfast programs is essential to our children

The CHAIRWOMAN. We are going to have a hearing on that in the future, and I invite you to come back, but before we adjourn, I do have just two more questions, and looking at the Members here, Mr. Baca may have one, and maybe Mr. Costa so we may get out here in a quick dash.

But I want to talk a little bit about block grants. State departments of agriculture have expressed frustration with the timeliness of the notice of funds available being published by the Office of Management and Budget, the OMB. Any delay in this notice creates pressure on state grant processes, which can discourage grants to non-state operated grant requests. What needs to happen to expedite this process?

Ms. PEGG. Well, we recognize those concerns. Unfortunately, because of the delay in the appropriations bill which gave us the authority to use the funds for administrative functions, that was the delay in getting out that notice. So there was part of the reason why we had the concern. It also delayed the notice for the farmers market promotion and the result of basically a month turnaround in receiving applications. So that is one of the issues that we ran into this year. We need to look at some solutions in coming years to resolve that more quickly so we can be more timely in our announcements and getting those dollars out.

The CHAIRWOMAN. Thank you. It is our understanding that states are required to submit state performance reports after an annual agreement is completed. The reports are supposed to detail the performance, outcomes, and results of the state block program projects. What is the status of these reports, and have states been submitting them in a timely manner, and if not, do you know why?

Ms. PEGG. I can get you a number of how many reports we have received. I think one of the important things to know of this is that because some projects go over a 3 year period, we have staggering of reports so some reports we are still waiting for because the project has not yet been completed with the 3 year period that a project may go on for. But I think we are current, but I will get you a final number of what we currently have and what is still left to be received. There are currently 121 reports available.

The CHAIRWOMAN. Thank you. Mr. Baca, do you have any questions?

Mr. BACA. I do, just a quick question. Earlier, Ms. Pegg, you talked about the deadline of July 1st for anyone to submit their SCBGD grants. It seems that state departments of agriculture have expressed some frustration with the publishing timeline for the notice of funds availability. Any delays in this announcement creates pressure on the states, which can discourage grant applications. What needs to happen for this process to be expedited?

Ms. PEGG. Well, just to kind of mention it, what occurred this year is the appropriations process, because Congress did not act as quickly as needed. We had initially expected but finally reached an agreement. We needed language in the appropriations bill that would allow us for issuing those funds and using those funds for administrative costs, so that was the delay until the budget for 2011 was approved. That was the delay in getting out the notice. So we can talk with you about some options and some language that could be included in future pieces of legislation that would assist in getting more timely notices out.

Mr. BACA. We would love to hear suggestions. Hopefully we can work on possible improvements.

Ms. PEGG. We would be happy to work with you on that.

Mr. BACA. Just one more question. Several grants supporting the farmers market project have been approved under the SCBGP, even though the farm bill provides for farmers market promotion programs. How are these programs being coordinated? Shouldn't projects related to farmers markets be considered by the farmers market promotion program?

Ms. PEGG. Yes, and this very important that we don't have a duplication or double-dipping when people are applying. So what occurs is when there is an application for a farmers market under the block grant program, in reviewing that application we also send that to those that administer the farmers market promotion program, the FISNIT Program, if it is a Rural Development program, to ensure that they are also not receiving funds under those grant projects. If they are receiving funds, then they must then demonstrate what is the need for why they must receive block grant funds. So that is part of our review process to ensure that there is no double-dipping.

Mr. BACA. Does USDA have a follow-up mechanism for state oversight to make sure that there is no double-dipping? What are the consequences for those that are double-dipping?

Ms. PEGG. We do have follow-up in terms of the site visits that we do to the states, the audits that they are required to provide. There are no penalty provisions that I am aware of for the double-dipping, but we would be happy to discuss that with you.

Mr. BACA. Thank you. Maybe penalties is something to consider. If there are no penalties, if I can get away with it, I will get away with it.

Ms. PEGG. Well, we hope that our process does protect from that ever occurring, and we hope that—yes, hopefully. We hope that the process is stringent enough where both programs are catching something, should an entity try to apply for all funds. And I do see those—when every grant comes to my desk, I do see the response of every agency, whether they have applied for MAP or TASC funds, FMPP, Rural Development funds, every grant application is reviewed upon those and there is a response specific to that grant application.

Mr. BACA. Okay, thank you. With that, I have exhausted my time so I yield back.

The CHAIRWOMAN. Thank you. Mr. Costa, do you any other questions? Thank you.

Well, I want to thank the panelists, Ms. Pegg and Ms. Bech, for being here today, and I wish you luck.

Ms. PEGG. Thank you.

The CHAIRWOMAN. This hearing is over. Thank you.

[Whereupon, at 4:08 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY REBECCA BECH, DEPUTY ADMINISTRATOR FOR PLANT PROTECTION AND QUARANTINE, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

During the July 7, 2011 hearing entitled, *Agricultural Program Audit: Examination of Specialty Crop Programs,* requests for information were made to Rebecca Bech. The following are the information submissions for the record.

Insert 1

Mr. BACA. Okay. Can you please provide the Subcommittee in writing of the USDA's Office of General Counsel's opinion on the current prohibition and their recommendation as to how to best resolve it?

Ms. BECH. Well, we would be happy to work with our Office of General Counsel to address your request about the opinion, and I am no lawyer, but I would be happy to talk a little bit about it.

We know that according to USDA's General Counsel and the Department of Justice that the statute provided that the Secretary can use the funds, facilities, and authorities of CCC to carry out a particular program or activity. However, the funding cap on administrative expenses of the CCC Charter Act continues to apply, so we can work with our Office of General Counsel to address your requests.

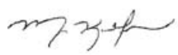
Please see attached memorandum.

December 22, 2008

Memorandum for W. Scott Steele, Director, Office of Budget and Program Analysis

From:

MARC L. KESSEMAN,
General Counsel.



Subject:

Opinion re: Use of Commodity Credit Corporation Funds for Salaries and Expenses

Issue:

This memorandum sets forth the opinion of the Office of the General Counsel regarding when Commodity Credit Corporation ("CCC") funds may be used to pay for the costs of Federal and state agencies with respect to the implementation of CCC programs.

This opinion has been prepared in response to recent requests for the apportionment of CCC funds for the Healthy Forests Reserve Program ("HFRP") and the Agricultural Management Assistance Program ("AMAP"). In reviewing these requests, it has become apparent that clear legal guidance would benefit Department officials confronting the question of when CCC funds may be expended for the salaries and related administrative costs associated with the implementation of programs that Congress has directed to be funded by CCC.

As a result of amendments to section 11 of the Commodity Credit Corporation Charter Act made by section 161(b)(2) of the Federal Agricultural Improvement and Reform Act of 1996 (the "1996 Amendment"), there are significant limitations on the ability of CCC to use its funds for the payment of costs incurred by state and Federal agencies in the administration of CCC programs.[1] Generally, as a result of the 1996 Amendment, CCC may annually use not more than $56,102,727 to reimburse Federal and state agencies for costs they incur in the administration of CCC programs.

The Farm Security and Rural Investment Act of 2002 (the "2002 Act") authorized the use of CCC funds to pay for the salaries and related expenses incurred in the delivery of a number of specified programs. In response to a request by the Office of Management and Budget ("OMB"), the United States Department of Justice ("DOJ") opined on the application of section 11 of the CCC Charter Act to specific conservation programs authorized by the 2002 Act. We conclude that the analysis of the 2003 DOJ opinion[2] applies with full force to the question presented here.

[1] The current text of section 11 is attached as *Appendix 1.*
[2] *Appendix 2.*

As noted in the 2003 DOJ opinion, the mere reference to the use of CCC to carry out a program does not supersede the limitations in section 11 of the CCC Charter Act. The enactment of the Food, Conservation, and Energy Act of 2008 (the "2008 Act") again raises the question of the extent to which funds of CCC can be used to pay salaries and expenses in carrying out programs where the statute authorizing the program provides that CCC funds or authorities will be used with respect to such programs. *Appendix 3* sets forth a comprehensive list of the provisions of the 2008 Act that implicate the use of CCC funds in the conduct of programs.

My office has consulted with OMB before issuance of this opinion and OMB concurs with our conclusions.

Discussion:

I. 2002 Act

After enactment of the 2002 Act, a question arose with respect to the propriety of using CCC funds to pay for the technical assistance costs of the Natural Resources Conservation Service relating to several CCC-funded conservation programs.

Section 1241(a) of the Food Security Act of 1985 (the "1985 Act") had been amended by the 2002 Act to authorize the Secretary to "use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out" seven listed conservation programs. As noted at page 4 of the 2003 DOJ opinion, although these seven programs provided for the use of CCC funds for program activities, the provision of technical assistance using CCC funds was limited by section 11 of the CCC Charter Act:

> We believe that section 1241(a) does not confer on the CCC a source of authority, independent of section 11, for funding technical assistance to the programs listed in section 1241(a).

Subsequently, Congress amended the 1985 Act to specify that the use of CCC funds to pay for technical assistance, as defined in section 1201(a)(25) of that Act would not constitute "an allotment or fund transfer from the Commodity Credit Corporation for purposes of the limit on expenditures for technical assistance imposed by section 11 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714i)"[3] with respect to seven programs listed in section 1241(a) of that Act:

1. The Conservation Reserve Program;
2. The Wetlands Reserve Program;
3. The Conservation Security Program;
4. The Farmland Protection Program;
5. The Grassland Reserve Program;
6. The Environmental Quality Incentives Program; and
7. The Wildlife Habitat Program.

The 2008 Act added the Conservation Stewardship Program to section 1241(a), and it is therefore treated the same as the seven programs originally enumerated. As a result of this Congressional action, CCC funds have been made available to pay salary and related costs in the administration of these eight programs.

II. 2008 Act

The 2008 Act contains approximately 30 references to programs that use CCC funds in their implementation (see *Appendix 3*). While the majority of the 2008 Act provisions that authorize the use of CCC funds are not independent of section 11, the following sections of that Act do provide such independent authority and, therefore, CCC funds may be used for administrative costs without regard to the limitations in section 11:

1. Section 1622—Section 1601 provides that the funds, facilities and authorities of CCC shall be used to carry out Title I of the 2008 Act and section 1622 further directs the Secretary of Agriculture to make available $50 million to the Farm Service Agency to carry out such title.

2. Section 2510—This section amends Title XII of the 1985 Act by adding a new section 12401 to authorize the establishment of the Agricultural Water Enhancement Program. Section 1240I(b) of the 1985 Act specifically provides that an agricultural water enhancement program shall be established "as a part of the environmental quality incentives program [EQIP]." Because EQIP is one of

[3] Section 1241(c) of the 1985 Act.

the eight programs subject to section 1241(c) of the 1985 Act, CCC funds may be used to pay for technical assistance expenses.

3. Section 2605—This section amends Title XII of the 1985 Act by adding a new section 1240Q to authorize the establishment of the Chesapeake Bay Watershed Program (the "CBWP"). Section 1240Q(c) of the 1985 Act provides that: "The Secretary shall deliver the funds made available to carry out this section through applicable programs under this subtitle. . . ." The reference to "applicable programs under this subtitle" includes those eight programs listed above. Because the CBWP is not an independent program but simply an authorization to use additional funds of CCC to carry out delineated programs in the Chesapeake Bay Watershed, to the extent the CCC funds are used to carry out one of the seven listed conservation programs, CCC funds may be used to pay for technical assistance expenses.

4. Section 3106—This section amends section 3107 of the 2002 Act to provide that $84 million of CCC funds shall be used to administer the McGovern-Dole International Food for Education and Child Nutrition Program. Section 3107(l)(3) of the 2002 Act provides that funds made available to carry out the program may be used to pay related administrative expenses.

5. Section 7410—This section amends section 7405 of the 2002 Act to provide that $18 million of CCC funds shall be used to carry out the Beginning Farmer and Rancher Development Program in FY 2009 and $19 million in each of the 2010 through 2012 Fiscal Years. Section 7405(c)(7) of the 2002 Act provides that not more than four percent of the funds made available to carry out this program may be used for administrative expenses.

6. Section 9001(a)—This subsection completely revises Title IX of the 2002 Act. Included in this revision of Title IX is a new section 9008, containing the authorization for the Biomass Research and Development Board and the associated grant program, which is funded by CCC. The new section 9008(f)(3) of the 2002 Act specifically authorizes the Secretary to use not more than four percent of the funds made available to carry out this program, including the CCC funds, for the administration of the authorized activities.

III. Other Statutory Provisions

Four additional statutory provisions pre-dating the enactment of the 2008 Act also warrant reference in this opinion:

1. Section 1469(a)(3) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977;
2. Section 10417 of the Animal Health Protection Act;
3. Section 442 of the Plant Protection Act; and
4. Section 7405(c) of the 2002 Act.

We have determined previously that these four provisions provide authority independent of section 11 of the CCC Charter Act to use CCC funds for salaries and related expenses, and we do not amend that determination here.

Section 1469(a)(3) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 authorizes the Secretary to retain up to four percent of amounts made available for agricultural research, extension, and teaching assistance programs under any Act for the administration of those programs. A similar provision is set forth in section 7405(c) of the 2002 Act, as amended by section 7410 of the 2008 Act, with respect to the Beginning Farmer and Rancher Development Program. Section 10417 of the Animal Health Protection Act and section 442 of the Plant Protection Act provide for the transfer of funds otherwise available to the Secretary, including CCC funds, for use in eradicating animal and plant pests.

Conclusion

With respect to the HFRP and AMAP, although CCC funds may be used to pay for salaries and related expenses, the use of CCC funds for these expenses would be subject to the limitations of section 11 of the CCC Charter Act.

Based upon the foregoing analysis, and consistent with the 2003 DOJ opinion, CCC funds may be used to pay for salaries and related expenses attendant to programs carried out by Federal and state agencies independent of section 11 only with respect to activities authorized by:

1. Section 1469(a)(3) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977;
2. Section 10417 of the Animal Health Protection Act;
3. Section 442 of the Plant Protection Act;

4. Section 1241(a) of the 1985 Act;
5. Section 1240I of the 1985 Act;
6. Section 1240Q of the 1985 Act.
7. Section 3107 of the 2002 Act;
8. Section 7405(c)(7) of the 2002 Act;
9. Section 9008 of the 2002 Act; and
10. Section 1622 of the 2008 Act.

This list is, of course, subject to change by Congress; but cannot be amended by regulation or other Administrative action.

Legislative Changes

If the relevant policymakers decide to seek a legislative change, we stand ready to assist with drafting language similar to that adopted in 2003 by Congress to authorize the use of CCC "program" funds for technical assistance costs associated with the seven listed programs in section 1241(a) of the 1985 Act. I have attached *Appendix 4* as one example of an amendment that could be enacted to address this matter.

APPENDIX 1

Sec. 11. COOPERATION WITH OTHER GOVERNMENT AGENCIES.—The Corporation may, with the consent of the agency concerned, accept and utilize, on a compensated or uncompensated basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, including any bureau, office, administration, or other agency of the Department of Agriculture, and of any state, the District of Columbia, any territory or possession, or any political subdivision thereof. The Corporation may allot to any bureau, office, administration, or other agency of the Department of Agriculture or transfer to such other agencies as it may request to assist it in the conduct of its business any of the funds available to it for administrative expenses. The personnel and facilities of the Corporation may, with the consent of the Corporation, be utilized on a reimbursable basis by any agency of the Federal Government, including any bureau, office, administration, or other agency of the Department of Agriculture, in the performance of any part or all of the functions of such agency. After September 30, 1996, the total amount of all allotments and fund transfers from the Corporation under this section (including allotments and transfers for automated data processing or information resource management activities) for a fiscal year may not exceed the total amount of the allotments and transfers made under this section in Fiscal Year 1995.

APPENDIX 2

January 3, 2003

Memorandum for Philip J. Perry, General Counsel, Office of Management and Budget

Re: Funding for Technical Assistance for Agricultural Conservation Programs

You have asked us to examine the sources and limits on funding for technical assistance provided for agricultural conservation programs listed in amended section 1241(a) of the Food Security Act of 1985. *See* 16 U.S.C.A. 3841(a) (West, WESTLAW through Pub. L. 107–313). That provision instructs the Secretary of Agriculture to "use the .funds, facilities, and authorities of the Commodity Credit Corporation [('CCC')] to carry out," these programs. You have asked us to determine (1) whether expenditures on technical assistance for these programs are subject to the annual limit that Congress has placed on aggregate transfers of CCC funds to other components of the Department of Agriculture ("USDA") under section 11 of the Commodity Credit Corporation Charter Act ("CCC Charter Act"), 15 U.S.C. 714i (2000), and (2) whether the Secretary of Agriculture may draw upon USDA's appropriation for Conservation Operations ("CO") to fund technical assistance for these programs.

Your Office has concluded that the section 11 cap applies to technical assistance expenditures for the conservation programs listed in section 1241(a) and that the Secretary of Agriculture may draw upon USDA's CO appropriation to fund technical assistance for these programs.[1] USDA has concurred in your conclusions on both

[1] *See* Letter for Susan A. Poling, Associate General Counsel, General Accounting Office, from Philip J. Perry, General Counsel, Office of Management and Budget (Sept. 16, 2002).

points.[2] The Congressional Budget Office, addressing only the first point, has also concurred.[3] The General Accounting Office ("GAO"), however, has reached contrary conclusions: it has determined that the section 11 ceiling does not apply and that the CO appropriation is not available."[4]

For the reasons set forth below, we conclude that the section 11 cap applies to technical assistance expenditures for the conservation programs listed in section 1241(a) and that the Secretary of Agriculture may draw upon USDA's CO appropriation to fund technical assistance for these programs.

I.

We first address whether the section 11 cap applies to technical assistance expenditures for the conservation programs listed in section 1241(a).

A.

In legislation enacted earlier this year, Congress substantially revised section 1241 of the Food Security Act of 1985 concerning the use of funds transferred from the Commodity Credit Corporation (CCC) to finance agricultural conservation programs. *See* Farm Security and Rural Investment Act of 2002, Pub. L. No. 107–171, § 2701, 116 Stat. 134, 278 ("2002 Farm Bill"), *codified at* 16 U.S.C.A. 3841 (West. WESTLAW through Pub. L. 107–313). Revised section 1241(a) instructs the Secretary of Agriculture, during Fiscal Years 2002 through 2007, to "use the funds, facilities, and authorities of the Commodity Credit Corporation to carry out [seven specified conservation programs] under subchapter IV [of title 16, chapter 58] (including technical assistance)." 16 U.S.C.A. 3841(a). For three of the seven specified programs, this authorization to spend CCC funds is not subject to any specific dollar limitation, although acreage and eligibility restrictions place some limit on potential spending.[5] The remaining four, in contrast, are subject to annual spending limits specified in section 1241(a).[6]

The 2002 Farm Bill also revised section 1241 to add an express reference to the section 11 limit on the use of CCC funds to meet administrative expenses. Revised. section 1241(b) provides that nothing in the new provisions respecting CCC funding "affects the limit on expenditures for technical assistance imposed by section 714i of Title 15 [*i.e.,* section 11 of the CCC Charter Act]." 16 U.S.C.A. 3841(b) (West, WESTLAW through Pub. L. 107–313).

The limit on expenditures that is explicitly preserved in this portion of section 1241(b) restricts USDA uses of CCC funds. The CCC, a Federal corporation that is located within the USDA and managed by a Board of Directors under the supervision of the Secretary of Agriculture, is empowered to obtain funds through borrowing (under a $30 billion line of credit) as well as through direct appropriations from Congress.[7] Section 11 of the CCC Charter Act authorizes the CCC to allot or

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[2] *See* Letter for Susan A. Poling, Associate General Counsel, General Accounting Office, from Nancy S. Bryson, General Counsel, U.S. Department of Agriculture (Sept. 16, 2002).

[3] *See* Letter for Senator Tom Harkin, Chairman, Senate Comm. on Agriculture, Nutrition and Forestry, from Nancy S. Bryson, General Counsel, U.S. Department of Agriculture (Sept. 24, 2002) (quoting electronic message communicating the Congressional Budget Office's conclusion that the section 11 ceiling remains "applicable to the transfers under section 1141(a)").

[4] *See* Letter for Senator Herb Kohl, Chairman, Subcom. on Agriculture, Rural Development, and Related Agencies, Senate Appropriation Comm.; Senator Thad Cochran, Ranking Minority Member, Subcom. on Agriculture, Rural Development, and Related Agencies, Senate Appropriation Comm.; and Representative Henry Bonilla, Chairman, Subcom. on Agriculture, Rural Development, FDA & Related Agencies, House Appropriations Comm. from Anthony H. Gamboa, General Counsel, U.S. General Accounting Office, *Re: Funding for Technical Assistance for Conservation Programs Enumerated in Section 2701 of the farm bill,* No. B–29124l (Oct. 8, 2002) (available at *http://www.gao.gov*) ("GAO Letter").

[5] Subsections 1241(a)(1)–(3) instruct the Secretary to use CCC funds, without any dollar-denominated limit, to carry out the Conservation Reserve Program ("CRP"), 16 U.S.C.A. 3831–3835a (West, WESTLAW through Pub. L. 107–313); the Wetlands Reserve Program ("WRP"), *id.* 3837–3837e; and the Conservation Security Program ("CSP"), *id.* 3838–3838c.

[6] Subsections 1241(a)(4)–(7) instruct the Secretary to use CCC funds, up to prescribed annual limits, to carry out the Farmland Protection Program ("FPP"), 16 U.S.C.A. 3837h–3837j (West, WESTLAW through Pub. L. 107–313); the Grassland Reserve Program ("GRP"), *id.* 3838n–3838q; the Environmental Quality Incentives Program ("EQIP"), *id.* 3839aa–3839aa–9; and the Wildlife Habitat Incentives Program ("WHIP"), *id.* 3839bb–l.

[7] *See* 15 U.S.C. 714b(i) (authorizing CCC to borrow to finance its programs, subject to $30 billion limit on indebtedness). Borrowing from the United States Treasury under authority of section 714b(i) represents the principal source of CCC funding. The CCC repays the loans, thereby restoring its borrowing authority, using programmatic revenues (such as loan repayments by commodity producers) and annual appropriations. *See e.g.,* Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2002, Pub. L. No.

Continued

transfer "to any bureau, office, administration or other agency of the Department of Agriculture . . . any of the funds available to [the CCC] for administrative expenses." 15 U.S.C. 714i, including funds that the CCC raises through borrowing. In particular, the section 11 cap provides that:

> After September 30, 1996, the total amount of all allotments and fund transfers from the Corporation under this section (including allotments and transfers for automated data processing or information resource management activities) for a fiscal year may not exceed the total amount of the allotments and transfers made under this section in Fiscal Year 1995.

Id. According to OMB's figures, section 11 allotments and transfers for administrative expenses during Fiscal Year 1995 totaled $56 million.

B.

Your Office and GAO have offered competing textual analyses of the question whether the section 11 cap applies to technical assistance expenditures for the conservation programs listed in section 1241(a). You both agree that the section 11 cap applies only to allotments and fund transfers made by CCC under its section 11 authority. The pivotal point on which your Office and GAO disagree is whether section 1241(a) gives CCC a source of authority, independent of section 11, for funding technical-assistance to these programs. GAO maintains that section 1241(a) provides CCC independent authority; that the technical assistance that CCC funds for the conservation programs listed in section 1241(a) is pursuant to this independent authority; and that the section 11 cap therefore does not come into play. Your office, by contrast, maintains that section 11 is the sole source of authority for the CCC to fund technical assistance by USDA entities for farm conservation programs.

We believe that section 1241(a) does not confer on the CCC a source of authority, independent of section 11, for funding technical assistance to the programs listed in section 1241(a). We note in particular that section 1241(a) states that "the Secretary shall use the funds, facilities, and *authorities* of the [CCC] to carry out" these programs. Rather than vesting new authority in CCC, section 1241(a) thus states plainly that the Secretary of Agriculture shall use the CCC's existing "authorities" to provide technical assistance to these programs. Beyond invoking section 1241(a), GAO does not allege any other authority that CCC has, apart from section 11, for funding technical assistance to farm programs. Nor are we aware of any such authority that would operate separately from section 11. We therefore determine that insofar as the Secretary is using CCC's authorities to fund such technical assistance, she is relying on CCC's section 11 authority.

Our textual analysis is reinforced by section 1241(b), which provides that "[n]othing in [section 1241] affects the limit on expenditures for technical assistance imposed by [section 11]. " 16 U.S.C.A. § 1241(b). Before the 2002 Farm Bill was enacted, the section 11 cap indisputably applied to technical-assistance funds provided to at least two of the programs (CRP and WRP) now listed in section 1241(a).[8] If, as GAO contends, the effect of section 1241(a) were to remove technical-assistance funding of these two programs from the section 11 cap, it would be highly peculiar to describe this escape from the section 11 cap merely as not "affect[ing] the limit on expenditures for technical assistance imposed by [section 11]." It would be far more natural and straightforward for any reference to the section 11 cap to state

107–76, 115 Stat. 704, 716–17, 729 (appropriating "such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed" and specific amounts for overhead expenses of the commodity export guarantee program). Direct appropriations for certain CCC programs, made available through the annual Congressional appropriations process, provide a secondary source of funding. *See generally,* U.S. General Accounting Office, *Commodity Credit Corporation: Information on the Availability, Use, and Management of Funds,* Rep. No. GAO/RCED–98–114, at 1–2 (April 1998) (*CCC Funds Report*) (describing CCC's use or "line-of-credit" financing and direct appropriations).

[8] We are advised by your Office that under the statutory scheme, including the predecessor version of Section 1241, in effect before the 2002 Farm Bill was enacted, OMB and USDA were of the view that (or at least acted as if) transfer of CCC funds for technical assistance for EQIP and WHIP was independently authorized. Whether or not such a view was permissible under the previous statutory scheme, we do nor believe that that view should affect our construction of the revised section 1241. It is true that under one canon of construction "Congress is presumed to be aware of an administrative . . . interpretation of statute: and to adopt that interpretation when it re-enacts a statute without change." *Lorillard* v. *Pons,* 434 U.S. 575, 580 (1978), but that canon plainly does not apply where, as here, a statute has been revised rather than merely re-enacted. Further, we note that one critical respect in which section 1241 has been revised is the specification that the Secretary shall use the "authorities" of the CCC.

simply that expenditures for technical assistance under section 1241 are not subject to the section 11 cap.

By contrast, section 1241(b) is sensibly phrased under our reading of section 1241(a). With respect to four of the seven programs that it lists, section 1241(a) sets forth specific amounts, totaling in the hundreds of millions of dollars each fiscal year, that the Secretary is to spend. Because section 1241(a) makes clear that the funds expended may be for purposes "including the provision of technical assistance," section 1241(a), read in isolation, might suggest that, irrespective of section 11, any portion of these hundreds of millions of dollars could be used for technical assistance. Section 1241(b) instead succinctly makes clear that the section 11 cap continues to apply.

We therefore conclude that the section 11 cap applies to technical assistance expenditures for the conservation programs listed in section 1241(a).[9]

II.

We now consider whether the Secretary of Agriculture may draw upon USDA's CO appropriation to fund technical assistance for the programs listed in section 1241(a).

A.

Public Law 107–76 contains the Fiscal Year 2002 appropriation for the CO account. It provides in relevant part:

> "For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a–f), including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands; water, and interests therein for use in the plant materials program by donation, exchange, or purchase at a nominal cost not to exceed $100 pursuant to the Act of August 3, 1956 (7 U.S.C. 428a); purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, $779,000,000, to remain available until expended (7 U.S.C. 2209b), of which not less than $8,515,000 is for snow survey and water forecasting, and not less than $9,849,000 is for operation and establishment of the plant materials centers, and of which not less than $21,500,000 shall be for the grazing lands conservation initiative. . . ."

115 Stat. at 117. This same authority for the CO appropriation applies to the continuing appropriations for Fiscal Year 2003. *See* Pub. L. 107–229, §§ 101(l), 103, 116 Stat. 1465–66 (providing continuing appropriations for Fiscal Year 2003); Pub. L. 107–294, 116 Stat. 2062 (extending continuing appropriations through January 11, 2003).

B.

GAO maintains that the CO appropriation identifies the specific programs that it is available to fund and that it does not include the programs listed in section 1241(a). It also argues that section 1241(a)'s directive that "the Secretary shall use the funds, facilities, and authorities of the [CCC] to carry out the [listed] programs" should be read to preclude the Secretary from using other funds in support of these programs. GAO contends that both a Senate floor colloquy on the 2002 Farm Bill and the history of funding of the WRP support its position. *See* GAO Letter, at 8–11.

Your Office maintains instead that the CO appropriation is sufficiently broad to authorize funding technical assistance for the conservation programs listed in section 1241(a). You argue further that the legislative history of the CO appropriation supports your reading. *See* OMB Letter, at 2–4. You find further support in what you characterize as USDA's "longstanding regular practice of using the CO account to fund conservation technical assistance." *Id.* at 4.

We believe that the CO appropriation may be used to fund technical assistance for the conservation programs listed in section 1241(a). The CO appropriation provides funds "for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a–f)." Although the programs listed in section 1241(a) are not specifically identi-

[9] GAO argues that the legislative history of the 2002 Farm Bill supports its reading of section 1241(a). Because we do not believe that GAO's reading is permitted by the text of section 1241(a), we need not consider its account of the legislative history. *See, e.g., Barnhill* v. *Johnson,* 503 U.S. 393, 401 (1992).

fied in 16 U.S.C. §§ 590a–590f (2000), section 590a(3) "authorizes the Secretary to cooperate or enter into agreements with, or *to furnish financial or other aid to, any agency,* governmental or otherwise, or any person, subject to such conditions as he may deem necessary, *for the purposes of this chapter* [(chapter 3B)]." *Id.* § 590a(3) (emphasis added). Further, the express purposes of chapter 3B include "(1) preservation and improvement of soil fertility; (2) promotion of the economic use and conservation of land; (3) diminution of exploitation and wasteful and unscientific use of national soil resources; (4) the protection of rivers and harbors against the results of soil erosion in aid of maintaining the navigability of waters and water courses and in aid of-flood control; . . . [and] (6) prevention and abatement of agricultural-related pollution." *Id.* § 590g(a) ("declar[ing] . . . the purposes of this chapter"). Therefore, insofar, as the Secretary determines that providing technical assistance for the conservation programs listed in section 1241(a) would serve any of these purposes, she may use the CO appropriation to fund such technical assistance.

We do not read section 1241(a)'s directive that "the Secretary shall use the funds, facilities, and authorities of the [CCC] to carry out the [listed] programs" to foreclose the Secretary from using the CO appropriation to fund technical assistance for these programs. Section 1241(a) does not state that the Secretary shall use *only* the funds, facilities, and authorities of the CCC to carry out these programs. In short, we see no statutory bar to the Secretary's using other funds, in addition to the CCC's, to carry out these programs.

Because we believe that the text of the CO appropriation clearly authorizes the Secretary to use the CO account to provide technical assistance for the conservation programs listed in section 1241(a) to promote any of the purposes of chapter 3B, we need not address the competing legislative-history arguments that your Office and GAO present. Likewise, we see no reason to explore the conflicting accounts of the history of funding of the listed programs: even if GAO is correct in its assertion that the WRP was not funded out of the CO appropriation before the predecessor version of section 1241 was enacted in 1996, that would not bear meaningfully on the question whether the CO appropriation could have been used to fund WRP.

* * * * *

In sum: The section 11 cap applies to technical assistance expenditures for the conservation programs listed in section 1241(a). The Secretary of Agriculture may draw upon USDA's CO appropriation to fund technical assistance for these programs.

M. Edward Whelan III

M. EDWARD WHELAN III,
Principal Deputy Assistant Attorney General.

APPENDIX 3

Title I—Commodity Programs

Sec. 1601. Administration Generally.
Sec. 1622. Implementation.

Title II—Conservation

Sec. 2101. Extension of Conservation Reserve Program.
Sec. 2201. Wetlands Reserve Program.
Sec. 2301. Conservation Stewardship Program.
Sec. 2401. Farmland Protection.
Sec. 2403. Grasslands Reserve Program.
Sec. 2501. Environmental Quality Incentives Programs.
Sec. 2510. Agricultural Water Enhancement Program.
Sec. 2605. Chesapeake Bay Watershed Program.
Sec. 2606. Voluntary Public Access and Habitat Incentive Program.
Sec. 2706. Delivery of Technical Assistance.
Sec. 2801. Agricultural Management Assistance Program.
Sec. 2803. Small Watershed Rehabilitation Program.

Title III—Trade

Sec. 3016. Food for Peace.
Sec. 3101. Export Credit Guarantee Program.[4]
Sec. 3102. Market Access Program.
Sec. 3104. Cooperator Program.

[4] While funds to cover the losses incurred under this program come directly from the Treasury of the United States, expenses related to the administration of the program are within the provisions of section 11 of the CCC Charter Act.

Sec. 3105. Food for Progress.
Sec. 3106. McGovern-Dole International Food for Education and Child Nutrition Program.
Sec. 3203. Technical Assistance for Specialty Crops.
Sec. 3204. Emerging Markets.
Sec. 3206. Local and Regional Food Aid Procurement Projects.

Title IV—Nutrition

Sec. 4231. Senior Farmers' Market Nutrition Program.
Sec. 4307. Survey of Food Purchased by School Food Authorities.
Sec. 4406. Re-Authorization of Federal Food Assistance Programs.

Title VI—Rural Development

Sec. 6022. Rural Micro Entrepreneur Assistance Program.
Sec. 6029. Funding of Pending Rural Development Loan and Grant Applications.
Sec. 6202. Value-Added Agricultural Market Development Program Grants.

Title VII—Research and Related Matters

Sec. 7206. Organic Agriculture Research and Extension Initiative.
Sec. 7311. Specialty Crop Research Initiative.
Sec. 7410. Beginning Farmer and Rancher Development Program.

Title VIII—

Sec. 8205. Healthy Forest Reserve Program.

Title IX—

Sec. 9001. Biobased Markets Program.
Biorefinery Assistance.
Repowering Assistance.
Bioenergy Program for Advanced Biofuels.
Biodiesel Fuel Education Program.
Rural Energy for America Program.
Biomass Research and Development.
Feedstock Flexibility Program for Bioenergy Producers.
Biomass Crop Assistance Program.

Title X—

Sec. 10106. Farmers' Market Promotion Program.
Sec. 10109. Specialty Crop Block Grants.
Sec. 10201. Plant Pest and Disease Management and Disaster Prevention.
Sec. 10202. National Clean Plant Network.
Sec. 10301. National Organic Certification Cost-Share.
Sec. 10302. Organic Production and Market Data Initiatives.
Sec. 10404. Market Loss Assistance for Asparagus Producers.

Title XI—

Sec. 11009. National Sheep Industry Improvement Center.

Title XII—

Sec. 12034. Fisheries Disaster Assistance.[5]

Title XIV—

Sec. 14004. Outreach and Technical Assistance for Socially Disadvantaged Farmers or Ranchers.
Sec. 14012. Determination on Merits of *Pigford* Claims.

APPENDIX 4

Sec. 11. Cooperation With Other Government Agencies.—

(a) IN GENERAL.—

(1) ACCEPTANCE OF SERVICES.—Subject to the limitations under paragraphs (2) and (4), and excluding subsections (b) and (c), the Corporation, on behalf of an agency of the Department of Agriculture (Department), may accept and utilize, on a compensated or uncompensated basis, services, information, facilities, officers, or employees provided by—

(A) another bureau, office, division, agency, or mission area of the Department of Agriculture;

[5] This provision mandated a one time transfer of funds to the Department of Commerce from CCC on May 1, 2008. Accordingly, once transferred, these funds lost their identity as funds of CCC and are subject to the provisions otherwise applicable to section 312(a) of the Magnuson-Stevens Fishery Conservation and Management Act.

(B) another agency of the Federal Government; or

(C) a political unit such as a state, the District of Columbia, a territory or possession, or a political subdivision of such political unit.

(2) PRIOR AUTHORIZATION.—Prior to receiving funding or other assistance under this subsection, an agency of the Department shall have statutory authorization to receive services, information, facilities, officers, or employees covered under paragraph (1) through the Corporation.

(3) ADMINISTRATIVE EXPENSES.—The Corporation may transfer funds of the Corporation to any unit of Federal Government or political unit to assist the governmental unit with administrative expenses incurred in the conduct of its assistance to the Corporation. The total amount of funds that may be transferred under this section (including transfers for automated data processing or information resource management activities) for a fiscal year may not exceed $57,000,000.

(b) TRANSFERS.—Notwithstanding subsection (a), the Secretary may, transfer funds of the Corporation in accordance with:

(1) A plant or pest emergency under section 442 of the Plant Protection Act (7 U.S.C. 7772);

(2) A livestock emergency under section 10417 of the Animal Health Protection Act (7 U.S.C. 8316);

(3) Section 1469(a)(3) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3315);

(4) Section 1240I of the Food Security Act of 1985 (16 U.S.C. 3839aa–9);

(5) Section 1240Q of the Food Security Act of 1985 (16 U.S.C. 3839bb–4);

(6) Section 1241(a) of the Food Security Act of 1985 (16 U.S.C. 3841(a));

(7) Section 7405(c)(7) of the Farm Security and Rural Investment Act of 2002 (Pub. L. 107–171);

(8) Section 9008 of the Farm Security and Rural Investment Act of 2002 (Pub. L. 107–171); and

(9) Section 1622 of the Food, Conservation, and Energy Act of 2008 (Pub. L. 110–246).

(c) ADMINISTRATIVE EXPENSES.—Funds made available under subsection (b) may, to the extent authorized in such provisions, be used to pay expenses incurred in the administration of such activities.

Insert 2

Mr. COSTA. Can you clarify the link between the pest and the disease challenges, how in working with your partners in USDA possible trade disruptions and the potential economic losses that would occur to our agricultural producers are addressed and hopefully minimized?

Ms. BECH. Well, I think if I can clarify, if I might ask a clarifying question. Are you asking what we are doing with the other USDA agencies in addressing the disease impacts on the economics? Then we are providing, again, the assessments that go into that economic analysis and working with our Foreign Agriculture Service to address those issues.

Mr. COSTA. Do you have any explanation as to why only ⅓ of the SPS certificates or trade concerns have been addressed?

Ms. BECH. Well, I could get further information on it.

APHIS does work closely with its Federal partners in addressing any SPS issues that arise. The U.S. Trade Representative publishes an annual "Report on Sanitary and Phytosanitary Measures" that describes significant barriers to U.S. food and farm exports arising from measures that foreign governments apply on the grounds that they are necessary to protect human, animal, or plant life or health from risks arising from the entry or spread of pests, from plant- or animal-borne pests or diseases, or from additives, contaminants, toxins, or disease-causing organisms in foods, beverages, or feedstuffs.

APHIS and our Federal partners will continue to work with colleagues from across the U.S. Government, as well as interested stakeholders, to encourage governments around the world to remove their unwarranted SPS rules to ensure a level playing field abroad for U.S. ranch and farm products.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE

1. Program Name

Specialty Crop Block Grant Program.

2. Subprograms/Department Initiatives

Not applicable.

3. Brief History

The Specialty Crops Competitiveness Act of 2004 (P.L. 108–465; 7 U.S.C. 1621 note) authorized appropriations for Fiscal Years 2005–09 to provide assistance for specialty crops to all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico. Specialty crop block grant funds are meant to enhance the competitiveness of specialty crops. Specialty crops were defined as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture).

From FY 2006 through FY 2008, the program was funded through appropriations which were made available until expended and awarded in the year subsequent to the appropriation. The FY 2008 appropriation made $8.44 million available until expended for Specialty Crop Block Grants, which were awarded in FY 2009. After all the eligible states submitted their applications by the established deadline of March 5, 2009, fifty-two U.S. states and territories were awarded SCBGP funds.

The FY 2008 Farm Bill, Sec. 10109, extended the Specialty Crop Block Grant program (SCBGP–FB) through FY 2012 and provided Commodity Credit Corporation funding at the following levels: $10 million in FY 2008, $49 million in FY 2009, and $55 million for each of Fiscal Years 2010–2012. These funds are available on an annual basis and must be obligated in the current year. The Act also amended the definition of specialty crops by adding horticulture; and added Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands to the list of "states" eligible to apply for grants. State grants for each fiscal year are a minimum of $100,000 or ⅓ of 1 percent of the total amount of available funding. AMS completed rulemaking on these farm bill changes with publication of the final rule in the *Federal Register* on March 27, 2009. The final rule requires state departments of agriculture to describe their outreach efforts to specialty crop producers, including socially disadvantaged and beginning farmers; and to describe their efforts to conduct a competitive process to ensure maximum public input and benefit.

4. Purpose/Goals

The purpose of the Specialty Crop Block Grant Program (SCBGP) is solely to enhance the competitiveness of specialty crops. Specialty crops are defined as "fruits, vegetables, tree nuts, dried fruits, horticulture, and nursery crops (including floriculture)."

5. Success in Meeting Programmatic Purpose/Goals

To date, the grant program has awarded over $110 million to fund 2,500 projects that benefit the specialty crop industry in all 50 states, the District of Columbia, American Samoa, Guam, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands. These projects have particularly enhanced specialty crop efforts in education, research, marketing and promotion, production, pest and plant health, and food safety.

6. Annual Budget Authority (FY 2002–FY 2011)

Fiscal Year	No-Year Budget Authority ($ in thousands)	Farm Bill Budget Authority ($ in thousands)
2006	$6,930	—
2007	6,930	—
2008	8,400	$10,000
2009	—	49,000
2010	—	55,000
2011	—	55,000

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Appropriated No-Year Annual Outlays ($ in thousands)	Farm Bill Annual Outlays ($ in thousands)
2006	—	—
2007	$5,147	—

7. Annual Outlays (FY 2002–FY 2011)—Continued

Fiscal Year	Appropriated No-Year Annual Outlays ($ in thousands)	Farm Bill Annual Outlays ($ in thousands)
2008	8,412	—
2009	7,744	$3,358
2010	44	14,404
2011 YTD	103	19,511

Funds are expended over the lifetime of the grant, typically around 3 years, as the grantee incurs costs on the projects.

8. Annual Delivery Cost (FY 2002–FY 2011)

SCBG Farm Bill Funds—Delivery Costs ($ in thousands)

	FY 2008	FY 2009	FY 2010	FY 2011 Est.
Program Oversight	—	$328	$637	$667
Staff Years	—	3	4	4

Program oversight for Specialty Crop Block Grants was not tracked separately until FY 2009.

9. Eligibility Criteria

The agencies commissions or departments responsible for agriculture within the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands are eligible to apply for grant funds directly to the USDA. States may have specific or additional application requirements such as: funding priorities, deadlines, applicant eligibility criteria, project duration, funding restrictions and maximum and minimum grant awards.

10. Utilization (Participation) Data

The Specialty Crop Block Grant Program is authorized to distribute funds to the 56 eligible entities. In FY 2010, all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands applied for and received funding for 825 projects meant to enhance the competitiveness of specialty crops.

11. Duplication or Overlap with Other Programs

The purpose of the Specialty Crop Block Grant Program is to enhance the competitiveness of specialty crops (fruits, vegetables, tree nuts, floriculture and horticulture). A grant program that has a similar purpose is the Specialty Crop Research Initiative, which was established to solve critical specialty crop industry issues through research and extension activities.

Each project submitted to the USDA is reviewed to avoid duplication with other Federal and state grant programs. In the event that a project has been submitted to other Federal and/or state grant programs, the Specialty Crop Block Grant Program requires that the project indicate how Specialty Crop Block Grant Program funding will supplement and not duplicate or overlap the purpose of the other funding.

12. Waste, Fraud, and Abuse

No reports or findings of waste, fraud and abuse have occurred or been published.

13. Effect of Administrative PAYGO

None.

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1. Program Name

National Organic Program (NOP).

2. Subprogram/Department Initiative

Not applicable.

3. Brief History

The Organic Foods Production Act (OFPA) of 1990 required USDA to develop national standards for organically produced agricultural products to assure consumers that agricultural products marketed as organic meet consistent, uniform standards. Farms and handlers of organic foods must be certified by a state or private agency that has been accredited by USDA. All agricultural products sold, labeled, or represented as organic in the United States must be in compliance with these regulations. The NOP's objective is to enforce the mandated requirements.

To comply with statutory requirements, and meet industry demands, NOP activities consist of the following:

- Develop new standards to accommodate requests from the organic industry;
- Enforce compliance and conduct audits to maintain labeling credibility;
- Operate and update website content, to keep certifying agents and consumers informed with the latest developments;
- Respond to public requests for information in a timely manner;
- Provide accreditation of certifying agents;
- Oversee the certifying agents, including foreign-based agents;
- Ensure uniform regulatory decisions by the certifying agents; and
- Investigate complaints of organic standard violations

NOP is responsible for ensuring that organically produced products meet consistent standards. To accomplish that, NOP accredits and ensures the compliance of 100 domestic and foreign Accredited Certifying Agents (ACAs). Theses ACAs certify that organic operations are in compliance with USDA standards (regulations). Proper training is essential for certifying agents to ensure that regulatory decisions are uniform regarding the correct application of the standards.

4. Purpose/Goals

The NOP develops, implements, and administers national production, handling, and labeling standards in accordance with the Organic Foods Production Act (OFPA) of 1990 and regulations in Title 7, Part 205 of the *Code of Federal Regulations.* OFPA gives NOP the authority to respond to site-specific conditions by integrating cultural, biological, and mechanical practices that foster cycling of resources, promote ecological balance, and conserve biodiversity.

5. Selected Examples of Recent Progress

- On February 17, 2010, the NOP published the long-awaited access to pasture rule to clarify feed and living conditions for livestock production that would qualify their milk and meat for USDA organic certification. The rule establishes enforceable pasture practice standards to satisfy consumer expectations that ruminant livestock animals graze on pasture during grazing season and are not confined.
- In March 2010, the Office of Inspector General (OIG) published an audit report on the NOP which recommended that the program further improve administration and strengthens management controls to ensure more effective enforcement of program requirements. The report indicated the need to strengthen oversight of certifying agents and organic operations to ensure that organic products are consistently and uniformly meeting NOP standards. The NOP has completed 13 out of 14 corrective actions identified in the OIG audit.
- The NOP developed a quality management system and a Quality Manual to align the program's accreditation program with international requirements outlined in ISO 17011. Furthermore, the program initiated a peer review process to have its accreditation program assessed by the National Institute of Standards and Technology for compliance with ISO 17011.
- On September 1, 2010, the NOP published the inaugural edition of the NOP Program Handbook, designed for those who own, manage, or certify organic operations by providing guidance about the national organic standards and instructions that outline best program practices.
- In October 2010, the NOP published draft guidance on compost and vermicompost in organic crop production; wild crop harvesting; outdoor access for organic poultry; commingling and contamination prevention in organic production and handling; and use of chlorine materials in organic production and handling.

- The NOP published a number of rules on the National List of Allowed and Prohibited Substances including materials sunsetting in 2012; adding tetracycline and sulfurous acid to the National List; and other National List substances.
- The NOP developed new training seminars on liquid fertilizers, access to pasture, adverse actions procedures, labeling, certification, complaint handling, wine labeling, and enforcement procedures. The NOP provided training in Germany, Ghana, California, Colorado, Georgia, New York and Wisconsin.
- The NOP recently held public meetings of the National Organic Standards Board in Davis, California and Madison, Wisconsin.
- The NOP established a complaint database to improve the handling of complaints to ensure they are handled in an effective and timely manner.
- Conducted on-site reviews of recognition agreements currently in place with the governments of Denmark and Israel.

6. Annual Budget Authority (FY 2002–FY 2011)

Fiscal Year	Budget Authority ($ in thousands)
2002	$1,640
2003	1,494
2004	1,969
2005	1,975
2006	1,993
2007	2,001
2008	3,127
2009	3,867
2010	6,967
2011	6,919

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Budget Outlays ($ in thousands)
2002	$1,384
2003	1,341
2004	1,918
2005	1,990
2006	1,807
2007	1,549
2008	2,871
2009	3,298
2010	5,736
2011 YTD	3,375

Explanation: The budget authority may be different from outlays due to timing of payments and the accounting process.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 Est.
National Organic Program	1,493	1,413	1,983	1,955	1,883	1,897	3,000	3,575	6,244	6,387
Indirect Costs	134	111	156	157	159	160	250	309	517	532
Total Costs	1,627	1,524	2,139	2,112	2,042	2,057	3,250	3,884	6,761	6,919
Staff Years	11	13	13	11	13	13	14	19	28	32

Program Indirect costs as reported in the Explanatory Notes.

9. Eligibility Criteria

Not applicable to this program.

10. Utilization (Participation) Data

Certified Organic Operations:

- 27,000 worldwide
- Approximately ⅔ of USDA certified organic operations are located in the U.S.; ⅓ are located in other countries

Acreage: reporting of organic acreage is currently not required by regulations. The USDA Economic Research Service estimated that U.S. producers dedicated approximately 4.8 million acres of farmland—2.7 million acres of cropland and 2.1 million acres of rangeland and pasture—to organic production systems in 2008.

11. Duplication or Overlap with Other Programs

There is no duplication with other programs. Certifying agents accredited by the National Organic Program certify eligible agricultural processing and handling activities, both domestically and internationally, upon request.

12. Waste, Fraud and Abuse

NOP's Compliance & Enforcement Division (C&E) is responsible for processing and investigating complaints alleging violations of NOP regulations; conducting proactive compliance and outreach activities; and enforcing organic production, handling, and labeling standards.

The NOP is increasing enforcement activities here in the United States and monitoring recognition agreements with foreign countries. The NOP conducted assessments in Egypt, Israel, Hungary, Denmark, China and Ghana. AMS auditors have also conducted organic audits in Argentina, Mexico, Costa Rica, Guatemala, Australia, Italy, Germany, and Bolivia. Certified organic operations that are found in noncompliance of the NOP organic standards may have their certification suspended or revoked. Civil penalties of up to $11,000 per violation are being used for willful violations of the standards.

13. Effect of Administrative PAYGO

None.

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1. Program Name

National Organic Certification Cost-Share Program.

2. Subprogram/Department Initiative

National Organic Program/2008 Farm Bill.

3. Brief History

The National Organic Certification Cost Share Program (NOCCSP) is open to all state agencies in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

The NOCCSP is authorized under 7 U.S.C. 6523. The 2002 Farm Bill provided $5 million for this program. Funding was exhausted before the 2008 Farm Bill made additional funds available. Section 10301 of the Food, Conservation and Energy Act of 2008 mandated $22 million for the program from CCC funding available until expended. The Act authorizes the Department to provide certification cost-share assistance to producers and handlers of organic agricultural products in participating states who receive certification or continuation of certification from a USDA accredited certifying agent. Assistance is provided through participating states.

4. Purpose/Goals

Funds under this program are made available to all 50 states, all U.S. Territories, the District of Columbia, and Puerto Rico to assist producers and handlers of agricultural products in obtaining certification under the Organic Foods Production Act of 1990. Payments are limited to 75 percent of an individual producer or handler's certification costs up to a maximum of $750 annually.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010, nearly $4.8 million was allocated to states to partially reimburse producers and handlers for the cost of organic certification through the National Organic Certification Cost Share Program. The state agencies are responsible for dispersing the allocated funds to producers and handlers. We estimate that these funds can assist over 8,000 certified organic operations. Recent efforts by the NOP to increase outreach and training have resulted in significant growth, with at least ten states requesting additional funds to meet their unexpected demand.

6. Annual Budget Authority (FY 2002–FY 2011)

- $5 million authorized by the 2002 Farm Bill
- $22 million authorized by the 2008 Farm Bill

Fiscal Year	Budget Authority ($ in thousands)
2002	$5,000
2003	—
2004	—
2005	—
2006	—
2007	—
2008	$22,000
2009	—
2010	—
2011	—

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Budget Outlays ($ in thousands)
2002	—
2003	$1,820
2004	$1,415
2005	$222
2006	$967
2007	$342
2008	—
2009	$3,446
2010	$4,182
2011 YTD	$3,412

Explanation of Variance: To ensure the availability of resources through 2012, a portion of this one-time no-year funding has been made available each fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in thousands)

	FY 2008	FY 2009	FY 2010	FY 2011 Est.
Program Oversight	—	$149	$136	$223
Staff Years	—	1	1	1

For FY 2002–2007 program oversight was not tracked separately.

9. Eligibility Criteria

Producers and handlers who have received certification or a renewal of certification from an accredited certifying agent (ACA) are eligible to participate.

Certification is the process where a producer or handler is approved by an Accredited Certifying Agent as being in compliance with the NOP regulations and is then authorized to sell, label, or represent products as being "certified organic".

10. Utilization (Participation) Data

NOCCSP:

- 2008: 4,966 participants
- 2009: 5,436 participants
- 2010: 6,128 participants
- 2011 year to date: 1,341 participants
    - (final figures will not be available until January 2012; ⅔–¾ of participants usually sign up in the fourth quarter of the fiscal year)

11. Duplication or Overlap with Other Programs

The U.S. Department of Agriculture (USDA) administers two cost-share programs to defray the costs of organic certification. The programs are administered by the USDA Agricultural Marketing Service (AMS) National Organic Program (NOP).

The AMA Program authorizes cost-share assistance to producers of organic agricultural products in states that have a historically low participation rate in the Federal Crop Insurance Program: Connecticut, Delaware, Hawaii, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia, and Wyoming. Conversely, the NOCCSP is open to state agencies in all 50 the District of Columbia and the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands. In addition, the NOCCSP provides cost-share assistance to both producers and handlers.

The NOCCSP and the AMA are the only Federal programs which provide financial assistance to defray the cost of organic certification. To reduce possible overlap between AMA and NOCCSP, producers participating in the AMA program are not eligible to participate in the producer portion of the national program.

12. Waste, Fraud and Abuse

No reports or finding of fraud or abuse have occurred or been published.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Farmers Market Promotion Program (FMPP).

2. Subprograms/Department Initiatives

Not applicable.

3. Brief History

The Farmers Market Promotion Program was created by the 2002 Farm Bill (Section 10605) which amended the Farmer-to-Consumer Direct Marketing Act of 1976 (7 U.S.C. 3005). This program provides non-construction grants that target improvements and expansion of domestic farmers' markets, roadside stands, community-supported agriculture programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. That Act authorized appropriations for the program but did not provide funding. From Fiscal Year (FY) 2006 to 2008, appropriations of $1 million were made available each year for this program. The 2008 Farm Bill further amended the Farmer-to-Consumer Direct Marketing Act of 1967 and provided funding from Commodity Credit Corporation (CCC) for Fiscal Years 2008–2012: $3 million in FY 2008, $5 million for each of FYs 2009 and 2010, and $10 million each year of FYs 2011 and 2012.

4. Purpose/Goals

The primary objective of the FMPP program is to help eligible entities improve and expand domestic farmers markets, roadside stands, community-supported agricultural programs, agri-tourism activities, and other direct producer-to-consumer market opportunities. Eligible entities include agricultural cooperatives, producer networks, producer associations, local governments, nonprofit organizations, public benefit corporations, economic development corporations, regional farmers' market authorities, and tribal governments.

5. Success in Meeting Programmatic Purpose/Goals

In the past 3 years, incoming applications for FMPP grants have increased with available funding. In Fiscal Year 2011, $10 million is available for the grant program. Some of the program's accomplishments include the following:

2010 Accomplishments:

- Approximately 28% of the FY 2010 awards offer further professional development opportunities for farmers to strengthen their business management skills, including training in risk management, certification, and good agricultural practices.
- AMS received 509 requests in 2010 from all 50 states and the District of Columbia. The program awarded a total of 81 grants to 35 states for a total of $4,099,897.

2009 Accomplishments:

- Provided $4.5 million in competitive grants to nonprofit corporations, regional farmers market authorities, Tribal governments, local governments, agricultural cooperatives, economic development corporations to expand direct farmer-to-consumer sales.
- Eighty-six projects from 49 states were selected for funding out of the 225 proposals received from 37 states throughout the United States.

2008 Accomplishments:

- Awarded $3,445,000 in support to 85 projects across the country, including $385,375 to 18 projects for establishment/expansion of EBT capability.

2007 Accomplishments:

- Provided support to 23 projects across the country with $900,000 in funding, including $328,652 to eight projects for establishment/expansion of EBT capability.

2006 Accomplishments:

- Awarded $900,000 in support to 20 projects across the country, including $202,480 to four projects for establishment/expansion of EBT capability.

6. Annual Budget Authority (FY 2002–FY 2011)

Fiscal Year	Budget Authority ($ in thousands)
2006 *	$1,000
2007 *	$1,000
2008 *	$4,000
2009	$5,000
2010	$5,000
2011	$10,000

*Note: * indicates budget authority from annual appropriations. FY 2008 includes both a $1 million annual appropriation and $3 million 2008 Farm Bill funding.*

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Budget Outlays ($ in thousands)
2006	—
2007	$300
2008	$772
2009	$2,549
2010	$3,244
2011 YTD	$2,789

Funds are expended over the lifetime of the grant, typically around 3 years, as the grantee incurs costs of the project.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in thousands)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 Est.
Program Oversight	—	—	$175	$437	$682	$776
Staff Years	—	—	1	3	4	4

For FY 2006 and 2007 program oversight was not tracked separately.

9. Eligibility Criteria

Eligible entities under FMPP are agricultural cooperatives, producer networks or associations (added under 2008 Farm Bill); local governments; nonprofit corporations; economic development corporations; regional farmers' market authorities; and Tribal governments. All entities must be owned, operated, and located within one of the 50 U.S. or the District of Columbia.

10. Utilization (Participation) Data

FMPP has awarded grants for 285 projects. As of June 2011, the Farmers Market Promotion Program is currently monitoring 157 active grant awards.

11. Duplication or Overlap with Other Programs

Within USDA, there exists a small pool of grant opportunities that are used heavily by small farmers and ranchers due to capacity and other constraints that prevent them from participating in many other programs. Among these are the (1) Farmers Market Promotion Program, administered by the Agricultural Marketing Service, (2) the Community Food Projects program administered by the National Institute of Food and Agriculture (NIFA, formerly CSREES), and (3) the Risk Management Education and Outreach Partnerships Program, administered by the Risk Management Agency.

FMPP applicants are often consumers of other USDA programs that appear similarly situated, including the **Community Food Projects Competitive Grant Program** (CFPCGP), administered by National Institute of Food and Agriculture. Since 1996, the CFPCGP has promoted self-sufficiency and food security in low-income communities through community food projects and training and technical assistance projects (T&TA). CFPs unite the entire food system, assessing strengths, establishing linkages, and creating systems that improve self-reliance over food needs. T&TA helps successful applicants carry out and evaluate their projects. The CFPCGP is designed to: meet the needs of low-income people by increasing access to fresher, more nutritious food supplies; increase the self-reliance of communities in providing for their own food needs; promote comprehensive responses to local food, farm, and nutrition issues; meets specific state, local, or neighborhood food and agricultural needs for infrastructure improvement and development; plans for long-term solutions; and create innovative marketing activities that benefit both agricultural producers and low-income consumers. These one-time grants require a dollar-for-dollar match in resources.

Another program frequently used by FMPP stakeholders is the **Education and Outreach Partnerships Program** housed within the Risk Management Agency. This program combines the former "Commodity Partnerships for Small Agricultural Risk Management Education Sessions" and the 'Community Outreach and Assistance Partnerships Program." The purpose of this combined cooperative partnership agreements program is to deliver crop insurance education and risk management training to U.S. agricultural producers to assist them in identifying and managing production, marketing, legal, financial and human risk. The program gives priority to: (1) educating producers of crops currently not insured under Federal crop insurance, specialty crops, and underserved commodities, including livestock and forage; and (2) providing collaborative outreach and assistance programs for limited resource, socially disadvantaged and other traditionally underserved farmers and ranchers.

12. Waste, Fraud and Abuse

No reports or findings of waste, fraud or abuse have occurred or been published.

13. Effects of Administrative PAYGO

None.

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1. Program Name

Section 32.

2. Subprograms/Department Initiatives

Specialty crop purchase requirements, Fresh Fruit and Vegetable Program.

3. Brief History

Section 32 of the Act of 1935 (P.L. 74–320), amended through 7 U.S.C. § 612(c), allocated the equivalent of 30% of annual customs receipts to the Secretary of Agriculture. Much of these funds are subsequently transferred to the Food and Nutrition Service (FNS) and become part of the budget for USDA's Child Nutrition Programs; with a smaller transfer to Commerce as directed by the Fish and Wildlife Act of 1956 (16 U.S.C. 742a).

Funding Availability: The 2008 Farm Bill established an amount to be retained for Section 32 activities each year beginning in 2009 at $1.173 billion and increasing gradually to $1.322 billion in 2017 and thereafter. The subsequent annual appropriations bills have limited the Section 32 availability to levels lower than authorized in the farm bill. AMS was also directed to transfer all funds in excess of the amount identified (after the required transfer to Commerce) to FNS.

Specialty Crop Purchases: The 2002 Farm Bill established a requirement to purchase at least $200 million in fruits and vegetables, including at least $50 million in fresh fruits and vegetables. These purchases were incorporated into entitlement purchases for the National School Lunch Program. The 2008 Farm Bill established a requirement to purchase additional fruits, vegetables, and nuts (specialty crops) each year beginning in 2008 at $190 million and increasing gradually to $206 million in 2012 and thereafter. These additional commodities are distributed through any of USDA's domestic food assistance programs.

Fresh Fruit and Vegetable Program: The 2008 Farm Bill also required the use of Section 32 funds for the Fresh Fruit and Vegetable Program. Under this program, FNS distributes funds to schools to purchase fresh produce.

4. Purpose/Goals

The purpose is principally to alleviate surplus supplies of commodities by diverting them from normal channels of trade and commerce and increasing utilization by low income groups. Most of the funds retained by AMS to carry out Section 32 are used to purchase non-price supported commodities to meet entitlement needs of the child nutrition programs; to purchase additional fruits, vegetables, and nuts for use in domestic nutrition assistance programs; and to relieve market surpluses to support agricultural producers. All commodities purchased under Section 32 are distributed by FNS through USDA's domestic food assistance programs.

Child Nutrition Entitlement Purchases: AMS purchases non-price supported commodities to help meet the requirements of USDA child nutrition programs.

Surplus Commodities: AMS purchases non-price supported commodities under Section 32 authority based on economic analysis of production costs and market supply. Demand for this support fluctuates with market conditions.

Disaster Relief: In the event of Presidentially-declared disasters, Section 32 funds may be used to provide commodities or replace entitlement commodities.

5. Success in Meeting Programmatic Purpose/Goals

AMS has successfully met all Section 32 requirements, including specialty crop purchases mandated by the 2002 and 2008 Farm Bills.

6. Annual Budget Authority (FY 2002–2011) (dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 Est.
Budget Authority:										
Section 32 Total Budget Authority	995,714	1,460,006	1,287,849	1,180,858	1,523,470	1,463,888	1,095,069	963,530	1,098,000	1,065,000
Specialty Crop Requirements:										
2002 Farm Bill Specialty Crop minimum	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
2008 Farm Bill Specialty Crop minimum							190,000	193,000	199,000	203,000
Total Specialty Crop requirement	200,000	200,000	200,000	200,000	200,000	200,000	390,000	393,000	399,000	403,000

7. Annual Outlays (FY 2002–2011) (dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 Est.
Total Outlays:										
Specialty Crops	239,874	279,675	304,712	233,557	246,115	232,391	390,292	472,780	511,128	411,600
Other	675,671	999,237	565,847	618,185	1,079,244	467,161	349,399	475,545	575,065	653,400
Section 32 Total Outlays	915,545	1,278,912	870,559	851,742	1,325,359	699,552	739,691	948,325	1,086,193	1,065,000

Section 32 program obligations are outlayed entirely in the current year. Reconciliation upon contract delivery can result in prior year recoveries which impact total outlays in this account.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 Est.
Annual Delivery Cost:										
Commodity Purchases Service [a]	6,906	11,199	10,266	10,848	28,866	31,146	32,595	31,092	22,276	27,110
FTE's	43	45	38	39	45	47	51	49	54	50

[a] Beginning in FY 2006, costs for WBSCM, a USDA procurement system, are included.

9. Eligibility Criteria

AMS purchases commodities under authority of Section 32 and on behalf of FNS to meet other entitlement needs. The qualification requirements requested as part of the application package for a prospective contractor (commodity vendor) are a re-examination and revalidation of established qualification requirements as required by the Federal Acquisition Regulations (FAR) Part 9 and are necessary for AMS to carry out its procurement mission. A prospective vendor must be determined to be qualified by the Contracting Officer prior to submitting offers under an AMS solicitation. There are 142 vendors selling product to USDA. This includes Small, Small Disadvantaged, 8(a), HUBZone, Service-Disabled Veteran-Owned, and Women-Owned Businesses.

10. Utilization (Participation) Data

Commodities purchased with Section 32 funding are delivered to recipients through FNS' domestic assistance programs, including the National School Lunch Program, the Emergency Food Assistance Program, the Food Distribution Program on Indian Reservations, the Commodity Supplemental Food Program, and the Nutrition Services Incentive Program.

11. Duplication or Overlap with Other Programs

AMS closely coordinates with FNS and FSA to avoid overlap or duplication.

12. Waste, Fraud, and Abuse

No reports or findings of waste, fraud or abuse have occurred or been published.

13. Effect of Administrative PAYGO

None.

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1. Program Name

APHIS Plant Protection and Quarantine Program (PPQ)—Specialty Crop Pest and Disease Programs (General).

2. Subprograms/Department Initiatives

European Grapevine Moth (EGVM), Light Brown Apple Moth (LBAM), Fruit Fly Exclusion and Detection Programs (FFED), *Phytophthora ramorum,* Citrus Health Response Program (CHRP), Pale Cyst Nematode (PCN), Golden Nematode (GN), Plum Pox Virus (PPV) and Glassy-winged Sharpshooter (GWSS). Please Note: All of the programs listed above, except for EGVM, were funded through the annual appropriations process or access to emergency funding (Commodity Credit Corporation or Section 32) and not through the farm bill.

3. Brief History

APHIS' **Plant Protection and Quarantine** (**PPQ**) has been safeguarding agriculture and natural resources from the risks associated with the entry, establishment, or spread of animal and plant pests and noxious weeds to ensure an abundant, high-quality, and varied food supply for more than 30 years.

4. Purpose/Goals

APHIS–PPQ safeguards agriculture and natural resources—including specialty crops—from the risks associated with the entry, establishment, or spread of animal and plant pests and noxious weeds. Fulfillment of its safeguarding role ensures an abundant, high-quality, and varied food supply, strengthens the marketability of U.S. agriculture in domestic and international commerce, and contributes to the preservation of the global environment.

5. Success in Meeting Programmatic Purpose/Goals

European Grapevine Moth (EGVM)

APHIS is working closely with affected counties, industry, the University of California, and other stakeholders to control EGVM which is a significant pest of grapes and other specialty crops that is threatening California's $3 billion wine/grape and stone fruit industry. In 2010 the program was successful in mitigating all grape export crop losses experienced in 2009 due to EGVM. Populations have been significantly reduced in 2011 as compared to 2010; however, several new detections in 2011 have resulted in the addition of new and expanded quarantine areas.

Light Brown Apple Moth (LBAM)

The LBAM program focuses on the suppression and management of the moth therefore reducing its impact on agriculture production and trade of several specialty crops located in California. The program has successfully maintained millions of dollars worth of specialty crop exports to Mexico and Canada due to regulatory requirements that assure our trade partners of pest free commodities.

Fruit Fly Exclusion and Detection Programs (FFED)

The FFED program protects the health and value of American agricultural resources threatened by the establishment of exotic fruit fly populations through (1) detection, exclusion, and emergency response activities in the United States; (2) prevention of the spread of Mediterranean fruit flies north of Chiapas, Mexico and eventually the United States; and (3) eradication of the Mexican fruit fly in the Lower Rio Grande Valley in Texas, Florida, and California. The market value of exotic fruit fly host commodities protected by FFED activities totaled about $6.5 billion in the United States in 2007, with approximately $5.65 billion of that grown in California and $612 million in Florida.

Phytophthora ramorum *(Sudden Oak Death)*

The goal of the Sudden Oak Death Program is to prevent long-distance human assisted spread of *Phytophthora ramorum* in nursery stock and other commodities and preventing the establishment of Sudden Oak Death beyond its current range. Program certification of nursery stock has reduced *Phytophthora ramorum* in the nursery trade by 97 percent (140 detections in 2004 to less than four in 2010), thereby safeguarding the domestic and international trade in nursery stock, as well protecting the forest products industry.

Citrus Health Response Program (CHRP)

APHIS established the Citrus Health Response Program (CHRP) to sustain the citrus industry in the United States, to maintain growers' continued access to export markets, and to safeguard citrus growing states against a variety of citrus diseases and pests. The CHRP works closely with regulatory officials in citrus-producing states, industry stakeholders, university scientists, and other Federal agencies to provide focus to citrus health research, provide domestic citrus industries with production guidelines and best practices for fruit and nursery stock production, and identify/implement appropriate survey, diagnostic, and mitigation measures to reduce spread of citrus pests/diseases. The implementation of the CHRP program has allowed APHIS and stakeholders to facilitate safe movement of host plants, interstate commerce, and international trade. During the 2007–08 citrus shipping seasons, 17.6 million bushel cartons of fresh citrus fruit moved to non-citrus states, while 14.7 million bushel cartons were exported outside the United States. Citrus pests threaten just over 1 million commercial acres (137 million trees) with an annual production value for citrus fruit of $2.88 billion (packinghouse door equivalent—2010 NASS Citrus Fruits Summary) not taking into account backyard citrus trees that also are affected.

Pale Cyst Nematode (PCN)

The goal of the PCN program is to detect and eradicate cyst nematodes that cause significant damages along with impact the export of U.S. potatoes from Idaho. The PCN program protects potato farmers and farmland in 36 producing states—1 million acres growing 43 billion pounds worth over $3 billion ($753 million in Idaho) and export markets of $1 billion in potatoes and related products.

Golden Nematode (GN)

The goal of the GN program is to detect and control the movement cyst nematodes that cause significant damage and impact the export of U.S. potatoes from New York. The GN program protects potato farmers and farmland in 36 producing states—1 million acres growing 43 billion pounds worth more than $3 billion. APHIS has effectively removed areas quarantined for GN in areas of New York through a cooperative effort with growers to perform treatments and restrict the movement of potentially infested machinery and growing media.

Plum Pox Virus (PPV)

The program's goal is to eradicate PPV which is a damaging disease of stone fruit. APHIS, in coordination with the state and growers of Pennsylvania, successfully eradicated PPV from the state in late 2009. PPV is now located only in New York. APHIS is working with New York state and growers to survey and place regulatory controls in place that will stop the spread and lead to eradication. The U.S. stone fruit industry is valued at an estimated $1.4 billion. PPV is considered one of the most economically serious virus diseases of stone fruit worldwide. Many varieties of peach, plum, apricot and nectarine produce unmarketable fruit or prematurely lose their crop when infected with PPV. Commercial stone fruit is the primary host of economic importance but a number of alternate hosts have been reported including ornamental Prunus and some herbaceous weeds and garden plants.

Glassy-winged Sharpshooter (GWSS)

The highly cooperative GWSS Program has successfully prevented spread of the pest to valuable wine-growing regions of California, and the program's rapid response methods have been very successful in eliminating outlier outbreaks. Due to program control and regulatory activities preventing further spread, the nearly 800,000 acres of grape production in California is maintained in spite of the GWSS being established in 10 of 58 counties. With GWSS present, the vine killing Pierce's disease threatens California's wine grape, table grape and raisin grape industries, valued at approximately $3 billion, and with annual economic impacts of more than $61 billion to California's economy, and more than $120 billion to the U.S. economy.

6. Annual Budget Authority (FY 2002–FY 2011)

Fiscal Year	Appropriated Funds	Commodity Credit Corporation Funds	Section 32
	(Dollars in thousands)		
2002	$59,631	$45,953	
2003	$108,430	$59,531	
2004	$121,686	$47,298	
2005	$127,704	$122,094	
2006	$129,500	$14,433	$400,000
2007	$129,921	$22,827	$100,000
2008	$137,841	$69,539	
2009	$140,360	$0	
2010	$150,380	$0	
2011	$150,078	$16,922	

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Obligations	Outlays
	(Dollars in thousands)	
Appropriated Funding		
2002	$64,295	$53,155
2003	$107,276	$88,268
2004	$119,714	$122,906
2005	$134,785	$128,384
2006	$127,731	$108,424
2007	$130,141	$126,561
2008	$141,526	$125,647
2009	$154,423	$141,505
2010	$172,048	$165,761
2011	(est.) $146,221	(est.) $124,288
Commodity Credit Corporation		
2002	$86,259	$58,082
2003	$48,292	$50,794
2004	$46,023	$32,706
2005	$105,827	$49,647
2006	$17,406	$52,724
2007	$29,403	$21,112
2008	$53,044	$49,657
2009	$5,903	$11,161
2010	$22,207	$30,317
2011	(est.) $5,615	(est.) $5,053

7. Annual Outlays (FY 2002–FY 2011)—Continued

Fiscal Year	Obligations	Outlays
	(Dollars in thousands)	
	Section 32	
2006	$376,731	$376,731
2007	$107,105	$105,970
2008	$237	$238

APHIS has authority to utilize three different sources of funding. Annual appropriations acts provide appropriations funding as well as access to Commodity Credit Corporation funding. Section 32 funding authority, under the Agricultural Marketing Service, was established by Congress to restore farmers' purchasing power in times of natural disaster, either through direct payments to farmers or through the Federal Government's purchase of surplus agricultural commodities. APHIS used this authority to make payments to commercial citrus producers who were negatively affected by the spread of citrus canker that resulted from a series of hurricanes that hit Florida in 2004 and 2005.

Many of the programs included in the Specialty Crop Pests group have no-year budget authority. In some years, obligations and outlays may exceed the new budget authority for the year due to carryover availability. These programs are cooperative efforts with state, local, and industry partners; APHIS provides funding to these entities through cooperative agreements to conduct a portion of the program activities. Program partners usually have one year from the date the agreement was signed to spend the funds. For this reason (and depending on the timing of the agreement), outlays of obligated funds may occur in the next budget year.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual Delivery Cost by Department Strategic Goals (Rev.)
(On basis of appropriated funds)
(dollars in thousands)

Strategic Goal 4—Ensure that all of America's children have access to safe, nutritious, and balanced meals.

Program Program Items—Discretionary	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Fruit Fly Exclusion and Detection						
Indirect Costs	4,778	4,824	4,986	5,034	5,024	4,794
Program Operational Costs	5,972	6,030	6,232	6,292	6,279	5,992
FTEs	479	553	453	529	443	455
Plum Pox						
Indirect Costs	176	175	176	176	176	170
Program Operational Costs	220	218	220	221	220	212
FTEs	5	5	5	5	5	5
Golden Nematode						
Indirect Costs	65	64	65	66	66	66
Program Operational Costs	81	80	82	83	83	83
FTEs	7	7	7	7	7	7
Citrus Health Response Program						
Indirect Costs	2,916	2,825	2,831	3,572	3,565	3,572
Program Operational Costs	3,646	3,531	3,539	4,466	4,457	4,466
FTEs	125	125	125	125	125	125
Glassy-winged Sharpshooter						
Indirect Costs	1,930	1,841	1,836	1,839	1,835	1,622
Program Operational Costs	2,413	2,301	2,295	2,298	2,294	2,028
FTEs	16	16	16	16	16	16

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
***Phytophthora ramorum*/Sudden Oak Death**						
Indirect Costs	245	423	424	428	427	406
Program Operational Costs	306	529	531	535	534	507
FTEs	19	19	19	19	19	19
Light Brown Apple Moth						
Indirect Costs	0	79	80	81	80	881
Program Operational Costs	0	99	100	101	101	1,101
FTEs	0	0	5	5	5	5
Pale Cyst Nematode						
Indirect Costs	0	763	664	666	665	497
Program Operational Costs	0	953	829	833	831	622
FTEs	0	15	15	15	15	15
Critical Invasive Pest Response/Miscellaneous Pests						
Indirect Costs	284	34	167	168	168	168
Program Operational Costs	355	42	209	210	210	210
FTEs	11	4	8	8	8	8

9. Eligibility Criteria

Not applicable.

10. Utilization (Participation) Data

European Grapevine Moth (EGVM)

APHIS is working closely with affected counties, industry, the University of California, and other stakeholders to control EGVM which is a significant pest of grapes and other specialty crops that is threatening California's $2.7 billion wine/grape and stone fruit industry. Initial treatment efforts reduced the detections of moths in affected areas from 66,000 in April 2010 to just 20 moths in August 2010.

Light Brown Apple Moth (LBAM)

The LBAM program works with the state and growers of several specialty crops located in California. The program has successfully maintained millions of dollars worth specialty crop exports to Mexico and Canada due to regulatory requirements that assure our trade partners of pest free commodities. The LBAM program did not receive funding from the FY 2011 Farm Bill. This program measures performance by tracking LBAM spread beyond the generally infested area. In FY 2010, the program found three isolated populations, compared to five in FY 2009.

Fruit Fly Exclusion and Detection Programs (FFED)

The FFED program protects the health and value of American agricultural resources through working with Florida, California, Arizona, and Texas to assure citrus crops are protected from these pests. In FY 2010, APHIS' long-term performance measure for the number of exotic fruit flies outbreaks in the United States had a target of two severe outbreaks per year. A severe outbreak is one that spreads beyond its initial area. The program experienced three of these outbreaks in FY 2010, but will have them eradicated by October 2011.

Phytophthora ramorum *(Sudden Oak Death)*

The goal of sudden oak death program is to prevent long-distance human assisted spread of *Phytophthora ramorum* in nurserystock through working with states that are affected such as California, Washington, and Oregon along with states who might receive potentially infested nursery stock. APHIS works with officials in the three states to establish quarantines and require nursery inspections before host plants may be shipped interstate. In FY 2010, the program worked with the nursery industry to reduce the presence of the disease in the nursery system. It detected 22 infested nurseries in California, Oregon, and Washington, helping to prevent the spread of the disease. APHIS is continuing to support the development, communication, and implementation of best management practices in nurseries to reduce the risk of *P. ramorum* introduction and establishment.

Citrus Health Response Program (CHRP)

APHIS works with the entire U.S. citrus industry sustain the citrus industry in the United States while managing pest and disease threats. APHIS works with the citrus mutuals, California, Texas, Arizona, and Florida to ensure safe citrus and maintain foreign trade markets. During the 2009–2010 shipping season, 12.4 million bushel cartons of fresh citrus fruit were exported to foreign markets and 17.9 million bushel cartons were shipped within the United States,

Pale Cyst Nematode (PCN)

The PCN program works with Idaho State and growers in the state to detect and eradicate cyst nematodes that cause significant damages along with impact the export of potatoes from Idaho. In FY 2010, the program achieved a 90 percent reduction in viable PCN populations as a result of eradication activities.

Golden Nematode (GN)

The GN program works with New York State and growers to detect and control the movement cyst nematodes that cause significant damages along with impact the export of U.S. potatoes from New York perform treatments and restrict the movement of potentially infested machinery and growing media. Surveys conducted through 2010 allowed from the release of 43,000 acres from regulation, while continuing to prevent the spread of the pest.

Plum Pox Virus (PPV)

The PPV program works with New York State and growers to assure market access for stone fruit is maintained and mitigate the spread to previously infested areas. In FY 2010, the program addressed outbreaks in New York and continued monitoring for the disease in Pennsylvania and Michigan, after declaring eradication in both states in 2009.

Glassy-winged Sharpshooter (GWSS)

The GWSS program works with specialty crop growers and state officials in California particularly the grape and wine industry to mitigate the damages and maintain foreign trade markets. This program has contained GWSS within ten California counties where it is established and conducted area-wide management programs in major citrus-producing areas to suppress the pest. These programs were highly successful at suppressing GWSS populations and maintaining citrus shipments out of the regulated areas. In FY 2010, six GWSS interceptions occurred on nursery shipments, with five egg masses, one nymph, and one adult found among the shipments. This data compares to 23 interceptions in FY 2009 with 25 egg masses. These interceptions and egg mass finds prevent the GWSS establishment in non-infested areas, where mitigation efforts would be costly and time-consuming.

11. Duplication or Overlap with Other Programs

In instances when APHIS and another agency find it within their mission to address a particular pest, APHIS will meet with the other agency to determine the most effective combination of skills to address the pest. For instance, APHIS coordinates its *Phytophthora ramorum* with the Forest Service as the introduction of the disease into the National Forest system would be highly disruptive to the Forest Service mission.

12. Waste, Fraud and Abuse

USDA's Office of Inspector General recently published an audit, USDA Payments for 2005 Citrus Canker Tree Losses, March 2011, which raised concerns over payments through the Canker Lost Production Program and Citrus Canker Tree Replacement Program. APHIS is currently working with OIG to address the concerns raised in the report.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Farm Bill Section 10201, Plant Pest and Disease Management and Disaster Prevention.

2. Subprograms/Department Initiatives

Not applicable.

3. Brief History

The Plant Pest and Disease Management and Disaster Prevention Program was authorized in the 2008 Farm Bill and has been implemented by APHIS from 2009 through 2011. It is funded annually with Commodity Credit Corporation (CCC) funding. Funding was set at $12 million in FY 2009, $45 million in FY 2010, and $50 million in FY 2011 and beyond.

4. Purpose/Goals

The purpose of the Pest and Disease Management and Disaster Prevention Program is for APHIS to partner with states, industry, universities, and other interested groups to prevent the entry of high-consequence plant pests, quickly detect those that may enter into the United States, and enhance our emergency response capabilities. The program provides strong protection to America's agricultural and environmental resources, and helps nursery and specialty crop growers flourish.

Projects are organized around six goal areas: enhancing plant pest analysis and survey; targeting domestic inspection activities at vulnerable points in the safeguarding continuum; enhancing and strengthening threat identification and technology; safeguarding nursery production; enhancing mitigation capabilities; and conducting outreach and education about these issues.

5. Success in Meeting Programmatic Purpose/Goals

Over the last 2 years, Section 10201 projects have played a significant role in many USDA and partner successes to protect American agriculture and educate the public about the threat of invasive species. These successes include, among many others, the eradication of plum pox virus in Pennsylvania and a recent Mediterranean fruit fly outbreak in Florida, surveys for European grapevine moth in California, the 2010 national survey of honey bee pests and diseases, the monitoring of high-risk international and domestic pathways for invasive species, applied research to combat citrus pests, and the exploration of the feasibility of an audit-based certification system to prevent the movement of infested nursery stock.

Selection was based on project alignment with Section 10201 goals, the expected impact of the project, and the technical approach. In addition, the reviewers considered how the suggestions would complement ongoing USDA programs and other Section 10201 projects. APHIS made a concerted effort to engage external stakeholders, such as the National Plant Board, Specialty Crops Farm Bill Alliance and USDA's National Institute of Food and Agriculture, Agricultural Research Service and U.S. Forest Service, in designing the evaluation criteria for the suggestions.

6. Annual Budget Authority (FY 2002–FY 2011)

Fiscal Year	Budget Authority (dollars in thousands)
2009	$12,000
2010	$45,000
2011	$50,000

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Obligations	Outlays
	(dollars in thousands)	
2009	$11,989	$2,340
2010	$44,881	$11,267
2011	$50,000 (est.)	$15,000 (est.)

Most Section 10201 projects are carried out by APHIS' partners through cooperative agreements. Most cooperators have one year from the date the agreement is signed to spend the funds so the funds are not outlaid in full until the following fiscal year.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual Delivery Cost by Department Strategic Goals (Rev.)
(On basis of appropriated funds)
(dollars in thousands)

Strategic Goal 4—Ensure that all of America's children have access to safe, nutritious, and balanced meals.

Program — Program Items—Mandatory	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Farm Bill: 10201—Plant Pest & Disease Mgt. & Disaster Prevention						
Indirect Costs	N/A	N/A	582	1,401	2,425	2,425
Program Operational Costs	N/A	N/A	2,947	11,099	12,575	12,575
FTEs	N/A	N/A	1	37	37	37

9. Eligibility Criteria

A 10201 evaluation team made up of government and non-government, stakeholders, and scientific members evaluate the technical factors of the individual suggestions using the evaluation criteria described below. If a suggestion does not address a factor, it will be evaluated as "Low."

Strengths, weaknesses, deficiencies, and reviewer questions will be documented for each suggestion. At the conclusion of the independent review period, the entire evaluation team will meet and discuss each technical evaluation factor and agree on a consensus rating for each suggestion.

FY 2011 suggestions have been rated in the following areas:

Criteria 1: Alignment with Section 10201 Goals:

The suggestion should clearly identify the goal area to be addressed and explain how the project will further the goals of the farm bill. Suggestions should not list more than one of the six goal areas:

1. Enhance plant pest analysis and survey.

2. Target domestic inspection activities at vulnerable points in the safeguarding continuum.

3. Enhance and strengthen threat identification and technology.

4. Safeguard nursery production.

5. Conduct outreach and education to increase public understanding, acceptance, and support of plant pest and disease eradication and control efforts.

6. Enhance mitigation capabilities.

Criteria 2: Impact:

The suggestion should clearly address the potential benefits from the proposed activities or deliverables. Emphasis should be placed on projects that will affect high-risk states/areas, address pests of regulatory significance, and/or benefits specialty crop producers and minority or underserved communities.

Criteria 3: Technical approach:

The suggestion should discuss the technical approach to be employed, including a description of methodology and a summary of the various tasks to be undertaken. The suggestion should also highlight the cooperators (states, universities, and others) that will be working together to complete the project and the role each will play.

10. Utilization (Participation) Data

In FY 2009, APHIS provided funding for 63 projects in 21 states.

In FY 2010, APHIS provided funding for more than 270 projects.

In FY 2011, APHIS is providing funding for more than 270 projects with over 100 cooperators in 50 states. Note: In FY 2011, Section 10201 funding was not available until April, but APHIS is working diligently to finalize and implement the spending plan. As a result, we anticipate that participant numbers may change.

11. Duplication or Overlap with Other Programs

APHIS' Pest Detection program is funded through an annual budget appropriation. It supports APHIS' goal of safeguarding U.S. agricultural and environmental resources by ensuring that new introductions of harmful plant pests and diseases are detected as soon as possible, before they cause significant damage. These efforts engage the scientific community, government entities, states, tribes, universities, the public, nonprofit entities, and industry. The Cooperative Agricultural Pest Survey (CAPS) program is the principle means of providing funds to all states and other cooperators to survey for pests that are not known to be in the U.S., as well as some that are of limited distribution and of regulatory concern. Pest-free regions are identified that allow the continued export of commodities from particular areas of the country.

Farm Bill Section 10201 complements the Pest Detection program and expands upon it by specifically providing funds and technical assistance to specialty crop growers, organizations representing specialty crop growers, and state and local agencies working with specialty crop growers and organizations for the development and implementation of audit-based certification systems and nursery plant pest risk management systems, in collaboration with the nursery industry, research institutions, and other entities to address plant pests. This Section also provides funds for a threat identification and mitigation program to determine and address threats to the domestic production of crops. Risk assessments are being prepared of the potential threat to the agricultural industry of the United States from foreign sources, in collaboration with the National Plant Board, and are implementing action plans for high consequence plant pests and diseases.

12. Waste, Fraud and Abuse

The program is fairly young as it was created in the 2008 Farm Bill. Auditing agencies, such as the Office of the Inspector General or the Government Accountability Office, have not conducted audits to date. The program is not aware of any instances of waste, fraud, or abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Farm Bill Section 10202, National Clean Plant Network (NCPN).

2. Subprograms/Department Initiatives

The National Clean Plant Network is coordinated jointly by three USDA Agencies: the Animal and Plant Health Inspection Service (APHIS) (quarantine programs), Agricultural Research Service (research activities), and National Institute of Food and Agriculture (outreach initiatives). In March 2009, the three USDA Agencies signed a Memorandum of Understanding laying the foundation for the NCPN at the national level and providing direction and guidance for newly forming NCPN specialty crop networks.

3. Brief History

The National Clean Plant Network was first provided dedicated funding in the 2008 Farm Bill. The farm bill provides NCPN with $5 million each year (FY 2009–2012) for a total of $20 million over 4 years. The NCPN currently funds 18 clean plant centers in 14 states focusing on supporting existing state infrastructures. In FY 2010/2011, five specialty crops were covered including fruit trees, grapes, citrus, berries, and hops. Several new crops are under consideration for the program including potatoes, sweet potatoes, olives, garlic, roses, and other ornamentals.

4. Purpose/Goals

NCPN is a collaborative venture, composed of diagnostic, therapeutic and horticultural expertise. NCPN's goal is to ensure the availability of high quality propagated plant material that is free of plant pests, helping to ensure the global competitiveness of specialty crop producers. The NCPN promotes pest- and disease-free specialty crops, the rapid and safe introduction of new varieties from foreign sources, and hygienic U.S. products for export.

5. Success in Meeting Programmatic Purpose/Goals

Over the past 2 years, the NCPN has built national, regional and crop-specific NCPN governing bodies composed of governmental, University, and industry representatives nationwide. Due to this initiative Clean Plant Centers were revitalized and foundation plantings of clean nursery stock expanded. The NCPN is currently supporting Clean Plant Network Centers for five specialty crops in multiple states including:

- Fruit Tree (Pomes and Stone Fruits): California, South Carolina, and Washington.
- Grape: California, Florida, Missouri, New York, and Washington.
- Citrus: Alabama, Arizona, California, Florida, Louisiana, and Texas.
- Berries (Strawberries, Blueberries, Cranberries, and Cane Fruit): Arkansas, North Carolina, and Oregon.
- Hops: centered out of Washington State.

Due to the efforts of these centers, clean plants were provided to nurseries and growers to ensure planting sustainability and productivity, and quality of products. In 2009, the initial year of funding alone, 161 clean plant accessions consisting of fruit tree and grape varieties were released. NCPN continues to contribute to the economy by working with U.S. specialty crop producers to generate desirable planting stock, increase yields of healthy, high quality crops, and encourage competitive standards for domestic and international trade.

6. Annual Budget Authority (FY 2002–FY 2011)

Fiscal Year	Budget Authority (dollars in thousands)
2009	$5,000
2010	$5,000
2011	$5,000

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Obligations	Outlays
	(dollars in thousands)	
2009	$3,334	$252

7. Annual Outlays (FY 2002–FY 2011)—Continued

Fiscal Year	Obligations	Outlays
	(dollars in thousands)	
2010	$6,271	$2,281
2011	$5,300 (est.)	$3,000 (est.)

The Farm Bill of 2008, Section 10202 provides that NCPN funding is —available until expended' (no-year) since it is understood that a certain 'ramp-up' was anticipated for this program in its early years. Additionally, the program uses a cooperative agreements process with time built into the calendar for applicants to receive feedback from APHIS to enhance their proposals. The program announces recipients and signs the agreements near the end of the fiscal year, resulting in outlays that lag behind obligations.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual Delivery Cost by Department Strategic Goals (Rev.)
(On basis of appropriated funds)
(dollars in thousands)

Strategic Goal 4—Ensure that all of America's children have access to safe, nutritious, and balanced meals.

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Program Program Items—Mandatory						
Farm Bill: 10202—National Clean Plant Network						
Indirect Costs	N/A	N/A	242.5	243	243	243
Program Operational Costs	N/A	N/A	258	508	508	508
FTEs	N/A	N/A	1	2	2	2

9. Eligibility Criteria

Parties eligible to receive NCPN program funding include Land-Grant Universities, Non Land-Grant Colleges of Agriculture, State Agricultural Experiment Stations, State Governments, and Federal Agencies.

The following criteria are also considered when providing program support:

- *Target Crops:* Specialty crops, especially those considered highly restricted due to pest pressures
- *Clean Plant Centers or Programs:* Extant to the extent practicable
- *Core Mission:* Diagnostics, therapeutics, foundation plantings
- *Secondary Mission:* Networking and education/outreach
- *Performance Goals:* Industry focus and consultation

10. Utilization (Participation) Data

In FY 2011, NCPN will be focusing its efforts on five specialty crop groups (fruit trees, grapes, berries, citrus, and hops) represented by 18 supported clean plant centers or associated programs located in 14 states. Additionally, the NCPN national stakeholder database has about 500 persons enrolled as expressing specific interest in the program. This includes nursery and grower industries, scientists, state regulatory officials, and educators.

11. Duplication or Overlap with Other Programs

We are not aware of any other program with a sufficiently similar mission.

12. Waste, Fraud and Abuse

The program is fairly young as it was created in the 2008 Farm Bill. Auditing agencies, such as the Office of the Inspector General or the Government Accountability Office, have not conducted audits to date. The program is not aware of any instances of waste, fraud, or abuse.

13. Effect of Administrative PAYGO

None.

AGRICULTURAL PROGRAM AUDIT

(EXAMINATION OF FOREIGN AGRICULTURE AND FOOD AID PROGRAMS)

WEDNESDAY, JULY 13, 2011

SUBCOMMITTEE ON RURAL DEVELOPMENT,
RESEARCH, BIOTECHNOLOGY, AND FOREIGN
AGRICULTURE,
COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:06 a.m., in Room 1300 of the Longworth House Office Building, Hon. Timothy V. Johnson [Chairman of the Subcommittee] presiding.

Members present: Representatives Johnson, Stutzman, Scott, Hultgren, Hartzler, Schilling, Costa, Cuellar, Sewell, Kissell, and McGovern.

Staff present: Mike Dunlap, Tamara Hinton, John Porter, Debbie Smith, Suzanne Watson, Andy Baker, Liz Friedlander, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS

The CHAIRMAN. This hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture entitled, *Agricultural Program Audit: Examination of Foreign Agriculture and Food Aid Programs,* will now come to order.

Good morning, and welcome to this hearing to examine our trade, food aid and agricultural development programs operated by USDA's Foreign Agricultural Service and the U.S. Agency for International Development. This hearing is part of a series of farm program audits to help us prepare for the next farm bill. When we are finished here, I hope that we will all have a better understanding of trade and food aid programs both individually and as part of the broader picture of foreign policy. Having detailed knowledge of these programs will help us make better policy decisions when the time comes.

Today's hearing builds upon a discussion this Subcommittee had on April 7th of this year where we looked at five export programs in great detail. At that hearing, we reviewed how the programs are being implemented and how our ag policy has enabled the programs to expand our export of U.S. agricultural products.

Along with learning more about our trade programs, we will hear testimony describing how our humanitarian assistance is meeting acute needs in the areas of crisis. As the largest donor of food aid in the world, the United States has been at the forefront of humanitarian assistance. Part of these efforts include agricultural developmental programs which provide technical assistance and training to help communities graduate from reliance on food aid.

In our discussion this morning, we will take a close look at the administrative side of our programs, carefully reviewing the delivery costs and progress toward meeting the goals and objectives set by the Committee. One of the objectives we have to keep in mind for the next farm bill is reducing overall spending while maintaining an effective level of support for critical programs. In every corner of government, we are looking for opportunities to streamline processes, ensure Federal programs are delivered with maximum impact and with the least cost possible. It is incumbent on the agencies to effectively deliver each program in the most efficient manner possible. And it is the purview of this Committee to ensure that the agencies are fulfilling their responsibility. The current economic and fiscal environment adds urgency to this Committee's oversight responsibilities because it helps prioritize limited funds to address our most important needs.

With us this morning, we have the operational leaders in the agencies in charge of implementing our trade, food and development programs. The two agencies represented here today have unique capabilities but must act in concert to achieve their objectives. We look forward to hearing how they are coordinating their efforts around the world. From the Foreign Agricultural Service, we are joined by Acting Administrator Suzanne Heinen, and with us from USAID is the Assistant Administrator for the Bureau for Democracy, Conflict and Humanitarian Assistance. We appreciate all the efforts the agencies have put into compiling a clear outline of how the programs are being implemented. I anticipate that the conversation this morning will be the beginning of a very frank discussion that will continue throughout the development of the next farm bill.

Thank you both for being here and I look forward to your testimony.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS

Good morning, and welcome to this hearing to examine our trade, food aid, and agricultural development programs operated by USDA's Foreign Agricultural Service and the U.S. Agency for International Development.

This hearing is part of a series of farm program audits to help us prepare for the next farm bill. When we are finished here, I hope that we will all have a better understanding of trade and food aid programs both individually and as part of the broader picture of farm policy. Having detailed knowledge of these programs will help us make better policy decisions when the time comes.

Today's hearing builds upon a discussion this Subcommittee had on April 7th of this year, where we looked at five export promotion programs in great detail. In that hearing, we reviewed how the programs were being implemented, and how our agricultural industry has been able to utilize the programs to expand U.S. agricultural exports.

Along with learning more about our trade programs, we will hear testimony describing how our humanitarian assistance is meeting acute needs in areas of crisis.

As the largest donor of food aid in the world, the U.S. has been at the forefront of humanitarian assistance. Part of these efforts includes agricultural development programs which provide technical assistance and training to help communities graduate from a reliance on food aid.

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One of the objectives we must keep in mind for the next farm bill is reducing overall spending while maintaining an effective level of support for critical programs. In every corner of government we are looking for opportunities to streamline processes and ensure Federal programs are delivered with maximum impact and with the least cost possible. It is incumbent upon the agencies to effectively deliver each program in the most efficient manner possible. And it is the purview of this Committee to ensure the agencies are fulfilling this responsibility.

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From the Foreign Agricultural Service we are joined by Acting Administrator Suzanne Heinen. With us from USAID is the Assistant Administrator for the Bureau for Democracy, Conflict and Humanitarian Assistance.

We appreciate all of the effort the agencies have put into compiling a clear outline of how the programs are being implemented. I anticipate that the conversation this morning will be the beginning of a very frank discussion and will continue throughout the development of the next farm bill. I thank both of you for being here today, and look forward to your testimony.

The CHAIRMAN. I would then recognize the Ranking Member, Mr. Costa, for whatever statement he would like to make.

OPENING STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. COSTA. Thank you very much, Mr. Chairman. I think that our efforts this morning to focus on the rural development research, biotechnology and foreign agriculture assistance is key as we continue to focus on expanding our exports for agricultural trade as well as our efforts to deal with food aid and development in different parts of the world.

This hearing, Chairman Johnson, I think is appropriate given the timing. The audit hearings are an important part of Members' ability in the Subcommittee to focus on the United States Department of Agriculture's programs that I think as any good subcommittee we need to provide a regular review on.

Today, the programs that we are looking at, the Foreign Agricultural Service which develops export markets for U.S. agricultural products, is important. I think there are a number of reasons why this program, as I have seen it implemented in various parts of the world, is important. One, it connects America and ag producers and value-added ag businesses of all sizes and varieties to the world markets. I believe my colleagues here on the Subcommittee who come from various parts of the country feel similarly, that nobody does it better, to take a title of a song, than our American farmers, ranchers and dairymen in terms of the production of high-quality foods and fibers at very abundant levels and of the safest level for consumers.

But it also helps open those markets for long term while working to expand new markets. It helps promote a free and fair global trading system. I support free trade as long as it is fair trade, that meaning a level playing field. Certainly in the global economy, it gives us better access to those markets. It also helps us to resolve non-tariff trade barriers, particularly when other countries are trying to use sanitary and phytosanitary standards. I believe this has been nothing more than leverage to try to foster trade in a direction that would be more favorable to them, and we all know numerous examples. In the specialty crops, we see that having occurred historically.

The five market development programs under Title III of the farm bill, we will be discussing today, they have unique goals. I would like to hear the witnesses explain to us how we are reaching those goals and how well they complement each other. Obviously we all have different interests from the agricultural regions we represent in the country. Mine is fairly well known, the specialty crops in California, some 300, are so much of what we able to export, last year almost $38 billion a year at the farm gate in California, farm gate being the gross receipts to farmers, ranchers and dairymen.

So we have a lot of issues that we are focusing on. We know we have tight budgets. We know the 2012 Farm Bill will be smaller in funding than the 2008 Farm Bill, and so whether it is with the FAS program or other related programs, we are going to have to figure out how we can be as cost-effective as we possibly can to ensure that we get the best bang for our buck.

So as we look at that, as we look at examining food aid and development programs also administered by the Foreign Agricultural Service and USAID. A couple years ago I was in Sudan and Darfur. There are a lot of places around the world where America's best foot forward and our ambassadorial efforts is to provide that aid to those most in need. You know, it is estimated by the U.N. that over 700 million people every night go to bed hungry and we lose 10,000 children a week as a result of malnutrition. So the USAID program I think is really a good effort.

In conclusion, for over 55 years the United States has provided food for emergency food relief to support international developments, and I think we need to talk about how we can build on that goodwill that we have been able to provide. I am also reminded when we look at the Federal Food Aid Assistance Program of one our Presidents, Ronald Reagan, who once said that, and I am paraphrasing, that you can give a person a fish to eat and they will be fed for the day, but if you teach them how to fish, and I think that analogy holds forward in the food assistance services efforts, then they can sustain themselves, and certainly that is a lot of what that program, in my view, is all about.

So I thank you. We look forward to the testimony and the questions from this panel.

The CHAIRMAN. Thank you, Mr. Costa.

The chair would request that other Members submit their opening statements for the record so the witnesses can begin their testimony to ensure that there is adequate time for questions.

We would then welcome our first and only panel of witnesses to the table. Our first witness is Ms. Suzanne Heinen, Acting Administrator, Foreign Agricultural Service, USDA, Washington. You may proceed.

STATEMENT OF SUZANNE HEINEN, ACTING ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. HEINEN. Thank you, Mr. Chairman.

Mr. Chairman, Members of the Subcommittee, I am very pleased to appear today before you to discuss the trade, food aid and capacity-building programs authorized by Congress and administered by USDA's Foreign Agricultural Service. As requested, my written testimony discusses the goals of each program, how the program funds are allocated and how the goals for each program are being met.

FAS attachés around the globe, bolstered by cooperative public-private partnerships, have assisted U.S. farmers and ranchers in achieving record agricultural export sales and have increased food security for some of the poorest around the world. In Fiscal Year 2011, we expect U.S. agricultural exports to reach a record $137 billion and support over one million American jobs. We expect to feed more than 5.2 million hungry people and to build agricultural capacity in dozens of countries around the world. Over numerous farm bills, Congress has authorized and refined an effective combination of programs. Allow me to expand on how Congress, FAS and the U.S. agricultural community complement each other in delivering effective results.

The largest market development program operated by FAS is MAP, the Market Access Program. MAP forms partnerships between nonprofit agricultural trade organizations, cooperatives, nonprofit State Regional Trade Groups and small businesses to share the costs of overseas marketing and promotional activities. The 2008 Farm Bill makes available $200 million for MAP in 2011. That amount is more than matched with industry contributions. FAS allocates MAP funds through a competitive process which allows applicants to request funding for various FAS programs through a single strategically coordinated proposal. This process allows for efficiencies in program delivery while taking full advantage of the complementary nature of the programs provided by Congress. In 2011, MAP resources are being used to expand markets for food grains, meat and poultry, seafood, dairy, horticultural products and processed products in markets in every corner of the globe.

In addition to generic promotions, MAP has a brand promotion component that provides funding to over 600 small companies and agricultural cooperatives annually. For example, WildRoots, a small healthy snack food company with two production facilities in Illinois and one in Nebraska, matched MAP funds to market their products in Canada. Export sales rose from zero in 2008 to over $4 million in 2010. This company buys blueberries from Michigan, corn and soy products from Illinois, oats from Nebraska, cranberries from Massachusetts and almonds from California. According to WildRoots, "without the branded program, we simply would never have been able to compete internationally. It has moved our business to a new level and has promoted U.S.-based agricultural products, creating jobs in an economy that desperately needs them."

The economic impact of the MAP and Foreign Market Development programs, our second-largest market development program, is striking. A recent cost-benefit analysis concluded that for every dollar invested by government and industry, exports increased by $35.

One of our most compelling challenges in the world is eradicating chronic hunger and malnourishment. The food aid and development programs administered by USDA and USAID are making a difference in the lives of poor and hungry people. The McGovern-Dole school feeding program was established to carry out preschool and school food for education programs in foreign countries to improve food security, reduce the incidence of hunger and improve literacy and primary education, particularly for girls, while also providing maternal, infant and child nutrition programs for pregnant women, nursing mothers and infants. This year, McGovern-Dole will provide benefits in 15 countries including Nepal, Haiti, Guatemala, Burkina Faso and Senegal. Since 2003, the program has supported projects in 41 countries and fed up to five million schoolchildren each year. USDA and implementing organizations developed graduation plans and we have moved one program into full graduation in Moldova and we have progress towards graduation in Kenya, Laos and Guinea-Bissau.

As Administrator of FAS, I am very proud of our efforts in administering the farm bill authorized programs. We look forward to providing any support we can as Congress works on the next farm bill.

This concludes my statement, and I look forward to answering your questions.

[The prepared statement of Ms. Heinen follows:]

PREPARED STATEMENT OF SUZANNE HEINEN, ACTING ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Members of the Subcommittee, I am pleased to appear before you today. I welcome the opportunity to discuss trade, food aid, and capacity building programs authorized by Congress and administered by the Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA). As you requested, I am pleased to discuss the goals of each program, outline how the program funds are allocated, and describe how the goals for each program are being met. The efforts of FAS personnel around the globe, bolstered by cooperative public-private partnerships, have assisted U.S. farmers and ranchers in achieving record agricultural export sales and have increased food security for some of the poorest around the world. In Fiscal Year 2011, we expect U.S. agricultural exports to reach a new record of $137 billion, we expect to feed more than 5.2 million hungry people, and we expect to build agricultural capacity in dozens of countries around the world.

We do much of our work in very close coordination with the U.S. Agency for International Development (USAID). USAID plays an important role in the countries in which we work.

Linking U.S. Agriculture to the World

FAS is USDA's lead agency for addressing the challenges and opportunities of the dynamic global marketplace by expanding foreign market access for U.S. products, building new markets, improving the competitive position of U.S. agriculture, and addressing food security and capacity building in foreign countries. FAS has the primary responsibility within USDA for international market development and export financing, trade agreements and negotiations, and the analysis and dissemination of vital international market intelligence and data to agricultural producers and exporters. FAS also administers food aid programs and mobilizes USDA's unique resources and expertise in agricultural development activities.

FAS relies on its global network of agricultural economists, market development experts, negotiators and trade specialists in Washington, DC, and its approximately 100 international offices that cover 156 countries. FAS' agricultural counselors and attachés serving at U.S. Embassies are our eyes and ears around the world, providing the agricultural expertise to identify and seize opportunities, by capturing real-time information on emerging trade and market development issues, and averting problems before they become trade barriers that impede U.S. exports.

Complementary Market Development Efforts

Over numerous farm bills, Congress has authorized and refined an effective combination of agricultural market development programs. These programs that are designed to develop markets, facilitate financing of overseas sales, and resolve market access barriers dovetail with the FAS mission. We must open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live. Participants from all corners of the U.S. agricultural community utilize FAS-administered trade programs to reach these consumers, complementing Administration efforts to open and maintain markets through trade negotiations, diplomacy, and enforcement of trade agreements.

Market Access Program

The largest market development program operated by FAS is the Market Access Program (MAP). The program originally known as the Targeted Export Assistance Program was first authorized by Congress in the 1985 Farm Bill. The 1996 Farm Bill renamed the program the MAP and established the current statutory prohibitions on the use of MAP funds to promote the products of large companies.

MAP is a cost-share program that uses funds from USDA's Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. MAP forms partnerships between nonprofit U.S. agricultural trade organizations, U.S. agricultural cooperatives, nonprofit State Regional Trade Groups, and small-sized U.S. commercial entities to share the costs of overseas marketing and promotional activities, such as consumer promotions, market research, and trade show participation. The 2008 Farm Bill makes available $200 million of CCC funds for MAP in FY 2011; that amount is matched with industry contributions. Applicants submit MAP proposals to USDA as part of a competitive Unified Export Strategy (UES) process, which allows applicants to request funding for various USDA foreign market development programs through a single, strategically coordinated proposal. One strength of the UES process is that utilizing the complementary nature of the various market development programs is emphasized.

In addition to generic promotions, MAP has a brand promotion component that provides export promotion funding to over 600 small companies and agricultural cooperatives annually. To conduct branded product promotion activities, individual companies must provide at least 50 percent of funding. Most small companies and agricultural producer cooperatives access market development programming through one of the four State Regional Trade Groups (SRTGs)—Food Export Association of the Midwest USA, Food Export USA Northeast, Southern United States Trade Association, and Western United States Agricultural Trade Association. The SRTGs work closely with the State Departments of Agriculture in their respective regions to identify eligible company participants and export opportunities, and then bring the two together. In that effort, SRTGs provide small companies with export readiness training and organize trade missions, as well as branded programming opportunities to directly access MAP funds for individual company promotions and trade show participation.

WildRoots, a small healthy snack food company, with two production facilities in Illinois and one in Nebraska, matched MAP branded funds to market their products in Canada. Export sales soared from zero in 2008 to over $4 million in 2010. The company buys blueberries from Michigan, corn and soy products from Illinois, oats from Nebraska, cranberries from Massachusetts, and almonds from California. According to a WildRoots' cofounder, "Without the branded program, we simply would never have been able to compete with Canadian producers. It has moved our business to a new level and has promoted U.S.-based agricultural products, creating jobs in an economy that desperately needs them."

Foreign Market Development Program

The Foreign Market Development (Cooperator) Program (FMD) had its first participants (known as Cooperators) in 1954. FMD is currently authorized by Title VII of the Agricultural Trade Act of 1978, which directs the Secretary of Agriculture to "establish and, in cooperation with eligible trade organizations, carry out a foreign market development cooperator program to maintain and develop foreign markets for United States agricultural commodities and products . . ." Funding for FMD was most recently reauthorized by Congress in the 2008 Farm Bill.

FMD is a cost-share program that aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The current farm bill makes available $34.5 million of CCC funds for FMD this year. The program fosters a market development partnership between USDA and U.S. agricultural producers and processors who are represented by nonprofit commodity or trade associations known as Cooperators. Under this partnership, USDA and each Cooperator pool their technical and financial resources to conduct overseas market development activities that are generic in nature. Activities must contribute to the maintenance or growth of demand for U.S. agricultural commodities and generally address long-term foreign import constraints and export growth opportunities. Programs focus on matters such as reducing infrastructural or historical market impediments, improving processing capabilities, modifying codes and standards, and identifying new markets or new applications or uses for the agricultural commodity or product in the foreign market. Twenty-one organizations representing a broad sample of U.S. agriculture, including peanuts, sunflower, soybeans, livestock genetics, dry beans, wheat, poultry, and rice, benefited from receiving a total of $34.15 million in Fiscal Year 2010 through the FMD program.

Through the FMD program, U.S. sunflower producers' activities in Spain are paying dividends. To increase awareness of confectionary sunflower seed and build demand in Spain, the National Sunflower Association (NSA) used FMD funding to create and implement an integrated and highly successful marketing program of trade advertisements, newsletters, trade shows, seminars, and trade missions. Through this work, U.S. sales to Spain reached nearly $270 million, making Spain the top market for U.S. confectionary sunflower seeds, and generating jobs in top sunflower producing states including Colorado, Kansas, Minnesota, North Dakota, Oklahoma, South Dakota, and Texas.

Economic Impact of MAP and FMD Programs

The economic impact of the MAP and FMD programs is striking. USDA's Foreign Agricultural Service commissioned a cost-benefit analysis in March 2010 that concluded the programs effectively leveraged private and public sector resources in a unique partnership to increase U.S. food and agricultural exports. The analysis concluded for the time period 2002 through 2009 that U.S. food and agricultural exports increased by $35 for every dollar invested by government and industry on market development. Additionally, U.S. agricultural exports in 2009 were $6.1 billion higher than they would have been without the increased investment in market development. The study also found that an estimated 47 percent of the programs' total trade impact accrued to commodities not receiving market development assistance—a phenomenon known as the "halo" effect. In other words, non-promoted U.S. commodities benefited from increased promotion of other U.S. commodities in the same market.

Emerging Markets Program

The Emerging Markets Program (EMP) provides funding for technical assistance activities intended to promote exports of U.S. agricultural commodities and products to emerging markets in all geographic regions, consistent with U.S. foreign policy. The program is authorized by the Food, Agriculture, Conservation, and Trade Act of 1990, as amended, through the end of the current 2008 Farm Bill. Funding is set by Congress at $10 million each fiscal year from the Commodity Credit Corporation.

EMP was specifically designed by Congress to improve market access and develop or promote exports of U.S. agricultural commodities and products to low and middle income emerging markets through cost-share assistance to eligible applicants for approved technical assistance activities. For this program, Congress defined an emerging market as any country that "is taking steps toward a market-oriented economy through the food, agriculture, or rural business sectors of the economy of the country," and "has the potential to provide a viable and significant market for United States agricultural commodities or products of United States agricultural commodities." EMP resources may be used to support exports of U.S. agricultural commodities and products only through generic activities, not specific brands. The EMP statute provides that the Secretary establish a private sector advisory committee to provide information and advice to USDA in developing strategies for providing technical assistance and enhancing markets for U.S. agricultural products in developing markets. More specifically, EMP Committee members review, from a non-governmental perspective, qualified proposals submitted for funding assistance. The Secretary of Agriculture appoints members to the Committee for 2 year terms. For Fiscal Year 2010, the EMP program supported 83 agricultural export promotion projects with funding totaling $8.3 million.

In 2010, EMP assisted Wisconsin ginseng growers battle counterfeits. For more than a decade, the Ginseng Board of Wisconsin (GBW) has struggled with Chinese counterfeiters selling fake Wisconsin Ginseng. With 90 percent of its exports going to China, the GBW moved aggressively to regain control of its brand. Using EMP, GBW initiated research to develop a technique to detect trace elements of ginseng's valuable root to Wisconsin or where it was grown originally; initial findings are promising.

Technical Assistance for Specialty Crops Program

The Technical Assistance for Specialty Crops Program (TASC) was authorized by Congress in the Farm Security and Rural Investment Act of 2002. The 2008 Farm Bill reauthorized the Technical Assistance for Specialty Crops (TASC) Program and provided mandatory Commodity Credit Corporation (CCC) funds for the program. In FY 2010 the program was funded at $8 million and for FY 2011 and FY 2012 program funding is set at $9 million. Congress authorized the TASC program to assist U.S. organizations by providing funding for specialty crops projects that address sanitary, phytosanitary and related technical barriers that prohibit or threaten the export of U.S. specialty crops. Using TASC, USDA has successfully helped U.S. exporters regain market access for millions of dollars of products from almonds to spinach. Examples of project activities include seminars and workshops, study tours, field surveys, pest and disease research, and pre-clearance programs. TASC proposals are accepted from U.S. nonprofit trade associations, universities, agricultural cooperatives, private companies, U.S. Government agencies and state government agencies. FAS, which administers the program, provides grant funds as direct assistance to U.S. organizations. Applicant contributions are not required, but are strongly encouraged.

Last year, TASC was instrumental in assisting the U.S. potato exporters in overcoming a Thai phytosanitary protocol that was preventing U.S. exports from certain states. Following several months of negotiations between the Thailand Department of Agriculture and USDA, the U.S. Potato Board (USPB) used TASC to arrange for Thai officials to visit the U.S. and review U.S. seed certification procedures, seed cultivation practices and phytosanitary mitigation measures. Following this activity, Thailand agreed to additional market access that more than doubles—to fourteen—the number of states eligible to export seed potatoes to Thailand. Seed potatoes from Colorado, Maine, Michigan, Minnesota, Montana, Nebraska, New York, North Dakota, Wisconsin and Wyoming may now be exported to Thailand. FAS estimates sales of $250,000 to $500,000 during the first year of Thai market access, while the USPB estimates that expanded market access could boost exports to Thailand to $1 million in 3 to 5 years.

Another example is U.S. hops exports to Canada. Canada buys more than $18 million in U.S. hops, which makes it the fifth largest export market for U.S. hops producers. In response to limited pesticide tolerances in Canada that potentially threatened trade, TASC funds supported U.S. hop industry efforts to work with regulators in Canada in establishing five new hops-related maximum residue levels in Canada for pesticides critical to U.S. hop production. The Canadian tolerances were set at safe levels that allow U.S. hop growers to apply essential U.S. crop protection tools that significantly reduce the risk of shipping hops to Canada. Given that over half of U.S. hop production is exported, the setting of pesticide tolerances in one of the industry's most crucial export markets has been vital for this industry.

Export Credit Guarantee Program

Starting in 1981, the Export Credit Guarantee Program (GSM–102) was originally administered under the Commodity Credit Corporation Charter Act. In the 1990 Farm Bill GSM–102 became specifically authorized under, and subject to the provisions of, the Agricultural Trade Act of 1978, as amended. It has been continuously authorized since that time, but funding levels under the program were most recently authorized in the 2008 Farm Bill. The GSM–102 program was developed to expand U.S. agricultural exports by making available payment guarantees to encourage U.S. private sector financing of foreign purchases of U.S. agricultural commodities on credit terms. The payment guarantee issued under GSM–102 is an agreement by CCC to pay the exporter, or the U.S. financial institution that may take assignment of the payment guarantee, specified amounts of principal and interest in case of default by the foreign financial institution that issued the letter of credit for the export sale covered by the payment guarantee. By providing credit guarantees of up to 3 years to cover up to 100 percent of loan principal and a portion of the interest, the financial risk to U.S. lenders of foreign banks is greatly diminished. As Congress intended, the reduced risk in financing under GSM–102 increases export opportunities for U.S. exporters. This reduction in risk is most important for exports to developing countries, where the lack of credit often impedes a U.S. exporter's ability to sell and the buyer's ability to purchase U.S. agricultural commodities. GSM–102 is an effective response to the short windows of opportunity that U.S. agricultural exporters face when financing trade based on market-based prices and slim margins.

Applicable law mandates that CCC make available for each fiscal year an amount of credit guarantees equal to the lesser of (a) $5,500,000 or (b) an amount of guarantees that CCC can make available using budget authority for an underlying subsidy amount of the sum of $40 million per year plus any unobligated budget authority from prior fiscal years. For the last 2 years, the program has operated at a "negative subsidy," meaning that the cash flow into the program has exceeded the funds needed to provide for expected losses.

From its inception in the early 1980's through June 2011, exports facilitated through the use of GSM–102 have reached a total of more than $100 billion. In FY 2010, guarantees covered $3.10 billion in sales that ran the gamut from corn to Costa Rica to soybeans to Indonesia and from wheat to Nigeria to wood chips to Turkey. During the financial crisis of 2008 and 2009, FAS received a record number of applications for GSM–102, attesting to the success of the program in facilitating trade finance in times of tightened liquidity. In FY 2011, USDA expects to make available the full farm bill-mandated allocation of $5.5 billion in GSM–102 guarantees. These guarantees will facilitate targeting by U.S. agricultural exporters of sales to over 100 eligible country destinations.

Facility Guarantee Program

Authorized by Congress under the Food, Agriculture, Conservation and Trade Act of 1990, the Facility Guarantee Program (FGP) was designed to meet the financing needs for the establishment or improvement of facilities in emerging markets that would benefit U.S. agricultural exporters. By providing credit guarantees, FGP is intended to reduce the financial risk to U.S. lenders of default by foreign banks serving as borrowers, thus improving the ultimate buyer's ability to acquire the agricultural-related infrastructure or services that will enhance U.S. export sales. Emerging markets often lack the infrastructure to support increased trade volume. Export sales of U.S. equipment or expertise to improve ports, loading and unloading capacity, refrigerated storage, warehouse and distribution systems, and other related facilities may qualify for facility guarantees, as long as these improvements are expected to increase opportunities for U.S. agricultural exports.

From its inception, through June 2011, only one transaction has been guaranteed under FGP. Prior to the amendments to the statutory authority made in the 2008 Farm Bill, FGP required U.S. content on any goods guaranteed. The 2008 Farm Bill allows for a waiver of the U.S. content requirement, if such goods are unavailable or the use of such goods is impracticable. FAS is currently reviewing how to implement this provision. FGP operates as a subset of the GSM–102 Export Credit Guarantee Program and under that authority is subsumed within the same overall limitations on the amount of credit guarantees that CCC may make available.

Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) was enacted by Congress under the Food Security Act of 1985 and most recently reauthorized in the 2008 Farm Bill. The program provides a bonus or subsidy on a bid basis to exporters of dairy products. By providing a subsidy on exports of dairy products, Congress intended the DEIP to bridge the gap between world market prices and U.S. domestic prices. Commodities eligible under the DEIP are milk powder, nonfat dry milk, butterfat, and various cheeses. The authorizing legislation for the DEIP provides that the subsidy may be paid in cash or in commodities held by the CCC. As CCC inventories diminished, the DEIP evolved into the sole use of cash payments for the subsidy. The DEIP is subject to U.S. export subsidy reduction commitments under the World Trade Organization's Uruguay Round Agreements, and is therefore capped by both subsidy level and quantity in accordance with those commitments.

The DEIP has helped to meet the needs of U.S. exporters and expanding markets for U.S. dairy products when world prices are depressed due to the application of subsidies by other nations, particularly the European Union. Agricultural economists at FAS continuously monitor the world dairy situation and have the responsibility for recommending issuing allocations under the DEIP as world dairy prices dictate. Since 2002, world dairy prices have warranted issuing allocations under the DEIP five times. DEIP bonuses were last awarded in Fiscal Year 2010 in an amount of $2.37 million. In 2010, the DEIP was used to facilitate U.S. dairy exports around the globe, including mozzarella cheese to China and butter to Saudi Arabia.

International Food Assistance and Development

One of the most significant and compelling challenges the world faces is eradicating chronic hunger and malnourishment. The food aid and development programs administered by USDA's Foreign Agricultural Service are making a difference in the lives of poor and hungry people. These programs support international assistance and development activities that alleviate hunger and improve nutrition, education, and agriculture in some of the world's poorest countries.

McGovern-Dole Program

The McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole Program) is authorized by the Farm Security and Rural Investment Act of 2002. Congress established the McGovern-Dole Program to carry out preschool and school food for education programs in foreign countries to improve food security, reduce the incidence of hunger, and improve literacy and primary education, particularly among girls; and maternal, infant, and child nutrition programs for pregnant women, nursing mothers, infants, and children who are 5 years of age or younger. Under this program, USDA donates U.S. agricultural products and provides financial and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education. The 2002 Farm Bill provided $100 million of CCC funds for the program and authorization of appropriations through 2007. This authorization of appropriations has been extended through FY 2012. In FY 2011, Congress appropriated $199.5 million for the program. In FY 2011, the McGovern-Dole Program will provide benefits to beneficiaries in 15 countries, including, Nepal, Haiti, Guatemala, Burkina Faso, and Senegal.

Since 2003, the McGovern-Dole Program has supported projects in 41 countries and has fed up to five million schoolchildren each year. USDA enters into agreements with implementing organizations to carry out activities under the program. In progress reports, implementing organizations provide information about the number of children being fed, the increases in attendance, and other benefits that lead to improved literacy, better diet, and graduation of the programs. Organizations frequently report gains in attendance of ten percent or more in participating schools. USDA and the implementing organizations develop graduation plans to ensure that progress is being made toward the goal of having a local entity assume responsibility for the program. The McGovern-Dole Program graduated a school feeding project in Moldova, and the Government of Moldova has continued much of the program since the U.S. funding ended. School feeding programs in Kenya, Laos, and Guinea-Bissau are nearing full graduation.

USDA is implementing improvements in program management that will allow for more intensive monitoring of results. In FY 2011, USDA released a results framework for implementing organizations that outlined the objectives for the program. Organizations will begin reporting against these frameworks in FY 2012, and USDA will review the results closely to keep organizations on track. The improvements address a recent GAO recommendation for an improved monitoring process, which we agree with and had recognized as appropriate.

Food for Progress Program

Authorized by Congress through the Food Security Act of 1985, the Food for Progress Program (FFPr) provides commodities on credit terms or on a grant basis to developing countries and emerging democracies to assist in the introduction of elements of free enterprise into the countries' agricultural economies. CCC may purchase commodities for use in Food for Progress if the commodities are currently not held in CCC inventory. The 2008 Farm Bill extends authority for the program through 2012.

Under FFPr, commodities are provided on a donation basis to foreign governments, private voluntary organizations, nonprofit organizations, cooperatives, or intergovernmental organizations. The implementing organizations request commodities and USDA purchases those commodities from the U.S. market. USDA donates the commodities to the implementing organizations and pays for the freight to move the commodity to the recipient country. In meeting the statutory requirements of the program, USDA considers proposals for all developing countries and territories with priority consideration given to proposals for countries with: per capita income at lower or lower-middle income standards (using World Bank statistics); greater than 20 percent prevalence of undernourishment as a proportion of the total population (World Health Organization (WHO) of the United Nations data); and positive movement toward freedom, including political rights and civil liberties (as defined by Freedom House). Depending on the agreement, the commodities donated through FFPr may be sold in the recipient country, and the proceeds used to support agricultural, economic, or infrastructure development programs. Assistance is provided through foreign governments, PVOs, nonprofit organizations, cooperatives, and intergovernmental organizations.

The FFPr allocations for FY 2011 include more than 232,000 metric tons of U.S. rice, wheat, vegetable oil, soybean meal, soybean oil, and corn valued at more than $143 million. The commodity value for FFPr is not limited, however the statute limits the amount UDSA can pay for non-commodity costs to no more than $40 million annually. These donations will reach more than 1.6 million beneficiaries in ten countries, including Haiti, Bangladesh, Uganda, Malawi, and Honduras. For example, in FY 2010, Land O'Lakes received an FFPr grant to improve commercial milk production, processing and marketing in Tanzania. By the end of the program, the gross value of milk produced in Tanzania is projected to increase by $2.1 million. The project will also create 180 new dairy sector-related jobs in private sector enterprises.

P.L. 480 Title I Program

The P.L. 480 Title I program was authorized by Congress in 1954 to allow concessional sales of U.S. agricultural commodities to developing countries. It is now authorized under the Food for Peace Act. Commodities provided under this program may be sold in the recipient country, and the proceeds may be used to support agricultural, economic, or infrastructure development projects in such country. The primary goals of the Title I program are to provide economic assistance and promote food security. Priority is given to countries coping with limited foreign exchange reserves, chronic food shortages, poverty, and underdevelopment in the agricultural sector. Past Title I programs have targeted countries with food insecurity, countries with limited foreign exchange, and countries working to alleviate poverty and develop their agricultural economies.

Over the program's history, USDA made concessional sales in response to requests from foreign governments. Concessional sales were made to governments that were facing food insecurity or economic problems or that were working to alleviate poverty and promote economic development. Since Fiscal Year 2006, new funding has not been requested or appropriated because demand for food assistance using credit financing has fallen and grant programs have become a more appropriate tool for providing food assistance.

Borlaug Fellowship Program

The Borlaug Fellowship Program (BFP) was initiated in March 2004 by FAS in honor of the late Nobel Laureate Dr. Norman E. Borlaug, an agronomist, humanitarian, and the father of the Green Revolution. Congress provided statutory authorization for the program in the Food, Conservation, and Energy Act of 2008. The BFP provides fellowships for scientific training and research in the United States to potential agricultural leaders with the goal of promoting food security and economic growth.

Since its inception in 2004, the Borlaug Fellowship Program has provided agricultural scientific training in the United States for 539 Fellows from 64 countries in sub-Saharan Africa, the Middle East, the former Soviet Union, Asia and Latin America. Collaborative-research and training have spanned such fields as the plant and animal sciences, food safety, agricultural biotechnology, environmental sciences, climate change, and food security. Women agriculturalists receive priority consideration in the program and now comprise nearly 50 percent of participants. During FY 2011 it is anticipated that the Borlaug Fellowship Program will sponsor approximately 34 individuals from 26 countries.

The program has facilitated the adoption of modern agricultural practices in targeted countries by strengthening human and institutional capacity through U.S.-based training. The Borlaug Fellowship Program periodically conducts surveys to gather information from alumni about the impact of the fellowship program on their work. Responses from Borlaug alumni received in Fiscal Year 2010 overwhelmingly reported that their fellowship had a positive impact on one or more aspects of their work. Of the 100 surveys received, the Fellows specifically reported that participating in the Borlaug Fellowship Program positively impacted their research (92 percent), teaching (74 percent), and policy objectives (14 percent), including the adoption of one or more new techniques or technologies (52 percent) in their home institutions.

Local and Regional Food Aid Procurement Pilot Project

The Local and Regional Food Aid Procurement Pilot Project is a 5 year, $60 million pilot project authorized and funded by Congress in the 2008 Farm Bill. Congress authorized the pilot project for the purpose of examining the timeliness and efficiency of local and regional procurement (LRP) as a tool to enhance U.S. Government food assistance programs. The 2008 Farm Bill established four requirements that USDA has met or is on track to meet in regard to the pilot project. First, a study of prior local and regional purchase programs was required. USDA submitted this study to Congress in January 2009. Next, in light of the study, USDA was tasked to develop project guidelines. The guidelines were completed in FY 2009. A third requirement was to implement field-based projects during FY 2009–FY 2011. During this period, six private voluntary organizations and one international organization received funding to undertake 23 field-based projects in 19 different countries. A sample of projects supported by this program include: school feeding in Burkina Faso, relief for drought-affected households in Niger, and income-generating opportunities for women in Mali. At this time, all the available funding for the field-based projects has been obligated and implementation of the projects will be completed by September 30, 2011. The LRP pilot project's fourth and final requirement, an independent evaluation, is moving forward on time. USDA has a contract with an independent evaluator to begin work on the LRP project evaluation and deliver it to Congress as required in May 2012.

Conclusion

As Administrator of USDA's Foreign Agricultural Service, I am proud of our efforts in administering the farm bill authorized trade, food aid, and development programs of the U.S. Department of Agriculture. We look forward to providing any support we can as Congress works on the next farm bill.

This concludes my statement. I look forward to answering any questions you may have. Thank you.

The CHAIRMAN. Thank you, Ms. Heinen.

We will proceed then to Ms. Nancy Lindborg, Assistant Administrator for the Bureau of Democracy, Conflict, and Humanitarian Assistance, U.S. Agency for International Development, Washington, D.C.

Let me point out that with unanimous consent, unless I hear otherwise, the gentleman from Massachusetts, Mr. McGovern, who is not a Member of this Subcommittee, has joined us today. I have consulted with the Ranking Member, and we are pleased to welcome him in joining the questioning of witnesses.

STATEMENT OF NANCY LINDBORG, ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C.

Ms. LINDBORG. Thank you, Chairman Johnson and distinguished Members of the Subcommittee. I appreciate very much the opportunity to be here today to talk about the important subject of food aid programs and those under Title II of the Food for Peace Act in the farm bill.

For over 57 years, USAID Food for Peace programs have allowed the United States to offer a helping hand to those in need. Original recipients of food assistance include countries like France and Belgium in the post-World War II era and more recent graduates like India, who are now our friends, allies and trading partners. With Congress assistance, we have built over the years an enduring legacy that reflects the generosity of the American people and recognizes the importance of food security to our national security.

Through the years, I have encountered many individuals from around the world, as I am sure you have, whose lives have been profoundly altered by offering that important assistance at a critical time in their lives. I remember well the farmer I met in southern Serbia who greeted me warmly with thanks for the Truman eggs he had received or my senior colleague at USAID who grew up in India with food assistance.

The USAID's Office of Food for Peace provides assistance as part of the Food for Peace Act and is responsible for both emergency relief and development food aid programs using donated U.S. agricultural commodities. These programs allow us to provide emergency assistance in response to both natural disasters, such as droughts or floods, as well as in complex, protracted crises like Sudan. In 2010, these Title II emergency programs enabled us to provide critical assistance to 46.5 million people in need in 27 countries around the world, helping us to alleviate malnutrition and hunger. In Pakistan, as you recall, epic flooding that began last year put millions of people in danger. We were quickly able to move U.S. commodities from pre-positioned warehouses, able to move our shipping routes, and allow our NGO and U.N. partners to borrow from Title II commodities already in the region. As a result, we were able to provide urgently needed food assistance to flood survivors quickly.

Similarly, in the aftermath of the Haiti earthquake, we were able to get food to more than three million people desperately in need. In those critical early days, we moved food that was already on the ground in Haiti. We purchased 3,000 tons of American rice and we dispatched over 14,000 tons of food aid from pre-positioned stocks in Texas to reach earthquake survivors in one day.

Today, we are looking at a very serious drought in the Horn of Africa. We have the lowest levels of rainfall in that region in 60 years. This has resulted in severe food insecurity, water shortages, failed crops, and dying livestock, with 11 million people estimated to be in need. Of particular concern are the 800,000 Somali refuges arriving at camps in Ethiopia and Kenya with global acute malnutrition rates well above the emergency threshold. We were alerted about this impending drought last fall through our early warning systems. We began pre-positioning food stocks and have since been able to move food into the region to reach an estimated 4.2 million people. We remain very concerned about this drought, are working with our international partners, but make no mistake that our food aid has made a critical difference in the lives of millions.

The Horn is one of the best illustrations of why we are also focusing on helping people move from food aid to more sustainable productivity. We can't stop droughts and floods from happening but we can enable farmers to be more productive and people to be more resilient. We do that with our development food aid, also part of Title II, which focuses on the most food-insecure countries where stunting rates are the highest and where people live on less than $1.25 per day. We know that getting the right nutrition to children under 2 can make the difference in a lifetime of a well-developed brain and the kind of opportunities that they deserve, and we know that agricultural productivity can help families sustainably provide for themselves.

We work with U.S. non-governmental organizations, the World Food Programme and other U.N. partners to implement development food aid programs in 21 countries to assist eight million people, address chronic malnutrition, boost agricultural productivity and build resiliency. Globally, the Presidential Feed the Future Initiative has a mission to sustainably reduce hunger and poverty and ultimately enable people to move from food assistance to long-term food security. Our Title II programs complement and reinforce this initiative. Working across the U.S. Government and in close partnership with USDA, we are working to build the resiliency of vulnerable populations and to enable people to move into the sustainable productivity that will help them feed themselves. The Horn of Africa is a good example of where we are working to bring all of our resources to bear in meeting the challenges of repeated drought through both our emergency, our development and our Feed the Future resources.

Our food aid has never been more important. As mentioned, somewhere between 700 million and a billion people go to bed hungry every night, and 3.5 million children each year die from malnutrition. The impacts of climate change, the severe weather events that we are seeing combined with densely populated urban centers are making people ever more vulnerable. At the same time, we are seeing rising food prices. We are working hard to increase effectiveness and efficiency and improving the quality of our food products. As you hold farm bill discussions where budgets are tight, food is more scarce and prices are high, we are seeking maximum flexibility to ensure that we can make the strategic choices for maximum impact.

Thank you again for the support from this Committee, and we are very proud to have played a part in the extraordinary story of Title II food aid. Thank you.

[The prepared statement of Ms. Lindborg follows:]

PREPARED STATEMENT OF NANCY LINDBORG, ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, D.C.

Introduction

Thank you Mr. Chairman and distinguished Members of the Committee. I appreciate the opportunity to be here today to address the important subject of food aid programs in Title II of the Food for Peace Act. I will discuss the programs administered by the U.S. Agency for International Development (USAID), the importance of the programs to U.S. national security and to our moral values, some of the major accomplishments of the programs, and the challenges and concerns we face today.

For over 57 years, the USAID Food for Peace program has allowed the United States to live up to our historic mission to help alleviate hunger around the world. With Congress's assistance, we have fed billions of the world's neediest people—perhaps the largest and longest-running expression of humanity ever seen in the world. Some of the countries that have received Title II assistance have become self-sufficient or even food exporters and international donors themselves. While we can look back on this unique American achievement with pride, we must also look forward and address the challenges facing us in this century. There are many.

Under the Food for Peace Act, USAID has responsibility to administer Titles II, III, and V of the Trade portion of the farm bill. The Office of Food for Peace is tasked with managing programs under Title II of the Food for Peace Act, which consists of donating U.S. agricultural goods for emergency relief and development. It is administered through grants to U.S. nongovernmental organizations and the United Nations World Food Program.

Emergency Response

Title II emergency programs aim to address two forms of emergencies—natural disasters such as floods or droughts, and complex emergencies characterized by a combination of natural disaster, conflict, and insecurity.

In FY 2010, Title II emergency programs helped 46.5 million food-insecure people in 27 countries by alleviating malnutrition and hunger. In FY 2010, our emergency programs accounted for over ¾ of our base funding.

In Pakistan, when epic flooding first began last year, Food for Peace sourced U.S. commodities from prepositioned warehouses, altered shipping routes, and allowed partners to borrow from Title II commodities already in the region to assure a timely response.

In the aftermath of the Haiti earthquake, we were able to pull over 6,500 tons from food aid already on the ground, purchased over 3,000 tons of American rice, and dispatched over 14,000 tons of food aid from prepositioned stocks in Texas to reach survivors.

In FY 2011, USAID has already provided significant food assistance to the drought emergency affecting the Horn of Africa, particularly Ethiopia and Somalia, where more than ten million people require emergency assistance. This prolonged drought has resulted in severe food insecurity conditions, water shortages, and acute malnutrition rates above emergency thresholds, particularly among Somali refugees arriving at camps in Ethiopia and Kenya. The rate of new arrivals has significantly increased in recent weeks, with thousands of Somali refugees arriving weekly at refugee camps along the border, including the Dadaab refugee camp in northeastern Kenya. Humanitarian agencies operating in border areas and camps report that individuals are arriving in dire condition, requiring immediate life-saving support. The situation will deteriorate further without increased international attention. Even as we have provided more than $300 million in four countries to respond to the drought, we are working with other donors to help secure their contributions. Make no mistake, however, the Title II program, with the American flag prominently displayed, is making a difference for refugees and drought-affected populations in the Horn today.

U.S. food aid has been critical in supporting millions of displaced persons in Darfur and Sudanese refugees in Chad and elsewhere, as well as saving lives, protecting livelihoods, and promoting the reintegration of returning populations in South Sudan.

These are just a few of the examples of the live-saving work of our emergency response program.

Development Food Aid

We are also focusing our development food aid programs in the most food insecure countries, where stunting rates are highest and people live on less than $1.25 per day. We have reduced the number of countries we work in with development food aid by 25 percent since 2008 in order to focus and concentrate our resources for greater impact. The programs address chronic malnutrition, boost agricultural productivity and incomes, and help build resiliency. Targeted to disaster-prone areas, the program helps people to withstand the next drought or flood so they do not have to rely on emergency aid in the future.

In FY 2010, our U.S. nongovernmental organization (NGO) partners implemented development food aid programs in 21 countries to benefit some eight million people.

In Bangladesh, a country of 156 million people, 45 percent of the population does not meet the minimum food requirements. Approximately 37 percent of children under five are underweight, and over 48 percent suffer from stunting. Three Title II partners aim to assist over 580,000 households in some of the poorest and most marginalized communities over the course of their multi-year development programs. One program has already reduced stunting by 28 percent in targeted communities. They have also provided business training for more than 6,000 female entrepreneurs and increased incomes by 128 percent, among other successes.

Globally the President's Feed the Future initiative has a mission to sustainably reduce hunger and poverty. It aims to link highly productive geographic zones to more vulnerable areas, helping to increase labor opportunities for households, strengthen value chains, and increase rural jobs. Our Title II development programs complement and reinforce this initiative. Through these programs, and in combination with USAID's other governance, development, and disaster mitigation programs, we aim to build the resiliency of the vulnerable populations we serve.

Title III—Food for Development

USAID also has responsibility for Food for Development (Title III), although funds have not been requested or appropriated for this program for more than a decade. USAID is authorized to donate agricultural commodities to a recipient country and to fund the transportation to the point of entry in the recipient country. These commodities may be monetized in least-developed countries' domestic markets and the revenue generated from their sale used to support and implement economic development and food security programs in those countries.

Title V—Farmer to Farmer Program

The John Ogonowski and Doug Bereuter Farmer-to-Farmer Program (Title V) provides voluntary technical assistance to farmers, farm groups, and agribusinesses in developing and transitional countries to promote sustainable improvements in food security and agricultural processing, production, and marketing. The program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agribusinesses, and nonprofit farm organizations to respond to the local needs of host-country farmers and organizations.

In FY 2010, implementing agencies fielded 522 volunteers from 48 states and the District of Columbia. Volunteer assignments focused on technology transfer, organizational development, business and enterprise development, financial services, and environmental conservation. Volunteers worked at various levels of the commodity production and marketing chain, including rural services and input supply, on-farm production, storage and processing, and marketing.

Trends and Concerns

Tonight, nearly one billion people will go to bed hungry and 3.5 million children will die this year of malnutrition. And unfortunately, these numbers may only get worse. Food prices are projected to remain high for at least the next several years. Thus, the U.S. commodities that are at the heart of our food aid programs—wheat, corn, sorghum, beans, vegetable oil—are projected to become more valuable over the next few years. It is difficult to predict where commodity prices will go in the long term.

The impacts of climate change and other extreme weather events, combined with the growth of densely populated urban centers in areas vulnerable to natural disasters, are increasing the risk of large-scale displacement, damage and death due to natural disasters. In addition, the number of people displaced from conflict or violence has increased from 17.4 million in 1997 to 27.5 million in 2010, and displacements are increasingly prolonged.

As Title II costs per metric ton have tripled, from a low of $390 per ton in 2001 to a current high of $1,180 per ton for FY 2011, we expect to ship and program less Title II food aid in Fiscal Year 2011 than we did during Fiscal Years 2009 and 2010 for equivalent amounts of funding.

In this regard, we are strongly concerned about the Fiscal Year 2012 Title II budget of $1.03 billion passed by the House. At this funding level, approximately $590 million of Title II would be available for emergency programs in FY 2012, given the requirement to provide a minimum level of Title II funding for development food aid programs, which must increase by $25 million each year (regardless of appropriations levels). In FY 2012, the development food aid requirement is $450 million. The House cut for Title II would require reductions in the largest emergency food aid programs, to include Ethiopia, Sudan, Haiti, Somalia, Afghanistan, and Pakistan.

It should be underscored that Title II food assistance is extended to people in need regardless of the political regime they live under and the actions of their countries' leaders, provided that adequate access and monitoring of the food aid is allowed. Such a policy is a long and proud American tradition that spans Administrations and one that the Administration continues.

Monetization

While Title II provides funds for transport and distribution of commodities, our partners also need cash to fund other components of development food aid programs. Private voluntary organizations often monetize the Title II development food aid, selling locally and using the proceeds to implement activities that are part of the broader Title II program, such as training agricultural extension workers. But there are limits to the extent this can be done, and as recently recommended by the Government Accountability Office (GAO), we need to be very careful that monetization does not have negative effects on local markets and production.

We have taken note of the recent GAO report on monetization. As food assistance is becoming an increasingly precious resource, we need to make sure that every food aid dollar counts in a world where hunger is increasing. The use of monetization has to be targeted more effectively.

As part of the Feed the Future Initiative, the Administration has requested cash to fund integrated community development efforts that would otherwise be resourced through Title II via monetization. The community development fund would be especially useful when monetization is not an appropriate tool.

We recognize that monetization practices can be improved, and we will consider ways to continue to improve market analyses and monitoring and evaluation of monetization as well as the returns we get on monetized food.

In this regard, USAID continues to manage a project to help ensure Title II programs comply with the Bellmon Amendment, which requires that adequate storage facilities be available in a recipient country upon arrival of a commodity to prevent spoilage or waste, and that distribution of the commodity in the recipient country will not result in substantial disincentive or interference with domestic production or marketing in that country. The Bellmon Estimation for Title II (BEST) Project is conducting independent market analyses to ensure that these requirements are met. Studies have already been completed for a number of countries, which are posted on the USAID public website.

My colleague from the U.S. Department of Agriculture (USDA) will be sharing with you information on their programs. We work closely with USDA on programming and commodity procurement. We are working to assure that we regularly exchange solicitations for future activities, that field-based staff increase collaboration, and that our monetization activities are well coordinated.

More Efficient and Effective Food Assistance

Let me also mention several other measures we have taken to make Title II assistance more effective and efficient to assist the most vulnerable populations overseas.

For more effective decision making on emergency food aid allocations, and to better link early warning and response to emergencies, we developed a new Famine Early Warning System Network resource (FEWS NET)—the Food Assistance Outlook Briefing—which provides warning of food assistance needs 6 months in the future. These predictions are critical because of the time required to purchase and ship in-kind food aid from the United States. Already this system has allowed us to preposition commodities near the Eastern Horn of Africa to provide quick delivery of commodities in response to severe droughts.

Globally, we have expanded our prepositioning to six sites, allowing us to maintain a continuous flow of vital food aid and in some cases reduce our response time significantly.

As you know, Administrator Rajiv Shah has embarked on a USAID Forward reform effort that prioritizes evidence-based programming. As a reflection of our commitment to understand and improve impact we are undertaking a number of steps including:

- Adding monitoring and evaluation technical experts to our field team;
- Offering workshops and training to partners on monitoring and evaluation;
- Refining indicators to better measure our effectiveness; and
- Conducting research to better capture and summarize results and make recommendations for improved programming.

Food Aid Quality

Looking ahead, I want to mention a new initiative underway to improve the overall quality of our in-kind food aid.

Just 3 months ago, in partnership with Tufts University, we released a 2 year food aid quality review produced in close consultation with private sector stakeholders, nongovernmental organizations, and leading nutritionists. We recognize and are grateful to Congress for their support in this effort. The review identified several ways to better match the nutritional quality of the food USAID provides to help children reach their maximum potential. Nutrition science now tells us that if a child does not receive certain basic nutritional requirements in the first 1,000 days of life his or her brain will never fully develop and he or she can never reach his or her full intellectual potential.

We are targeting young children and their mothers in our food programs, and we will now have a panoply of products better suited to meet their nutritional needs. We will improve the micronutrient fortification of vegetable oil and milled grains and are working on development of a new blended product for preventing malnutrition in children from 6 months to 2 years. New products will also include new emergency bars, biscuits, and pastes that can quickly be distributed to displaced, malnourished populations. Together with our partners in academia, industry and other stakeholders, we are developing the next generation of food aid commodities.

At the International Food Aid and Development conference in June, we had an opportunity to discuss in detail the findings of the report and to continue the exchange with both our domestic and international food aid partners about how we can move forward together on this important agenda.

Broader Food Aid Reform

As expressed earlier, to allow us to address these challenges we will need to continue to seek improvements in the effectiveness and efficiency of the food aid systems, as well as broader reform. The farm bill represents the greatest opportunity to address the need for broader food aid reform, to enable us to be more responsible stewards of this important national resource.

The multiple legislative mandates for Title II in the Food for Peace Act create a number of operational difficulties and hinder the effectiveness of Title II. For example, 75 percent of development commodities must be processed, fortified or bagged. It is very difficult to meet this requirement, forcing USAID to make less than optimal product selections—leading to supply- rather than demand-driven programming. Other mandates instruct USAID to:

- Monetize at least 15 percent of development food aid;
- Increase by $25 million per year the value of development programs, up to no less than $450 million in Fiscal Year 2012;
- Provide no less than 1.875 million metric tons of development food aid annually. (This is an unrealistic sub-minimum that would require close to the full Title II annual budget to meet.)

There are other technical requirements that are distinct and separate from the Title II food aid program, including cargo preference and the "Great Lakes" set-aside statutory requirement, where clarifying language in legislation would allow Title II to be free from such restrictions.

Congress will hold the forthcoming farm bill discussions in a context where budgets are tighter than ever, food is scarcer, and prices are high. In light of these challenges, we will be seeking maximum flexibility to assure that we can make strategic choices that yield maximum impact. We seek your support to reduce the complex and inefficient directives that hamper our programming choices and minimize our flexibility.

Conclusion

Food aid programs are complex, and the problems and issues that Title II food aid must address are increasingly complex. USAID believes that the area for greatest convergence of our interests is in ensuring what we have long held as a basic principle: that the right food should get to the right people at the right time, while doing no harm. As we look ahead, let me assure you that USAID remains committed to its role in supplying food aid to vulnerable people. With the support from Congress, we have fought and won many battles in the fight against hunger and malnutrition. Our programs have fed billions of the world's neediest people, averted famines, and helped countries lift themselves out of poverty and dependence.

Assisting in this effort are our partners. USAID has forged tremendously important partnerships with private voluntary organizations, as well as the UN World Food Program, to meet the food assistance needs of people around the world. Their teams have carried out their mission successfully and often at great personal risk. We recognize both their commitment and their sacrifice, including the many humanitarian aid workers who have lost their lives while assisting others. Those partnerships are strong, and continue into the future.

We would also like to acknowledge our important partners in the agriculture sector—the farmers (businessmen), grain elevator operators, truckers, bargemen, freight forwarders, port operators, carriers, and others—who form an unbroken chain of humanity stretching from this country's fertile fields to hungry families half a world away.

As we reflect back on the enduring legacy that Food for Peace has had over the last 57 years, we should be proud of the impact we have had on those we have assisted and those who remember the American food that helped them and their families in times of need.

I would again like to thank you for the support the Agriculture Committee has given to assist USAID in addressing food security needs abroad, demonstrating to the world the great heart of the American people. We should all be proud to have played a part in the extraordinary story of Title II food aid. Thank you.

The CHAIRMAN. Thank you for your testimony.

Let me ask first of Ms. Heinen, what is the total amount, total dollar amount that FAS has spent on salaries and expenses out of the CCC since Fiscal Year 2009?

Ms. HEINEN. I would say approximately $3 million. In the last year, we were given permission to use the program money instead of the CCC funds. I am trying to make a distinction here between the CCC Section 11 money and the program funds, and in the last 2 years we have used some program funds, a small amount. Previous to that we used about $2 million a year out of Section 11 funds.

The CHAIRMAN. How does that figure in Fiscal Year 2009 compare to the figure 2 years before, Fiscal Year 2007?

Ms. HEINEN. In Fiscal Year 2007, I believe we were able to cover our expenses for running the programs out of our appropriated salaries and expenses.

The CHAIRMAN. Both the Fiscal Year 2011 Continuing Resolution and our Fiscal Year 2012 appropriation bill give authority for FAS to use mandatory program funds for salaries and expenses. Could you detail for this Committee how much of the program funds are being used for costs including, not exclusive but including technical assistance, salaries, expenses for the program which receive mandatory funding and are operated by FAS?

Ms. HEINEN. In the MAP program, I believe we have used about $2 million a year out of the program funds since we had permission to use program funds, about $300,000 under the FMD program, and even smaller amounts for the smaller programs, TASC, EMP.

The CHAIRMAN. Would you acknowledge that that is a fairly unique, not totally unique but a fairly unique arrangement in terms of funding?

Ms. HEINEN. In our food assistance programs, we also use that authorization, type of authorization to fund the salaries of people who we use to administer the programs, so it is unique for us in the last couple of years but looking across programs in the U.S. Government, we do not believe that this is unique.

The CHAIRMAN. Well, in the structure of how you are funding various objectives, what are you doing, what are you specifically doing to save money for the United States Government?

Ms. HEINEN. One way that we think is effective in saving the government money is our unified export strategy. We have one program, an electronic system that we have put in place where program participants apply for any of the programs that they want to use through one single entry point. This saves us time in evaluating between programs, and it also minimizes the number of people that we need to administer the programs because each program, each proposal and each program is matched with the most appropriate program that Congress has authorized for us to use. In our food aid programs, we have also gone to electronic-type systems to expedite and provide more transparency to the program delivery.

The CHAIRMAN. Let me just ask quick question of Ms. Lindborg. In your agency's response to the annual delivery cost for Public Law 480, Title II, you gave us a figure of about $730 per metric ton. This number doesn't really tell us very much about the cost of implementing that program, Public Law 480. Could you describe in the limited time that you have in a little more detail the individual elements of this figure such as how much of the program delivery cost is salaries, how much is administrative expenses, indirect costs, shipping, storage and monitoring?

Ms. LINDBORG. Mr. Chairman, I would be delighted to get you that information in a written form. It is a complex list. It does include our ocean freight, inland freight, internal shipping and handling in our Section 202(e) funds. We do continually seek to find the most effective way possible to ship our food. As you may be aware, there was an independent study done recently Cornell University that indicated that the taxpayers pay an extra $140 million a year because of some of the commodity cargo preferences approaches.

[The information referred to is located on p. 297.]

The CHAIRMAN. I have a few more philosophical questions later but I defer to the distinguished Ranking Member from California, Mr. Costa.

Mr. COSTA. Thank you again, Mr. Chairman.

Ms. Lindborg, as you know, current law requires the submission of the international aid report by the USDA and USAID by April 1st. It is my understanding that that information has not been provided on the type and the impacts of the programs that have been conducted from the previous year, and I would like to know when we are going to get it and what has been the delay.

Ms. LINDBORG. Thank you, and our apologies for the delay. It is in its final stages, and I understand you will be receiving it very, very soon.

Mr. COSTA. All right.

Ms. Heinen, the first question deals with the Technical Assistance for Specialty Crops, which as I noted in my opening statement is very important to those who grow specialty crops around the country but certainly in California. The 2008 Farm Bill authorized funding at $4 million in Fiscal Year 2008, increasing incrementally, as I understand it, for 2011 and 2012. How has this increased funding been allocated?

Ms. HEINEN. As I mentioned, we have one portal for administering our funds but we do have a special assistance for the specialty crops of $9 million. We take applications from cooperators who work with us——

Mr. COSTA. Can you give us some idea of which countries, which commodities, which examples have worked best?

Ms. HEINEN. Probably any kind of horticultural crop that you can name has applied for these funds. Anyone who applies and meets the criteria does receive funds, and we work with applicants to ensure that they have the proper applications.

Mr. COSTA. I mentioned earlier how sometimes phytosanitary standards are used. Has TASC been effective in breaking down technical food or animal restrictions?

Ms. HEINEN. Absolutely. Just yesterday, I was talking with the Almond Board, and they told me that they use their TASC funds to change some standards that were going to impede their access to the Indian markets, saving them about $250 million in exports. We have used them to face problems with changing sanitary standards in countries around the globe—Mexico, China, pretty much everywhere.

Mr. COSTA. Well, I want to go on to some other questions, but you did hit my sweet spot. Someone must have tipped you off. I grow almonds.

A recent economic analysis conducted by Global Insight, I am told, incorporating the multi-year impact of market development expenditures from these programs from 2002 to 2009 indicated that for every dollar invested, there were $35 in agricultural export gains. I think that is a significant statistic, and 13 times greater than the average savings that the taxpayers would see from funding the program. The Market Access Program that you spoke of in your comments has a number of areas that I think are very important that I would like to continue in the reauthorization of the farm bill. It is under question by some the need to have both the Foreign Market Development Program and the Market Access Program. Some are arguing that they are both branded generic commodities while one program only promotes generic commodities. Why do we need to have two programs? Can we combine them?

Ms. HEINEN. Both programs I think serve different functions really. The Foreign Market Development really looks at more long-term things like trade servicing, which is necessary when you are trying to——

Mr. COSTA. But we have tight budgets and I think you are going to have to——

Ms. HEINEN. I understand.

Mr. COSTA.—think out of the box, because this will be something that the full Agriculture Committee will have to consider next year.

The food assistance effort to promote market development efforts by the private sector, how does the USDA ensure that Federal funds for market promotion are not displacing these funds?

Ms. HEINEN. How does market promotion funds not displace——

Mr. COSTA. From the private sector that otherwise would be spent for overseas promotion.

Ms. HEINEN. We match funds with the private sector. Our——

Mr. COSTA. Can we leverage better?

Ms. HEINEN. Can we leverage better? The private sector is spending more than $1.50 for every dollar we put in now and in some cases and in some industries much more than that. Can we ask them to do more? Yes, we could ask them to do more. In some cases, it may be difficult for new entrants into programs but I think that they have shown their commitment to investing their own funds and their own time into this effort.

Mr. COSTA. Mr. Chairman, my time has expired, but I have some additional questions that I am going to want to focus with the panel as it relates to a host of our trade-related assistance efforts. I think there is really value added for all the reasons that were stated before, and as we look at the reauthorization of the farm bill, I think we need to make sure that when we talk about fair trade and giving American agriculture the ability to access these markets, that we need to ensure that we are as effective as we possibly can.

The CHAIRMAN. Thank you, Mr. Costa.

I would recognize then the gentleman from Indiana, Congressman Stutzman.

Mr. STUTZMAN. Thank you, Mr. Chairman, and thank you, ma'am, both of you ladies for being here today. I will direct my questions first of all to Ms. Heinen.

Secretary Vilsack has said that record agricultural exports should help support more than one million jobs across the country. Does FAS have any statistics on how many private sector jobs are created due to trade promotional programs?

Ms. HEINEN. Yes, Congressman. Our research indicates that for every billion dollars in exports, 8,400 jobs are generated in the United States. So we believe that it is very important to the rural economy especially.

Mr. STUTZMAN. Okay. Very good. A recent press release by the USDA stated that overseas shipments of agricultural products have totaled $75 billion in the first 6 months of the fiscal year. Do you know what is the percentage of trade promotion programs within the $75 billion?

Ms. HEINEN. It is difficult to exactly say which ones but we do know where we have interceded in markets that have made a difference. We have recently concluded some programs in Algeria, for example, that opened up $43 billion in dairy exports or possibility for dairy exports. We recently concluded agreements with, or met the standards using some of these funds and partnership with agricultural community to meet a deadline that would have prohibited about $150 million worth of our trade and plant products into Vietnam. The combination of our program, our partnership with the ag community and our agricultural attachés overseas, we can trace and we can give you some information later if you would like to see some of the activities and programs that we know have made a significant difference in the export numbers.

Mr. STUTZMAN. Sure, I would be very interested in that.

[The information referred to is located on p. 297.]

Ms. Lindborg, what is the total amount spent on ocean freight for food aid before the MARAD reimbursements?

Ms. LINDBORG. We spend—the annual delivery cost is about $730 per metric ton, and that is inclusive of a variety of costs including the internal transport shipping and handling and the 202(e) costs, and we are happy to give you a more detailed breakout.

Mr. STUTZMAN. Okay. Yes, that would be helpful as well. And then also, could you describe the number of countries you are focusing on with your development programs and then also how do you choose which countries you are focused on?

Ms. LINDBORG. Sure. As I mentioned, our development programs, we work with our NGO partners in those countries that have the people who live on less than $1.25 per day, and we are working in 21 countries right now to assist about eight million people, and we focus particularly on those who are most in need and address chronic malnutrition, particularly in children under 2, and seek to improve agricultural productivity to create pathways out of the need for continued assistance.

Mr. STUTZMAN. How do you choose which development project should move forward? I mean, if you see a malnutrition program, I mean, there are a variety of places that you could obviously be involved. How do you—is it people that approach you, you approach them?

Ms. LINDBORG. Obviously we can't be everywhere in the world with the needs globally. We choose our countries on the basis of where there are unmet needs, where we are able to make a difference with the communities and populations we are serving and where we have a trusted partner who is able to demonstrate results.

Mr. STUTZMAN. And could you elaborate on some of those locations?

Ms. LINDBORG. On where we are currently doing those programs?

Mr. STUTZMAN. Yes.

Ms. LINDBORG. Certainly. And another criteria that we are increasingly looking at is, are there ways that with that program we can leverage our other assistance programs, either through the Feed the Future Initiative or other of our aid programs. So, for example, in countries like Sudan, we are currently working, as that new nation is born, to work with farmers and women to improve their ability to move from what has been several decades of food assistance to growing crops that can feed the families and sustain them more productively. Oftentimes there are also components of increased water sanitation that are so important, so one important aspect of these programs is that they are able to work across a variety of sectors in a particular community.

Mr. STUTZMAN. Thank you.

Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

The chair would recognize the gentleman from North Carolina, Congressman Kissell.

Mr. KISSELL. Thank you, Mr. Chairman, and we certainly do welcome our witnesses here today.

Ms. Heinen, I read today where our trade deficit is approaching a 3 year high, so we obviously welcome exports of any kind, especially in agriculture. As the Ranking Member said, nobody does it better than what we do. I asked this question in a previous hearing where we were also talking about agriculture exports. We know food prices are rising worldwide, and we are not immune from that ourselves here in the United States, and it does affect our families. So what are some internal controls that we might use as we try to increase the exports that we are not in some way creating supply and demand problems that would cause our prices to go up here in and our families to suffer for something that maybe we could use internally that we don't have to export?

Ms. HEINEN. Congressman, thank you for the question. We believe—we monitor the market very closely but we believe that we can satisfy both markets. Currently, our agricultural industry does depend largely on exports. Twenty-five to 30 percent of our crop is exported. And in some cases, some industries are even more dependent on the export market where 95 percent of the consumers are located. We work hard in agriculture to increase productivity so that we can continue to feed our own people at reasonable prices, prices that they have come to expect. We think it is important to look outside as well to ensure that our farmers have outlets for their product, and we don't have to spend a lot to support prices in this country. So we are in kind of a new epoch where the prices are much higher but we think it is important to continue to raise our productivity and to be a reliable supplier for our important customers overseas.

Mr. KISSELL. Well, I appreciate that and very much support the export aspect of agriculture. It is very important that we have these markets and the things you are doing there. We appreciate also just keeping an eye on the supply and demand at home to kind of balance that too. You are talking about the need to increase our productivity, and there is another hearing this Committee had recently on biotech, and we haven't made a lot of progress in the last few years in introducing new products. Ms. Lindborg, as we look to move some of our product overseas, do we find resistance in terms of some of the genetically altered foods that we are growing here with great success and the seeds that would offer solutions to some of the drought areas and other problem areas? Are we finding resistance to these moves?

Ms. LINDBORG. Different countries have different policies, as you know, regarding the GMO crops. We are clearly concerned about ensuring that our food can reach those who need it the most in a timely manner, and believe that we are able to consistently do that by focusing where we can make the most difference.

Mr. KISSELL. Well, one of the things our hearing pointed out once again is that in the last few years, we haven't been able to get many of these new ideas moved forward but we have a pretty clean history in terms of these genetically altered materials being proven to be safe. I know different parts of the world are resistant to this but hopefully this is something we can also use these needs and demands to translate to more of these foods being available and helping these folks with drought-resistant seeds and things like this solve their own problems as you talked about. Mr. Chairman, I yield back.

The CHAIRMAN. Thank you.

The chair would recognize the gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman, and I will be asking to be excused shortly because of an Armed Services Committee meeting, so I will be brief.

Ms. Heinen, Ms. Lindborg, thank you for joining us today, and I will stick to one question and one comment, if you will, one promotion, maybe. What can you tell me about the President's outlook for trade and the role that the USDA will play in that? I mean, one of my primary concerns is that USDA will not have the role in agricultural trade relationships going forward that it currently does if we follow through with his initiative. Can you speak to that briefly?

Ms. HEINEN. Sure. As you know, OMB is in charge of this process to look at efficiencies in government, but we did meet with them and we did explain our programs and why we exist as we do. Of course, we want to be helpful and we want to find efficiencies but in going through the process, which I did myself, I was more and more convinced of the importance of having the Department of Agriculture maintain this role. We work very close with our regulatory partners in USDA to solve some of the SPS and some of the other kinds of unique issues with agriculture. There are certification issues, there are port regulatory—there are just a whole range of issues.

In addition, our reporting overseas is really critical to our baseline products of supply and demand all around the world, and that is part of a process every month that we go through to determine where the needs are, where the markets are, and it is important to supporting our farm community here. We think that we have found one agency that can do a great deal in all the different aspects of trade and so we would like to maintain those efficiencies as we have. Of course, also our legislation, our trade programs are all centered with CCC, which is with the Secretary of Agriculture, so that is another issue that we would have to look at if we were going into a combined trade agency. The report, as we hear now, is probably—or suggestions from the report due in September, so we will wait to evaluate the suggestions that they have come up with at that time.

Mr. SCOTT. My experience has been that if you are not from the farm, you really don't understand agriculture. My fear is that we have somebody outside of the USDA handling the trade for agriculture, that we simply won't get an effective trade agreement.

Ms. Lindborg, I am going to leave this for you. This is a product that I came across. It is a mother-administered nutrition aid, and UNICEF is using this. It is essentially a peanut butter paste for malnourished children, and they are headed out of North Carolina. It is manufactured in Fitzgerald, Georgia. It is a charitable organization put together by missionaries but it is three packs a day for a malnourished child. It is packaged in a manner so that it would last for 2 years no matter what the climate it is in. I will have a staff member bring you the information, the fact sheet on it, but if you don't mind, I would appreciate if you would look at it and just speak with me at your convenience over the next couple of weeks about this product and see if we can establish a relationship. I think it would be a very cost-effective way for you to help achieve some of your goals. Thank you.

Ms. LINDBORG. Thank you, Congressman. I would just note that improving the food quality is one of our number one goals to ensure that the right kind of nutritional foods are available to those critical first thousand days, so I look forward to talking to you further.

Mr. SCOTT. That is what it is designed for. Thank you.

The CHAIRMAN. The chair would recognize the gentleman from Massachusetts, Mr. McGovern.

Mr. MCGOVERN. Well, thank you, Mr. Chairman. I want to thank you and the Ranking Member for allowing me to sit in on this Subcommittee hearing. My interest for being here is that I care very deeply about our food aid programs, and I appreciate very much both USDA and USAID for a lot of the incredible work that you are doing as we speak. I think the Feed the Future Initiative is a good initiative because it connects all the dots and comes up with a comprehensive plan to not only deal with the issue of hunger but to deal with the issue of sustainability. Too often in this country, we are expending billions and billions of dollars responding to emergencies that probably could have been prevented or could have been better prepared for. And so in the long run, that will save us a great deal of money.

But I was concerned during the debate on the ag appropriations bill that a lot of these programs like the McGovern-Dole program—and I should state for the record that I am not the McGovern in the McGovern-Dole program, although I am one of the primary authors of the bill. It is George McGovern and Robert Dole. But programs like that, which are designed to make sure that every child in the world gets at least one nutritious meal a day in a school setting, and Food for Peace came under attack. I realize that we are in tough budgetary times but I think a lot of my colleagues on both sides of the aisle don't quite appreciate the benefits of these programs. Yes, none of them are perfect and they could be better run.

I cosponsored a request to GAO to do an audit and analysis of both McGovern-Dole and Food for Peace with Don Payne of New Jersey. There are some suggestions there that I know both USDA and USAID have enthusiastically embraced, which is good because we are always trying to improve the program. But there are American jobs that are created as a result of these programs, not just in farms but in trucking and in inspection, and on and on and on and on. But I also think it also fulfills a moral obligation we have to be proud of this global effort to end hunger. I am worried because hunger is one of those things that doesn't seem to be getting better. We are getting to the point where there is close to a billion people in the world who are hungry, and I am worried that in the Fiscal Year 2011 Continuing Resolution and in the appropriations bill, we have made some cutbacks. Obviously we are making some tough choices but I don't see that as saving money because it creates a whole bunch of other problems—more refugees, more health costs, more emergencies. And this is more than a humanitarian issue, it is a national security issue. I always remind people that protesters in Egypt that were protesting, food was one of the reasons why they were protesting.

And so I would appreciate if you could help me with a couple questions. One, the impacts of cutting back on these programs, even though we have tough budgetary times, what are the costs? The other thing is, some of the recommendations in some of the reports that have been requested talk about putting greater emphasis on better nutrition, which costs a little bit more. How do you deal with that dilemma of trying to increase the standards in terms of nutrition for hungry people around the world but at the same time dealing with the costs?

But I think we need to do a better job of helping quantify for Members of Congress that a little bit of investment up front saves you a lot in the future. The one final thing is, what are we doing to try to encourage our global partners to step up to the plate and be as generous as we are on some of these issues?

Ms. LINDBORG. First of all, I thank you for your tireless advocacy for the hungry around the world. It makes an extraordinary difference, and please know that we very much share your concern, both with ensuring that we are able to continue to play the leadership role that we do in providing food to those who are most in need, doing it in the most cost-effective way and doing it in partnership with others. We have worked closely to encourage emerging donors such as Brazil to be able to join us in provision of food where the needs are far greater than any one nation can do alone, in particular in places like the Horn where we have 11 million currently in need. We have indeed looked hard at how to improve our effectiveness and efficiency of how we provide food assistance as well as improving our monitoring and evaluation systems, and continue to appreciate good suggestions on how to improve that.

On the food quality issue, thanks to the support of this Committee, we have spent 2 years working with Tufts University to look very closely at what is the nutritional composition that most meets the needs of children under 2. When I was in Kansas City at the International Food Aid Conference about a month ago, we launched that study. We are working in partnership with industry, shippers, growers and our NGO partners to look not just at what is the composition, what is the nutritional elements of the food, but how do we target that more effectively. We believe that that is ultimately the most cost-effective thing, cost-effective approach that we can take in ensuring that in those critical 2 years, children are able to get the nutrition they need. Thank you.

The CHAIRMAN. The chair would recognize the gentleman from Illinois, Mr. Schilling.

Mr. SCHILLING. Thank you, Chairman.

I guess this could be for both of you or just one. I also have to excuse myself because I need to go after this question to the House Armed Services Committee meeting. Many of our programs utilize public and private partnerships with nonprofit organizations to implement individual projects. What is the process your agency uses to evaluate and approve the administrative costs for each project? How often does your agency reevaluate these guidelines? What is the average indirect support cost allowed as a percentage of the grant or agreement?

Ms. HEINEN. We have a number of programs, I think 13 under this title, so we have some different criteria. Under our market promotion programs, we have an open opportunity each year for cooperators and those who want to participate to put in proposals. We evaluate those and allocate the funds through a single process. In the case of our food assistance programs, each year we meet with the private voluntary organizations of interest. We explain to them what we will be looking for in programs including what are our priority countries are for that year, which change. That is because we can't hit all the countries all the years. We give them guidelines for what we want in the way of proving and results, and we continue to refine this process each year to try to make it more efficient and more effective.

Mr. SCHILLING. Very good.

Ms. LINDBORG. We have, with our NGO partners, particularly working on development food aid programs, we have an open competitive process and we work very closely in advance of the guidelines being issued with our NGO partners, and then review with some very specific guidelines and goals of the proposals when we receive them. Through the course of those projects, we have people on the ground or visiting those programs to do close monitoring and evaluation, again in processes that we develop in partnership with the NGOs.

Mr. SCHILLING. Very good. Thank you very much. With that, I yield back.

The CHAIRMAN. The Chairman would recognize the lady from Alabama, Ms. Sewell.

Ms. SEWELL. Thank you, Mr. Chairman. I wanted to welcome our witnesses here today.

I guess my question has to do with an industry that is very dear and near to my heart and to the district that I represent in Alabama, and that is catfish. I wanted to just ask you, Ms. Heinen, if you could tell me a little bit about what I could expect as far as future opportunities when it comes to catfish in foreign markets. Specifically, as you know, the Food Safety Inspection Service actually asked for comments on definition of what is catfish. I personally, like most of my catfish farmers, want a broader definition of catfish to ensure that we don't have any fraudulent markets of catfish. Could you please speak to what has been done by FAS to help ensure that catfish farmers and growers like those located in my district are able to tap into new foreign markets and expand their market share?

Ms. HEINEN. Yes. As you probably know, the comment period has closed now on the *catfish* definition, so we await FSIS's answers on those. The Catfish Institute is one of our cooperator groups that we work with every year to try to develop markets. I think this year they received MAP funds in excess of $300,000. Primarily, we look to the industry to give us what they think are their primary market issues and primary forward-looking markets, but we also use our people overseas to try to find markets and opportunities for different products that may be in demand.

I think our greatest success with catfish has been close to home in Canada, which is true for many of our agricultural commodities. Canada is our second largest market now, but we are definitely working with them to try and look at new opportunities. One of the things that we encourage is that different cooperators work together to find ways that they might have synergies that they can help the other entrants in new markets where they have complementary products. So we are in close contact. We also have a regional trade organization in the South, so they work also with some of the individual smaller companies that might be involved in the catfish industry.

Ms. SEWELL. I know that you are quite aware that the President signed a Executive Order recently for government reform and reorganization, and I really wanted to talk to you a little if you could speak to the pros and cons of any type of reorganization within FAS and how that would impact farmers.

Ms. HEINEN. Well, certainly if we can find efficiencies, that is an advantage for the taxpayer. It is possible in a broader trade agency, maybe we would get more funding. On the other hand, we are a little bit afraid that we would be overwhelmed by larger agencies that might take more of the funding. We are concerned that we would lose a lot of our analysis capability that we think it is important both for supporting farm programs in the United States and for informing our farmers about what are the market opportunities overseas. We believe very much that our attachés provide a unique service to America's farmers and ranchers because agriculture exports is more than just promoting agriculture, it is port entry, it is knowing the people, it is having insights into the regulations and knowing when they are going to change and knowing how that minor word might destroy an opportunity for a U.S. product because of the way our industry might be structured and things like that. So we see some downside risks with really having a close cooperator partnership with the industry and one that can really inform us well of when things are changing overseas that might have impact and have to weigh that heavily against what efficiencies might be gained by having a single agency for trade.

Ms. SEWELL. Thank you.

The CHAIRMAN. I would now call on the Ranking Member, Mr. Costa, who has a follow-up question or so.

Mr. COSTA. To both our witnesses, I would like to refocus on some comments that were made earlier regarding the Doha round proposal. There is discussion about putting some of the items developed during the Doha round into a Harvest Plus package. I hope you are familiar with that. That would be agreed upon by World Trade Organization members at the December ministerial meeting. Among those identified for inclusion of this package is the export competition pillar, I am told, for agriculture in the 2008 draft modalities, which includes food aid. That is why I think both of you I would like to have respond. For the USDA, Ms. Heinen, what would the impact be of the December 2008 draft food aid tax for the Food for Progress Program under these circumstances?

Ms. HEINEN. Thank you, Congressman. Well, in general at this point, I don't think that we see a package for early harvest that we think would be advantageous to the United States but of course we are open to continuing that discussion.

Mr. COSTA. I am told that under point 12 of the proposal that the language is a problem and it is not acceptable. Do you concur?

Ms. HEINEN. On the monetization issue, we think that we would have to make some significant changes in our program, yes.

Mr. COSTA. And what would be the impact, Ms. Lindborg, of the 2008 language on the Food for Peace programs? Are you familiar with that?

Ms. LINDBORG. Yes, I am. We are working closely with USTR and of course USDA to ensure that our emergency food aid programs are not unduly constrained. As it is currently framed——

Mr. COSTA. As it is currently framed, the monetization, I am told, to support ag development activities that support mother nutrition programs would be impacted.

Ms. LINDBORG. Monetization would be constrained. Emergency food aid under the U.N. is currently protected, and we want to ensure that NGOs are as well in their ability to deliver assistance.

Ms. HEINEN. If I might add, we do not think that the McGovern-Dole program would be affected at this point.

Mr. COSTA. I share my colleague, Congressman McGovern's concern because as I said, anecdotally, I think all of us have traveled abroad and seen the impact and the benefits of these programs. We are also mindful of the fact that there are challenges to getting the food to those who need it most, and clearly this is something that I want to work with my colleague, Congressman McGovern, and others on as we address the 2012 Farm Bill.

Let me finally ask one more question, Ms. Heinen. The Subcommittee held a hearing in April examining the export programs. I referred to in my earlier questions, the Market Access Program in particular. I suggested to the USDA at that time, but I also think it is worth revisiting again today based upon the comments that some have made regarding the Market Access Program. Some have criticized it as a subsidy or corporate welfare. Those of us who are familiar with the program I think have a different view. Could you please explain to the Subcommittee Members your own take on the benefits of the Market Access Program?

Ms. HEINEN. Yes, Congressman. When the program was originally authorized by Congress, there were not constraints on the size of companies and I think that there were some recipients that people thought didn't need the assistance, but that has been changed in subsequent farm bills and so that now the monies go to nonprofit organizations, cooperatives that benefit the whole range of farming who represent a broad group of farmers.

Mr. COSTA. And give us a greater opportunity to access those markets to establish that fair trade that isn't always a two-way street.

Ms. HEINEN. Absolutely. They use these monies to look at barriers, sanitary, phytosanitary barriers, many communication barriers, all sorts of things, getting even on shelves in supermarkets, the kinds of things that can make the difference for consumers' choice.

Mr. COSTA. Thank you.

The CHAIRMAN. Mr. McGovern, do you have a second round of questions?

Mr. MCGOVERN. Briefly, Mr. Chairman, because my commentary, my question was so long, Ms. Heinen, I didn't get a chance to allow you to respond, but just to clarify a couple things for the record, in terms of administrative costs for the programs we are talking about in terms of food aid, I mean, are they higher than other administrative costs in other agencies or are they about the same? I mean, how would you classify the administrative costs of some of these programs?

Ms. LINDBORG. We continually seek the flexibility that enables us to make the most cost-effective choices in moving the food because we do think it is so important that we have the ability to provide emergency food assistance to those in need.

Mr. MCGOVERN. My understanding is that these programs are pretty well run by independent analysis, and sometimes there is this perception out there that all we need to do is cut more overhead here and staff here. I mean, part of the reason why you need adequate staff is because we are asking for you to do more monitoring and to deliver things more effectively, and that does require additional oversight and additional staff.

Ms. LINDBORG. Absolutely, and we take the monitoring and evaluation very seriously, and you had asked earlier about how to quantify the impact, and I would say that we are very concerned that at a time where the needs are rising around the world, some of the projections for next year would leave us with less than half of the funding that we currently have to meet the needs of emergency food aid.

Mr. MCGOVERN. Which means that thousands or tens of thousands or millions of people will not be able to get food?

Ms. LINDBORG. Yes. Since 2008, we have served 140 million people globally. The average varies from year to year but it would be in the magnitude of 11 million people who we would not be able to reach.

Mr. MCGOVERN. Go ahead.

Ms. HEINEN. If I could just add that we are working closely with USAID and we are coordinating more to try and find efficiencies, but this is kind of an inherently risky proposition in many places that you are providing food aid, so those costs do go up. We are also working hard with the industry in the United States, which we think has a very important part to play in the provision of food aid and in helping us find better ways to package, better ways to deliver, better ways to serve the hungry of the world.

Mr. MCGOVERN. Let me just say with regard to the McGovern-Dole program, I mean, again, I was one of the primary authors of that program although I am not related to the guy that it is named after, but that is a program that I really have been impressed with in terms of its ability to respond to some of the suggestions, whether it is through internal audits or whether it is through the Government Accountability Office to try to find ways to continue to improve and to be more effective and more cost-effective, if you will, but to reach more people. I think both within USAID and within USDA, I mean, that has been the case, and we need to make it clearer to people as to why these programs are so important and why they save us money, why they save lives, and why they are in our national security interest. I mean, there is not an actual constituency out there to tell Members, please continue to vote for a robust food aid budget for international food aid programs. So I appreciate your efforts in both agencies and I want to continue to work with you and make them even better. I think we need to do a better job of lifting this issue up and I think USAID and the Secretary of State and Secretary Vilsack have done a really good job with Feed the Future. People need to know more about that. I thank you both.

Thank you, Mr. Chairman.

The CHAIRMAN. Let me just conclude by a specific and a general question and then we will bring the hearing to a close.

Ms. Heinen, in regard to the Borlaug Fellowship Program, you have highlighted that that program has provided training opportunities for participants from a number of countries, I think you said 64 countries in areas like biotechnology. Could you expand for us on what types of training the Borlaug fellows receive and how that training can be utilized to build regulatory capacity in their home countries?

Ms. HEINEN. Yes, Congressman. The Borlaug Fellowship Program, of course named after the Nobel Laureate, Norman Borlaug, is helping to bring science to countries that have not invested in science in the past, and we have good examples of bringing scientists here for 4 or 5 months and they go back and they bring new technologies to their countries. We have examples where they have passed new laws that can provide for pilot technology, where they can do better testing for aflatoxins; that ruins crops and poisons people in some of these developing countries. So we find it to be a very effective program to bring our science to the developing world so that they can participate in feeding their people.

The CHAIRMAN. Let me just ask one concluding question that is neither intended as either mean-spirited or politically correct, and I am sure every district in the country, in my district, people in Taylorville, Illinois, will ask me, we have a fiscal crisis, huge national debt, and we have hungry people here at home. How do these programs that the two of you implement and analogous programs in our government not only benefit the people for whom they are intended but how do they benefit people here in Taylorville, Illinois, or in Boston, Massachusetts?

Ms. HEINEN. We have of course two kinds of programs. We think directly our programs that help exports are bringing jobs to those communities, bringing new opportunities to those communities, and so we think there is a very direct benefit. As far as our food assistance programs and helping countries overseas, as they can take care of themselves better, we think our costs for conflict and our costs for feeding the rest of the world will be reduced. As we make our farmers more efficient, we keep food prices down for our consumers here at home, so in those three ways I believe our programs are very helpful to your communities.

The CHAIRMAN. Well, thank you, Members of the Committee. Thank you, Mr. McGovern, in particular for your courtesy of being with us today. We greatly enjoyed and benefited from your presence.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any questions posed by a Member.

This hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture is adjourned.

[Whereupon, at 11:23 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY SUZANNE HEINEN, ACTING ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

During the July 13, 2011 hearing entitled, *Agricultural Program Audit: Examination of Foreign Agriculture and Food Aid Programs,* a request for information was made to Suzanne Heinen. The following is the information submission for the record.

Insert

Mr. STUTZMAN. Okay. Very good. A recent press release by the USDA stated that overseas shipments of agricultural products have totaled $75 billion in the first 6 months of the fiscal year. Do you know what is the percentage of trade promotion programs within the $75 billion?

Ms. HEINEN. It is difficult to exactly say which ones but we do know where we have interceded in markets that have made a difference. We have recently concluded some programs in Algeria, for example, that opened up $43 billion in dairy exports or possibility for dairy exports. We recently concluded agreements with, or met the standards using some of these funds and partnership with agricultural community to meet a deadline that would have prohibited about $150 million worth of our trade and plant products into Vietnam, so the combination of our program, our partnership with the ag community and our agricultural attachés overseas, we can trace and we can give you some information later if you would like to see some of the activities and programs that we know have made a significant difference in the export numbers.

Mr. STUTZMAN. Sure, I would be very interested in that.

We recently examined the impact and effectiveness of foreign market development programs administered by FAS. In 2010, Global Insight, Inc., a private economic and financial analysis research firm, updated a cost-benefit analysis of two cost-share programs (the Market Access Program [MAP] and Foreign Market Development Program [FMD]). The analysis showed that for every dollar that the government and industry invested on market development activities an additional $35 of U.S. food and agricultural exports was generated. Global Insight's report concluded that U.S. agricultural exports in 2009 were $6.1 billion—or six percent—higher than they would have been without the increased investment in market development.

Market development program investments can pay immediate dividends, such as new sales at trade shows and on trade missions as I discussed in my testimony. The investments can also build markets that result in years of sustained sales. For example, in Nigeria, a 10 year combined U.S. Wheat Associates and USDA investment of MAP and FMD funds exceeding $2.5 million resulted in increased U.S. wheat sales of over $750 million in FY 2010—a 265 percent increase over 2001 sales. Through close public-private partnerships, USDA and American producers can achieve real increases in market share and exports.

SUPPLEMENTARY MATERIAL SUBMITTED BY NANCY LINDBORG, ASSISTANT ADMINISTRATOR, BUREAU FOR DEMOCRACY, CONFLICT AND HUMANITARIAN ASSISTANCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

During the July 13, 2011 hearing entitled, *Agricultural Program Audit: Examination of Foreign Agriculture and Food Aid Programs,* a request for information was made to Nancy Lindborg. The following is the information submission for the record.

Insert

The CHAIRMAN. Let me just ask quick question of Ms. Lindborg. In your agency's response to the annual delivery cost for Public Law 480, Title II, you gave us a figure of about $730 per metric ton. This number doesn't really tell us very much about the cost of implementing that program, Public Law 480. Could you describe in the limited time that you have in a little more detail the individual elements of this figure such as how much of the program delivery costs is salaries, how much is administrative expenses, indirect costs, shipping, storage and monitoring?

Ms. LINDBORG. Mr. Chairman, I would be delighted to get you that information in a written form. It is a complex list. It does include our ocean freight, inland freight, internal shipping and handling in our Section 202(e) funds. We do continually seek to find the most effective way possible to ship our food. As you may be aware, there was an independent study done recently Cornell University that indicated that the taxpayers pay an extra $140 million a year because of some of the commodity cargo preferences approaches.

Table containing information follows:

FY10 Title II Food for Peace Title II Associated Costs (to date) for FY 2010

Commodities	$798,162,595	37.5%
Ocean Freight	$431,097,863	20.3%
Inland Freight	$196,838,908	9.2%
Section 202(e)	$221,143,220	10%
Internal Transport, Shipping, Handling	$445,827,166	21%
Personal Service Contractors	$12,057,640	1%
Miscellaneous	$23,523,963	1%
Total	$2,128,651,355	100%

Note: Amounts reflect obligated to date. Miscellaneous includes technical assistance, Famine Early Warning System (FEWS), office space, International Food Relief Partnership (IFRP), information technology (IT), *etc.*

SUBMITTED QUESTIONS

Response from Suzanne Heinen, Acting Administrator, Foreign Agricultural Service, U.S. Department of Agriculture *

Questions Submitted By Hon. Timothy V. Johnson, a Representative in Congress from Illinois

Question 1. Ms. Heinen, your testimony states that applicant contributions are not required in the Technical Assistance for Specialty Crops program when the grant funds are awarded, but contributions are strongly encouraged. What percentage of approved projects provide contributions? What type of contributions are generally provided? Do you think it would be helpful to require applicants to provide a contribution?

Question 2. USDA has announcement changes in the Market Access Program and Foreign Market Development Program, yet we have not seen any revisions in proposed changes. Have you heard from cooperators about those proposed changes? Do you plan to put forward an updated proposal after hearing from market participants' recommendations?

Question 3. Ms. Heinen, could you please elaborate for the record the unique characteristics and functions of each of our export promotion programs, and the distinct role each program plays in the creation, expansion, and maintenance of international markets for U.S. agricultural products? Do you see any overlap or duplication in what these programs are designed to achieve?

Question 4. How much funding will be used this year from all sources for purchasing commodities from local or regional suppliers for food aid with U.S. program funds? What are your primary food safety and quality challenges when purchasing locally?

Question Submitted By Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question. How has USDA/FAS participated in the OMB-directed study related to trade reorganization of the Federal Government? How would USDA administered programs for market development and export credit guarantees be affected if they were merged into a larger, more broadly focused trade agency?

Response from Nancy Lindborg, Assistant Administrator, Bureau for Democracy, Conflict and Humanitarian Assistance, U.S. Agency for International Development

Questions Submitted By Hon. Timothy V. Johnson, a Representative in Congress from Illinois

Question 1. How much funding will be used this year from all sources for purchasing commodities from local or regional suppliers for food aid with U.S. program funds? What are your primary food safety and quality challenges when purchasing locally?

Answer. The Emergency Food Security Program (EFSP) was launched in April 2010. It is managed by USAID's Office of Food for Peace (FFP). EFSP provides grants for the local or regional procurement of food commodities, or the use of cash or vouchers for the purchase of food in response to an emergency overseas. In fiscal year 2011, $300 million in International Disaster Assistance appropriated through

* There was no response from the witness by the time this hearing went to press.

the State, Foreign Operations Appropriations Act was used for the Emergency Food Security Program. As stated in the USAID International Emergency Food Assistance Annual Program Statement (APS), locally and regionally procured commodities under the EFSP must meet safety and quality standards. For local and regional procurement, bulk grains, legumes, and pulses must meet recipient country food safety standards. If the recipient country does not have food safety guidelines for grains, legumes, and pulses, then awardees must adhere to the Codex Alimentarius Recommended International Code of Practice. All other food products, including processed foods, fortified blended foods, and enriched foods, also must comply with the Codex Alimentarius Recommended International Code of Practice. Since the Emergency Food Security Program was started, USAID has not received any complaints regarding commodity safety or quality.

Question 2. Ms. Lindborg, in your testimony you mentioned the $450 million set-aside for development funds. Could you provide additional details on how this provision may impact your ability to meet humanitarian needs?

Answer. Under the Food for Peace Act, USAID must provide a minimum level of Title II funding for development food aid programs, which must increase by $25 million each year (regardless of appropriations levels). In FY 2012, this development food aid requirement is $450 million. The House-passed FY 2012 agriculture appropriations bill contained $1.032 billion for Title II, which would include the $450 million requirement for development food aid. USAID would have approximately $580 million remaining for emergency programs in FY 2012. Compared to the FY 2012 Title II emergency request of $1.240 billion, this would be a cut of $660 million in emergency food aid. During FY 2008–2010, USAID programmed approximately $1.8 billion annually in Title II emergency resources.

Question 3. Ms. Lindborg, the 2008 Farm Bill provided additional authorities for prepositioning food aid to address urgent needs and reduce costs. How much have you spent on these warehousing sites? Is there a cost difference if the warehouse is empty?

Answer. Since FY 2008, USAID has spent a total of approximately $12.9 million for overseas pre-positioning of Title II commodities. The pre-positioned warehouses only cost money when USAID has cargo situated within them. USAID does not hold leases on these warehouses. Rather, USAID is billed for usage.

Question 4. Ms. Lindborg, your testimony mentioned your policy to swiftly respond to any instances of fraud, waste, and abuse. Do you feel the monitoring and evaluation of programs by your agency staff is adequate to avoid instances of fraud in the first place?

Answer. USAID's Office of Food for Peace (FFP) is fully committed to Administrator Shah's USAID Forward reforms that promote improved monitoring, evaluation, and transparency of food assistance programs. In part thanks to the additional flexibility provided in the 2008 Farm Bill, FFP has increased the number of monitoring and evaluation field staff stationed throughout the world to provide increased oversight and monitoring assistance to Title II awardees. Awardees report quarterly on lost and damaged commodities; and FFP is currently implementing a series of commodity management workshops to ensure that Title II awardees appropriately monitor the receipt and distribution of Title II food aid.

Question 5. For FY 2010, could you please elaborate on the specific cost components under P.L. 480 Title II, including:

The average cost and range of costs per delivered metric ton (MT) for emergency food aid.

Answer. The average costs per delivered MT for Title II emergency food aid during FY 2010 was $954. This includes awards made to both U.S. non-governmental organizations (NGOs) and the World Food Program (WFP). The figure includes commodity costs, shipping costs, and awardee implementing costs, such as internal transport, storage, and handing (ITSH), and section 202(e) administrative costs.

Question 5a. How much of P.L. 480 Title II funding was implemented by the World Food Program (WFP), and how much was implemented by U.S. non-governmental organizations (NGO)?

Answer. USAID awarded WFP $1,224,533,600 of Title II emergency resources in FY 2010. A combination of U.S. based and non-U.S. based NGOs were awarded $298,017,200 of Title II emergency resources. USAID also awarded NGOs $401,015,000 for the implementation of Title II development food assistance programs.

Question 5b. Is there a difference in the delivered cost per metric ton between what the WFP implemented and that which NGOs implemented? What criteria does USAID use to determine whether to provide funding through WFP or an NGO?

Answer. WFP's global average delivered cost per metric ton is $145.88 higher than NGO implemented programs. This variation is primarily a factor of commodity and freight price volatility, program locations, and programming considerations (ration mix, beneficiary targeting, distribution timing and methodology), rather than a measure of the operational efficiency of WFP or NGO partners.

While each country context is different, the main factors considered when making funding decisions are:

➢ *Timing*—When must the food be called forward in order to reach beneficiaries on time? Will there be significant pipeline breaks at critical periods (such as the hunger season) that require assistance be sent now?

➢ *Nature of the needs*—What are the main factors indicating a food security emergency (acute malnutrition rates, significant crop losses, *etc.*)? What is the extent or severity of the emergency/food insecurity in the country or area in question?

➢ *Appropriateness*—Which or what combination of tools/resources (*i.e.,* EFSP or Title II) are most appropriate to address the needs?

➢ *Constraints*—Are there other factors (*e.g.,* host government policies, implementing partner capacity, or USG policy concerns) that should influence USAID support?

➢ *Operational Capacity*—Is the organization that submitted the appeal or proposal to USAID capable of carrying out the program?

Question 5c. For the WFP emergency programs, please show a breakout of average cost per metric ton of the following components: commodity, ocean freight, inland transportation, storage, handling, direct costs, any other specified costs, and the 7% overhead allowed for WFP indirect support costs. Do these costs include all costs associated with delivering the food to the recipient, as well as reporting and monitoring?

Answer.

FY 2010 WFP Emergency Programs

	MT	Total Emergency	Commodity Price	Ocean freight	Inland freight	ITSH	202(e)
Total	1,283,900	$1,224,533,700	$458,435,400	$188,087,700	$106,131,300	$367,167,100	$104,712,200
Average		$953.76	$357.06	$146.50	$82.66	$285.98	$81.56
Percent of Total Cost			37%	15%	9%	30%	9%

The above table breaks down the cost of Title II emergency programs implemented by WFP into the following components: commodity price; ocean freight; inland freight; internal transportation, storage, and handling (ITSH); and section 202(e). Cost does include monitoring and evaluation. Please note that commodity and freight prices fluctuate throughout the year, and that not all programs incur inland freight costs. Section 202(e) funds include direct and other specified costs as described in the Food for Peace Act. WFP's direct support costs and other direct operational costs are covered through both ITSH and section 202(e) funds. The seven percent overhead allowed for WFP indirect support costs are reflected in the 202(e) expense category.

Question 5d. When NGOs partner with WFP to deliver food aid to particular populations, do NGOs bear some of those costs?

Answer. WFP establishes sub-agreements with its NGO partners, which may include what costs may be reimbursed as a result of these partnerships.

Question 5e. Could you explain how the WFP seven percent overhead rate was determined?

Answer. WFP's financial regulations are governed by its Executive Board. Comprising 36 State Members of the United Nations or Member Nations of the Food and Agriculture Organization, including the United States, the Executive Board establishes the overhead rate.

Question 5f. For the NGO-implemented emergency programs, please show a breakout of average cost per metric ton of the following components: commodity, ocean freight, inland transportation, storage, handling, direct costs, any other specified costs, and the negotiated indirect cost recovery (NICRA).

NGO Emergency Programs

	MT	Total Emergency	Commodity Price	Ocean freight	Inland freight	ITSH	202(e)
Total	368,890	$297,888,100	$120,412,400	$51,400,500	$27,830,400	$63,413,800	$34,831,000
Average		$807.53	$326.42	$139.34	$75.44	$171.90	$94.42
Percent of Total Cost			40%	17%	9%	21%	12%

The above table breaks out the cost of NGO implemented emergency programs into the following components: commodity price; ocean freight; inland freight; internal transportation, storage, and handling (ITSH); and section 202(e). Please note that commodity and freight prices fluctuate throughout the year, and that not all programs incur inland freight costs. Section 202(e) funds include direct and other specified costs as described in the Food for Peace Act. Indirect costs, determined by each NGO's negotiated indirect cost rate agreement (NICRA), are included in section 202(e) funds.

Question 5g Could you please explain how NICRA is determined? Do these costs include all costs associated with delivering the food to the recipient and reporting and monitoring? Does it include any other activities beyond food distribution?

Answer. Each NGO negotiates its indirect cost rate with one government agency that has been assigned cognizance. Usually the cognizant government agency is that agency which has the largest dollar volume of contracts with the firm or organization. The resulting NICRA is binding on the entire government. The NICRA contains both final rates for past periods and provisional (billing rates) for current and future periods. The Office of Food for Peace (FFP) does not apply NICRA rates to ITSH costs, equipment purchases, or sub-awards valued at greater than $25,000. Some examples of indirect costs are office space rental, utilities, and clerical and managerial staff salaries.

Question 5h What was the average cost per metric ton for the Title II non-emergency programs? Could you please show a breakout of the average cost per metric ton of the following components: commodity, ocean freight, inland transportation, storage, handling, direct costs, any other specified costs, and the associated NICRA?

FY10 Title II Development Programs

	MT	Total Development	Commodity Price	Ocean freight	Inland freight	ITSH	202(e)
Total	500,150	$401,015,000	$171,694,400	$78,582,600	$27,466,800	$52,347,100	$70,924,100
Average		$801.79	$343.29	$157.12	$54.92	$104.66	$141.81
Percent of Total Cost			43%	20%	7%	13%	18%

The above table breaks out the cost of NGO implemented development programs into the following components: commodity price; ocean freight; inland freight; internal transportation, storage, and handling (ITSH); and section 202(e). Please note that commodity and freight prices fluctuate throughout the year, and that not all programs incur inland freight costs. Section 202(e) funds include direct and other specified costs as described in the Food for Peace Act. Indirect costs, determined by each NGO's NICRA, are paid through section 202(e) funds.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—U.S. DEPARTMENT OF AGRICULTURE

1. Program Name

P.L. 480 Title I.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The P.L. 480 Title I program was authorized in 1954 to allow concessional sales of U.S. agricultural commodities to developing countries. It is now authorized under the Food for Peace Act. The U.S. Department of Agriculture and the recipient country enter into an agreement, which may provide that the commodities may be resold by the recipient country and the proceeds used to support agricultural, economic, or infrastructure development projects. Since Fiscal Year 2006, new funding has not been requested or appropriated because demand for food assistance using credit financing has fallen and grant programs have been a more appropriate tool.

4. Purpose/Goals

Title I provides for government-to-government sales of agricultural commodities to developing countries under long-term credit arrangements. The primary goals of the Title I program are to provide economic assistance and promote food security. Priority is given to countries coping with limited foreign exchange reserves, chronic food shortages, poverty, and underdevelopment in the agricultural sector. Past Title I programs have targeted countries with food insecurity, countries with limited foreign exchange, and countries working to alleviate poverty and develop their agricultural economies.

5. Success in Meeting Programmatic Purpose/Goals

The Title I program account has not received funding since 2006. Over the program's history, USDA made concessional loans in response to requests from foreign governments. Concessional loans were made to governments that were facing food insecurity or economic problems or that were working to alleviate poverty and promote economic development.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$146
2003	$140
2004	$132
2005	$117
2006	$64
2007	$3
2008	$3
2009	$3
2010	$3
2011	$3

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays [a]
2002	$182
2003	$88
2004	$121
2005	$116
2006	$66

FY	Outlays [a]
2007	$60
2008	$27
2009	$25
2010	$17.4
2011	$16

[a] Does not include subsidy reestimate.

Not all payments (outlays) are made during the year in which budget authority is made available. Outlays could be made up to 5 years after the appropriation is received. Most payments are made by the third fiscal year after the appropriation. For most sales agreements under Title I, CCC will pay ocean freight charges only to the extent of the difference between U.S.-flag rates and foreign-flag rates when U.S.-flag vessels are required to be used in order to meet cargo preference requirements. The difference in rates is known as the ocean freight differential and those costs are included the outlays above.

8. Annual Delivery Cost (FY 2002–FY 2011)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost	FTEs	
		FTE	Tech. Assist.
2007	$3.4	0.166	3.373
2008	$2.7	0	2.680
2009	$2.7	0	2.736
2010	$2.8	0	2.812
2011	$2.8 (est.)	0	2.806

9. Eligibility Criteria

Title I does not have a strict set of eligibility criteria, which allows the program to be flexible and to provide needs-based assistance. Although Title I concessional sales may be made to private entities, the vast majority have been made to sovereign governments. When making funding decisions, USDA considers food security, economic, and financial needs.

10. Utilization (Participation) Data

In 2006, USDA funded two Title I concessional sales to two sovereign governments (Peru and the Philippines).

11. Duplication or Overlap with Other Programs

The Food for Peace Act contains several titles, including Title II (administered by the U.S. Agency for International Development). However, Title I and Title II avoid overlap because they have distinct missions and goals. Title II programs target highly vulnerable populations in very poor countries through food security interventions and humanitarian assistance (including direct distribution). Title I, on the other hand, assists sovereign governments with broader economic needs and agricultural development.

12. Waste, Fraud and Abuse

FAS is proactive in monitoring Title I for any indications of waste, fraud or abuse. FAS has not found any systemic problems in Title I.

13. Effect of Administrative PAYGO

None.

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1. Program Name

McGovern-Dole International Food for Education and Child Nutrition Program.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole Program) was authorized by the Farm Security and Rural Investment Act of 2002. Named in honor of Ambassador and former Senator George McGovern and former Senator Robert Dole for their efforts to encourage a global commitment to school feeding and child nutrition, the program replaced the pilot Global Food for Education Initiative, which fed nearly seven million children during 2001–2002. Since 2003, the McGovern-Dole Program has supported projects in 41 countries and fed 4–5 million children each year. The 2002 Farm Bill provided $100 million of Commodity Credit Funds for the program and an authorization of appropriations through 2007. This authorization of appropriations has been extended through FY12. In FY 2011, Congress appropriated $199.1 million for the program.

4. Purpose/Goals

Congress established the McGovern-Dole Program to carry out preschool and school food for education programs in foreign countries to improve food security, reduce the incidence of hunger, and improve literacy and primary education, particularly with respect to girls; and maternal, infant, and child nutrition programs for pregnant women, nursing mothers, infants, and children who are 5 years of age or younger. Under this program, the U.S. Department of Agriculture (USDA) donates U.S. agricultural products and financial and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries that are committed to universal education.

5. Success in Meeting Programmatic Purpose/Goals

USDA enters into agreements with implementing organizations to carry out projects under the McGovern-Dole Program. In progress reports, implementing organizations provide information about the number of children being fed, the increases in attendance, and other benefits that lead to improved literacy, better diet, and graduation of the programs. Organizations frequently report gains in attendance of ten percent or more in participating schools. Teachers indicate that children are more attentive, have more energy, and will attend school for the whole day.

One example is a program with International Partnership and Human Development in Guinea-Bissau. Activities include the provision of nutritious meals, nets and medicines to reduce malaria, and furniture for the schools. Infrastructural improvements are also underway for the school buildings and water and sewage systems. IPHD is focused on graduating or transferring responsibility for the program and is providing training and other support to build the country's capacity. The program contributed to a 15 percent increase in school enrollment and an 11 percent reduction in absenteeism and dropout rates during the first 2 years. The children have more incentive and desire to attend school. Parents and local community members are realizing the benefits of education, and PTA participation is on the rise. The government has taken notice of IPHD's successful strategy, and the Ministry of Education has stationed one of its top officials in its offices.

USDA and the implementing organizations develop graduation plans to ensure that progress is being made toward the goal of having a local entity assume responsibility for the program. The projects in 41 countries are at different stages in achieving graduation. The McGovern-Dole Program graduated a school feeding project in Moldova, and the Government of Moldova has continued much of the program since the U.S. funding ended. School feeding programs in Kenya, Laos, and Guinea-Bissau are nearing full graduation.

USDA is implementing improvements in program management that will allow for more intensive monitoring of results to ensure that implementing organizations are contributing to the desired results. In FY 2011, USDA released results frameworks that outlined the objectives for the program and the desired results. Organizations will begin reporting against these frameworks in FY 2012, and USDA will review the results closely to keep organizations on track or to make course corrections.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$0
2003	$100
2004	$50
2005	$87

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)—Continued

FY	BA
2006	$98
2007	$99
2008	$99
2009	$85
2010	$210
2011	$199.5

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$0
2003	$100
2004	$43
2005	$93
2006	$91
2007	$96
2008	$91
2009	$104
2010	$83
2011	$2

Not all payments (outlays) are made during the year in which budget authority is made available. Outlays could be made up to 5 years after the appropriation is received. Most payments are made by the third fiscal year after the appropriation

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost	FTE
2007	$1.000	8
2008	$1.500	12
2009 [a]	$3.000	13
2010 [a]	$2.300	13
2011 [a]	$3.500 (est.)	13 (est.)

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

9. Eligibility Criteria

By statute, eligible entities are "private voluntary organizations, cooperatives, intergovernmental organizations, governments of developing countries and their agencies, and other organizations." Under regulations, to be eligible to participate in the McGovern-Dole Program an organization must have the capacity to implement, monitor, and report on an award; experience working in the targeted country; an adequate financial framework to carry out the program; representation in the United States; and an operating financial account in the proposed target country. In addition, USDA publishes an annual list of McGovern-Dole priority countries in order to focus its resources where they are most needed. Priority countries must have a per capita income below $3,945; have a child growth stunting rate greater than 20 percent; have adult literacy rates below 80 percent; have government commitment to education; be free of civil conflict; and have USDA post coverage (to facilitate monitoring).

10. Utilization (Participation) Data

In FY 2010, the McGovern-Dole Program provided $174.1 million to 23 organizations to implement school feeding and nutrition programs, assisting 4.3 million beneficiaries in 18 countries. Approximately $3.5 million was used to cover administrative costs and an additional $10 million was allocated to fund the Micronutrient Fortified Food Aid Products Pilot, as required by Congress. The remaining $21.9 million was rolled into FY 2011 to support programs in Haiti and Afghanistan, which were announced October 1, 2010.

In FY 2011, the McGovern-Dole Program will provide $198 million to eight organizations in 15 countries to implement school feeding and nutrition programs, assisting 3.59 million beneficiaries. A detailed table of the FY 2011 is attached.

11. Duplication or Overlap with Other Programs

The McGovern-Dole Program's purpose and goals do not overlap with those of other USDA food assistance programs. The U.S. Agency for International Development's Title II program also provides school feeding in emergency situations. The McGovern-Dole Program provides school feeding over a longer period with a goal of graduating the program by having the government or other entities in the recipient country assume responsibility for the program.

12.Waste, Fraud and Abuse

The Foreign Agricultural Service (FAS) closely monitors the McGovern-Dole Program to ensure that participating organizations carry out agreements in accordance with program regulations. In recent years, financial, programmatic and compliance controls have been strengthened to identify and address any problematic issues or potential violations. FAS has also increased monitoring at the field level and invested in information systems to better implement program controls. Where any indications of waste, fraud and abuse have been found, FAS has been aggressive in pursuing corrective action, including criminal prosecution, to secure the recovery of funds and prevent recurrence. However, vigorous monitoring and oversight procedures have kept such indications to a minimum, and FAS has not found any systemic problems in the McGovern-Dole Program. The FAS Compliance staff routinely reviews McGovern-Dole Program agreements to document compliance and to ensure the effectiveness of FAS's internal controls. The McGovern-Dole Program also is frequently audited by both the USDA Office of Inspector General and the Government Accountability Office, each of which provides detailed reports and recommendations for improvement. The most recent GAO report was released on May 19, 2011 (GAO–11–544). Finally, the McGovern-Dole Program is included in the Commodity Credit Corporation's annual audit, and is subject to additional government-wide oversight and reporting requirements as well, including the Improper Payments Information Act of 2002.

13. Effect of Administrative PAYGO

None.

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Fiscal Year 2011

Fiscal Year 2011 McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole)

McGovern-Dole Program: Approved Fiscal Year 2011 Allocations

Country	Participant/Commodity *	Beneficiaries	Est. Value (Million $)
Bangladesh	World Food Program/Wheat	350,000	$30.0
Burkina Faso	Catholic Relief Services/Bulgur, Cornmeal, Lentils, Vegetable Oil	130,000	$13.5
Congo	International Partnership for Human Development/Beans, Dehydrated Potatoes, Milled Rice, Vegetable Oil	110,000	$14.0

Fiscal Year 2011 McGovern-Dole International Food for Education and Child Nutrition (McGovern-Dole)—Continued

McGovern-Dole Program: Approved Fiscal Year 2011 Allocations

Country	Participant/Commodity *	Beneficiaries	Est. Value (Million $)
Guatemala	SHARE/Beans, Milled Rice, Soybean Meal, Vegetable Oil	160,000	$23.0
Guinea-Bissau	International Partnership for Human Development/Beans, Dehydrated Potatoes, Milled Rice, Vegetable Oil	110,000	$16.0
Laos	World Food Program/Corn Soy Blend, Milled Rice, Vegetable Oil	250,000	$10.0
Mali	Catholic Relief Services/Milled Rice, Peas, Vegetable Oil	180,000	$18.0
Nepal	World Food Program/Vegetable Oil, Wheat	270,000	$6.0
Nicaragua	Food for the Poor/Beans, Non-fat Dry Milk, Milled Rice, Textured Soy Protein, Vegetable Oil	100,000	$12.5
Afghanistan	World Vision/Milled Rice, Peas, Vegetable Oil	80,000	$11.9
Haiti	Haiti Vision/Beans, Milled Rice, Vegetable Oil	30,000	$4.5
Haiti	World Food Program/Lentils, Milled Rice, Vegetable Oil	250,000	$6.0
Kenya	World Food Program/Bulgur, Corn Soy Blend, Peas, Vegetable Oil	650,000	$9.4
Liberia	World Food Program/Bulgur, Peas, Vegetable Oil	350,000	$6.4
Malawi	World Food Program/Corn Soy Blend	300,000	$8.3
Senegal	Counterpart International/ Bulgur, Lentils, Vegetable Oil	270,000	$8.5
Total	**McGovern-Dole Program Allocations**	**3,590,000**	**$198.0**

1. Program Name

Local and Regional Food Aid Procurement Projects.

2. Subprograms/Department Initiatives

None.

3. Brief History

The USDA Local and Regional Food Aid Procurement Pilot Project (USDA LRP Project) is a 5 year, $60 million pilot authorized and funded by Congress in Section 3206 of the Food, Conservation, and Energy Act of 2008 (Farm Bill) for the purpose of examining the timeliness and efficiency of local and regional procurement (LRP) as a tool to enhance U.S. Government food assistance programs. The LRP pilot provides cash grants for the purchase of food from surplus-producing areas in the country or region to respond to a natural disaster or other food crisis.

4. Purpose/Goals

The goal of the USDA LRP Project is to produce an independent evaluation of field based LRP projects, which will help inform Congressional discussions regarding the future use of local and regional procurement in U.S. Government food assistance programming. The evaluation is specifically to examine: the benefits to local agriculture; the impact on markets and consumers; the period of time required for procurement and delivery; quality and safety assurances; and implementation costs.

5. Success in Meeting Programmatic Purpose/Goals

To achieve the goal of the USDA LRP, the authorizing law established four objectives that have been met or are on course to be met.. The first objective required a study of prior local and regional purchases, which USDA completed and submitted to Congress in January 2009. The second objective called for development of project guidelines, and these were completed in FY 2009. The third objective concerned implementing field-based projects during FY 2009–2011. All available funding for the projects has been obligated, and implementation will be completed by September 30, 2011. The fourth objective called for an independent evaluation of the project to be completed by June 2012. USDA has contracted with Management Services International has to conduct the evaluation.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$0
2003	$0
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0
2009	$5
2010	$25
2011	$25

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$0
2003	$0
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0
2009	$0
2010	$1
2011	$39

Not all payments (outlays) are made during the year in which the program agreement is entered into. Outlays could be made up to 5 years after the project is implemented. Most payments are made by the third fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost		FTE	
	Section 11 & General appropriations Admin. Cost	Prog. Funds for Admin. Support	FTE	Tech Assist
2007				
2008				
2009 [a]		$.3	1	1
2010 [a]		$1.0	2	1
2011 [a]	$0	$1.6	2 (est.)	1

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

This program began in FY 2009.

Beginning in FY 2009, Section 103 of the American Recovery and Reinvestment Act (ARRA) exempts program funds used to pay authorized administrative costs from counting against the CCC section 11 cap. In FYs 2010 and 2011 Appropriations Act provisions continued to allow program funds to be used for administrative costs.

9. Eligibility Criteria

By statute, private voluntary organizations and international organizations are eligible.

10. Utilization (Participation) Data

During FY 2009 to FY 2011, six private voluntary organizations and one international organization (the World Food Program) received funding. The participants implemented 23 projects in 19 different countries. About 1.7 million beneficiaries received assistance.

11. Duplication or Overlap with Other Programs

While the pilot aspect of the USDA LRP Project is unique the individual emergency response field-based projects funded under the USDA LRP Project can be similar to projects funded by USAID's Food for Peace Office (FFP) under the Emergency Food Security Program. The USDA LRP Project team actively shares information, and collaborates, with FFP to avoid duplication or overlap with their programs. In addition to the emergency response projects, the USDA LRP Project allows for funding of projects that focus on the development of suppliers in recipient countries. USAID's program funds emergency response projects only.

12. Waste, Fraud and Abuse

None identified.

13. Effect of Administrative PAYGO

None.

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USDA Local and Regional Procurement Project Funding Allocations FY 2009–2011

	FY	Organization	Recipient Country	Program Type	Awards	Funding Available	Admin.	Total Unobligated
1	2009	WFP	Mali	Development	$1,049,752			
2	2009	WFP	Malawi	Development	$1,700,001			
3	2009	WFP	Tanzania	Development	$2,000,185			
			FY 2009 Sub-total		**$4,749,938**	**$5,000,000**	**$250,062**	**$0**
4	2010	Mercy Corps	Niger	Emergency	$4,577,747			
5	2010	Land O'Lakes	Bangladesh	Development	$2,619,919			
6	2010	CRS	Guatemala	Emergency	$1,751,205			
7	2010	CRS	Mali	Development	$106,098			
8	2010	CRS	Benin	Development	$1,278,694			
9	2010	CRS	Burkina Faso	Development	$985,965			
10	2010	IRD	Cambodia	Development	$710,138			
11	2010	Land O'Lakes	Zambia	Development	$3,624,017			
12	2010	WFP	Mali	Development	$1,104,906			
13	2010	Fabretto	Nicaragua	Development	$675,147			
14	2010	WFP	Congo, Republic of	Emergency	$2,449,128			
15	2010	WFP	Cameroon	Emergency	$819,885			
16	2010	WFP	Chad	Emergency	$3,107,000			
			FY 2010 Sub-total		**$23,809,851**	**$25,000,000**	**$1,178,000**	**$12,149**
17	2011	World Vision	Uganda	Development	$3,965,025			
18	2011	WFP	Cameroon	Emergency	$2,180,808			
19	2011	UMCOR	Zimbabwe	Emergency	$1,623,177			
20	2011	WFP	Mozambique	Emergency	$3,498,791			
21	2011	WFP	Pakistan	Emergency	$5,719,963			
22	2011	CRS	Niger	Emergency	$4,465,632			
23	2011	World Vision	Kenya	Emergency	$1,871,750			
			FY 2011 Sub-total		**$23,325,146**	**$25,000,000**	**$1,573,000**	**$101,854**
			Total Funded		**$51,884,934**	**$55,000,000**	**$3,001,062**	**$114,004**

1. Program Name

Food for Progress.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Food for Progress (FFPr) program was authorized by the Food for Progress Act of 1985. Most recently, it was reauthorized through 2012 in the 2008 Farm Bill. Since 1985, FFPr has provided donated U.S. agricultural commodities to developing countries and emerging democracies committed to introducing and expanding free enterprise in their agricultural sectors. Donated commodities are typically "monetized" (or sold on the local market), and the proceeds are used to support agricultural development activities.

4. Purpose/Goals

The FFPr program uses the food resources of the United States to support market-based agricultural development to improve agricultural productivity and to expand trade of agricultural products in food-deficit developing countries and emerging democracies.

5. Success in Meeting Programmatic Purpose/Goals

During FY 2010, the FFPr program funded 12 programs in 11 countries. These programs are reaching approximately 3,985,000 beneficiaries through agricultural development activities including construction of irrigation systems, agricultural production training, microfinance, and dairy value chain development. For example, Land O'Lakes received an FFPr grant to improve commercial milk production, processing and marketing in Tanzania. By the end of the program, the gross value of milk produced in Tanzania is projected to increase by $2.1 million. The project will also create 180 new dairy sector-related jobs in private sector enterprises.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$126
2003	$137
2004	$138
2005	$122
2006	$131
2007	$147
2008	$155
2009	$216
2010	$146
2011	$192

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$202
2003	$203
2004	$113
2005	$93
2006	$154
2007	$120
2008	$219
2009	$155
2010	$117

FY	Outlays
2011	$189

Not all payments (outlays) are made during the year in which the program agreement is entered into. Outlays could be made up to 5 years after the program is implemented. Most payments are made by the third fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost		FTE	
	Section 11 & General appropriations Admin. Cost	Prog. Funds for Admin. Support	FTE	Tech Assist
2007	$2.1		3	4.62
2008	$0		0	4.62
2009 [a]		$0.009	1	4.62
2010 [a]		$2.1	2	4.62
2011 [a]	$0	$3.4 (est.)	5	4.62

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

For FY 2009 and FY 2010, Section 103 of the American Recovery and Reinvestment Act (ARRA) exempted CCC program funds used to pay authorized administrative costs for FFPr from counting against the cap on CCC funds used to pay for salaries and administrative costs imposed by Section 11 of the CCC Charter Act. The Department of Defense and Full-Year Continuing Appropriations Act of 2011 continued the exemption from the CCC section 11 cap for CCC funds used to pay authorized administrative costs of FFPr.

9. Eligibility Criteria

Consistent with CFR 1499.3, to be eligible to participate in the FFPr program an organization must have: the capacity to implement, monitor, and report on an award; experience working in the targeted country; an adequate financial framework to carry out the program; representation in the United States; and an operating financial account in the proposed target country. Additionally, USDA publishes an annual list of FFPr priority countries in order to focus its resources where they are most needed. Priority countries must: have a per capita income below $3,945; have a malnutrition rate greater than 20 percent; be ranked free or partly free by Freedom House; and have USDA post coverage (to facilitate monitoring).

10. Utilization (Participation) Data

In FY 2011 the FFPr program will fund 13 projects reaching approximately 1,678,000 beneficiaries. A table of the FY 2011 allocations is attached.

11. Duplication or Overlap with Other Programs

Food for Progress is similar in scope to the Multi-year Assistance Programs (MYAPs) funded under Title II of the Food for Peace Act (administered by USAID). Both programs monetize agricultural commodities to support development activities. However, these programs complement and do not duplicate one another because of their difference in mission. Title II programs target highly vulnerable populations in very poor countries through food security interventions. FFPr, on the other hand, works to promote private sector agricultural development in emerging democracies. Additionally, these programs further avoid overlap by coordinating closely to ensure that their different activities complement and do not duplicate one another.

12. Waste, Fraud and Abuse

FAS closely monitors all food aid programs to ensure that participating organizations carry out agreements in accordance with program regulations. In recent years, financial, programmatic and compliance controls have been strengthened to identify and address any problematic issues or potential violations. FAS has also increased monitoring at the field level and invested in information systems to better implement program controls. Where any indications of waste, fraud and abuse are found, FAS has been aggressive in pursuing corrective action, including criminal prosecution, to secure the recovery of funds and prevent recurrence. However, vigorous monitoring and oversight procedures have kept such indications to a minimum, and FAS is not aware of any systemic problems in FFPr. The FAS Compliance staff routinely reviews FFPr agreements to document compliance and to ensure the effectiveness of FAS's internal controls. In FY2010 Compliance reviewed $330,471,030 across all FAS programs and disallowed $227,159, which was returned by participants. The FFPr program also is frequently audited by both the USDA Office of Inspector General and the Government Accountability Office, each of which provides detailed reports and recommendations for improvement. Finally, FAS programs are subject to the same oversight and documentation requirements common to all USDA programs, including the Improper Payments Information Act.

13. Effect of Administrative PAYGO

None.

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Fiscal Year 2011

Fiscal Year 2011 Food for Progress (FFPr)
Food for Progress: Fiscal Year 2011 Allocations

Country	Participant/Commodity *	Beneficiaries	Est. Value (Million $)
Bangladesh	Small Enterprise Assistance Funds/Wheat	13,200	$17.5
Bangladesh	Winrock International/Wheat	411,600	$4.3
Benin	Partners for Development/Soybean Oil, Rice	30,000	$5.5
Burkina Faso	International Relief and Development/Rice	213,840	$8.6
Haiti	FINCA International/Wheat	148,500	$6.1
Haiti	Inter-American Institute for Cooperation on Agriculture/Soybean Oil, Wheat	† 126	$8.5
Honduras	Government of Honduras/Corn, Wheat, Soybean Meal	36,000	$11.0
Kenya	TechnoServe/Wheat	10,090	$14.8
Liberia	Land O'Lakes/Rice, Vegetable Oil	11,650	$16.6
Malawi	Land O'Lakes/Wheat, Soybean Oil	564,542	$18.1
Philippines	Catholic Relief Services/Soybean Meal	64,648	$13.9
Uganda	Mercy Corps/Wheat	83,200	$11.2
Uganda	National Cooperative Business Association/Soybean Oil	90,215	$12.0
Total		**1,677,611**	**$148.1**

* Commodities and tonnages are subject to change, pending negotiation of food aid agreements with program participants.

† Grant will improve inspection facilities, estimated to benefit six million people in the agricultural sectors of Haiti and the Dominican Republic.

1. Program Name

Bill Emerson Humanitarian Trust (BEHT).

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The trust was originally authorized by the Agricultural Act of 1980 as the Food Security Wheat Reserve and the BEHT was later established in 1998 by the Bill Emerson Humanitarian Trust Act. The 2002 Farm Bill extended the authority through 2007, and the 2008 Farm Bill extends the authority through Fiscal Year 2012. The BEHT complements the traditional P.L. 480 food aid programs, particularly Title II. The trust can be replenished only through open market purchases (requiring either appropriations or transfer of P.L. 480 funds as reimbursement for prior releases) or by designation of Commodity Credit Corporation stocks of eligible commodities. Cash held in the BEHT may be used to purchase commodities to meet emergency food needs overseas. By statute, the funds and commodities held in the trust shall be made available on a determination by the USAID Administrator that funds available for emergency needs under Title II for a fiscal year are insufficient to meet emergency needs. The trust has undergone significant transformation over the years and has evolved from being an all-wheat reserve to an all-cash reserve today. The trust currently holds $311 million in cash.

4. Purpose/Goals

The purpose of the trust is to meet humanitarian food needs in developing countries by using BEHT assets during periods of tight supply to meet unanticipated emergency food aid needs.

5. Success in Meeting Programmatic Purpose/Goals

Assets from the BEHT are used to meet unanticipated emergency food aid needs on an as-needed basis. They were used most recently in 2008 to avoid famine in the Democratic Peoples' Republic of Korea (North Korea).

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$175
2003	$212
2004	$0
2005	$377
2006	$0
2007	$0
2008	$266
2009	$7
2010	$0
2011	$0

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

FY	Outlays
2002	$175
2003	$212
2004	$0
2005	$377
2006	$0
2007	$0
2008	$188
2009	$83
2010	$0
2011	$0

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost	FTEs
2007	$.1	1
2008	$.1	1
2009	$.1	1
2010	$0	0
2011	$0	0

9. Eligibility Criteria

Any country in need of P.L. 480 title II emergency food aid from the United States is eligible. USAID requests the release of BEHT assets.

10. Utilization (Participation) Data

There are currently no countries (or beneficiaries) that are receiving food under the BEHT.

11. Duplication or Overlap with Other Programs

The BEHT is the only emergemny food reserve program of the U.S. Government for international assistance.

12. Waste, Fraud and Abuse

There have not been any instances of waste, fraud, or abuse, including overpayments, which USDA or other government agencies have determined to be problems.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Export Credit Guarantee Program, GSM–102.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

Currently authorized by Congress under section 202 of the Agricultural Trade Act of 1978, as amended, the GSM–102 program of the Commodity Credit Corporation (CCC) was developed to expand U.S. agricultural exports by making available payment guarantees to encourage U.S. private sector financing of foreign purchases of U.S. agricultural commodities on credit terms. The program has been in continuous operation since 1981.

4. Purpose/Goals

By providing credit guarantees of up to 3 years that cover 98 percent of loan principal and a portion of the interest, the financial risk to U.S. lenders (banks or exporters) of foreign banks is greatly diminished. This reduced risk in financing increases export opportunities in primarily developing countries, where the lack of credit impedes an exporter's ability to sell and a buyer's ability to acquire U.S. agricultural commodities.

5. Success in Meeting Programmatic Purpose/Goals

From inception through June 2011, exports facilitated through the use of the program have reached $100 billion. During the financial crisis of 2008 and 2009, the program experienced record applications, attesting to its value in facilitating trade finance in times of tightened liquidity.

Fiscal Year	Guarantees Issued ($ billions)
2002	$2.93
2003	$2.54
2004	$2.93
2005	$2.17
2006	$1.36
2007	$1.44
2008	$3.12
2009	$5.36

Fiscal Year	Guarantees Issued ($ billions)
2010	$3.10
2011	* $5.4

* Full year (est.).

6. Annual Budget Authority (FY 2002–FY 2011)

Applicable law mandates that CCC make available for each fiscal year an amount of credit guarantees equal to the lesser of (a) $5,500,000 or (b) an amount of guarantees that CCC can make available using budget authority for an underlying subsidy amount of the sum of $40 million per year plus any unobligated budget authority from prior fiscal years. For the last 2 years, the program has operated at a "negative subsidy," meaning that the cash flow into the program has exceeded the funds needed to provide for expected losses.

7. Annual Outlays (FY 2002–FY 2011)

Under Credit Reform legislation, budget authority is reflective of the "subsidy" or estimated level of yearly funding provisioned to cover the expected losses incurred by the government on issuance of a direct loan or guarantee—not the dollar value of the loans disbursed or guaranteed. Since 2010, the GSM–102 program has operated with a negative subsidy—meaning that the cash flows into the program are in excess of the funds needed to provision for expected losses.

8. Annual Delivery Cost (FY 2002–FY 2011)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

A separate appropriation of $6.8 million (FY 2011) is used to cover the salaries and other administrative costs of the program (S&E). An additional $1.6 million (FY 2011) of Commodity Credit Corporation funds is used to maintain the program's information technology support for web interface, system of records and database to preserve claims status and pursue recoveries from defaulting parties.

9. Eligibility Criteria

Please explain who is eligible for participation in this program. Also list any special considerations (for example priority areas or carve-outs for certain eligible producers).

All potential participants—exporters, U.S. financial institutions, foreign banks and countries can participate—provided they are not suspended, debarred or otherwise prohibited from participation in U.S. Government programs. In addition, exporters must have an office in the United States; U.S. financial institutions must be regulated; and foreign banks are subject to extensive individual financial review to determine creditworthiness. By law, credit guarantees cannot be issued to any country that cannot adequately service the debt associated with particular export sales.

10. Utilization (Participation) Data

Please provide the number of participants in the program. If there is a backlog, please explain that as well. Where appropriate, please include additional information, such as the number of acres enrolled in the program.

At this time, 159 foreign banks have approved credit lines and 52 U.S. banks are approved for participation. Exporters who have been issued guarantees by year are shown below.

Fiscal Year	Number of Participants (exporters)
2002	116
2003	110
2004	90
2005	91
2006	74
2007	64
2008	59
2009	77

Fiscal Year	Number of Participants (exporters)
2010	77
2011	76

11. Duplication or Overlap with Other Programs

If the purpose/goals or mission of this program are similar to those of other programs, please list those other programs along with an explanation.

In establishing guidelines for the program, Congress saw the need to offer U.S. Government supported finance options that are responsive to the financing needs of exporters of U.S. agriculture and the unique way their products are traded on international markets. GSM–102 evolved to respond efficiently and quickly to the short windows of opportunity available on products traded on market-based prices and slim margins as compared to industrial and other goods. GSM–102 is a niche program that complements other U.S. Government trade finance programs.

12. Waste, Fraud and Abuse

Please provide examples of waste, fraud, and abuse including overpayments that the Department or other government agency has determined is a problem and how the Department is combating such problems.

USDA is proactive in reviewing this program and its participants. Where there is any indication of waste, fraud and abuse, the Department is aggressive in investigating those incidents. At this time we have no confirmed evidence of waste, fraud and abuse under GSM–102. This program has fully implemented, documented and tests at least annually its internal controls in accordance with both, OMB Circular A–123, which implements requirements of the Federal Managers' Financial Integrity Act of 1982, and the Improper Payments Information Act of 2002 (IPIA).

13. Effect of Administrative PAYGO

See PAYGO table attached.

ATTACHMENT

Administrative PAYGO Scorecard
(In Millions of Dollars)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Savings:										
GSM–102 implementation of risk based approach (FAS/GSM)	(139.0)	(139.0)	(139.0)	(139.0)	(139.0)					
RMA Terminations not previously counted (RMA/Crop Ins.)				(4.6)	(23.0)	(23.4)	(23.7)	(24.1)		
Forest Service Increase Timber and Payment to State Receipts (FS/KV)	(51.0)									
2008 $2 CRP Maintenance Reduction—present & future (FSA/CRP)				(0.1)	(0.6)	(24.6)	(28.7)	(31.6)		
2009 Reduction in CRP Maintenance payments (FSA/CRP)				(43.6)	(1.5)					
2010 CRP Modification (Duck, Quail, SAFE/Reduction in bottomland hardwood) (FSA/CRP)					0.0	0.0	0.0	0.0	0.0	(2.9)
Crop Insurance Standard Risk Agreement (RMA/Crop Ins.)					(2,000.0)					
Costs:										
Title XIX Treatment Facilities (FNS/SNAP)	3.0	4.0	6.0	6.0	6.0					
Forest Service Change in K–V Trust Fund Spending (FS/KV)	51	18								
Factor Removal (RMA/Crop Ins.)			0.4	2.7	8.3					
RMA Crop Expansions (RMA/Crop Ins.)				0.6	12.8					
CCC Section 4 Limit (FSA/CCC)	7.5	10.8	6.9	5.3						
Food Aid Commodity Swaps (FSA/CCC)		77.0	60.0	111.0	67.0					
Federal Base Acre reinstatement (FSA/Direct and Countercyclical)				5.0						
Wetlands Incentives (FSA/CRP)				7.8	14.6	17.3	19.2	20.8		
CREP Incentives (FSA/CRP)				0.7	2.3	7.3	9.5	10.8		
ACRE Sign-up extension (FSA/ACRE)					30.0					
2009 CRP extensions (FSA/CRP)				19.0						
July 2009 Increase in minimum dairy prices (CCC/Dairy Product Price Support)				7.0						
RMA—PRF–RI in MT (Board Approved) (RMA/Crop Ins.)				4.6	23.0	23.4	23.7	24.1		
CRP Initiatives (FSA/CRP)					500.0					
Crop Insurance Initiatives (FSA/Crop Ins.)					1,500.0					
Available Savings	(128.5)	(29.2)	(65.7)	(17.6)	(0.0)	0.0	0.0	(0.0)	0.0	(2.9)

1. Program Name

Market Access Program.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Market Access Program (MAP), previously known as the Market Promotion Program, is administered by the Foreign Agricultural Service and uses funds from the Commodity Credit Corporation (CCC). The Targeted Export Assistance Program was originally authorized in the Food Security Act of 1985 and was subsequently reauthorized and renamed as the Market Promotion Program in the 1990 Farm Bill. The 1996 Farm Bill renamed the program as MAP and established a prohibition on the use of MAP funds to promote the products of large companies. Today, only small companies and agricultural cooperatives may promote their brands with MAP funding. MAP funding was re-authorized through 2012 by the 2008 Farm Bill.

4. Purpose/Goals

Goals of the MAP are to encourage the creation, expansion, or maintenance of foreign agricultural export markets. Under the MAP, the CCC enters into agreements with eligible participants to share the cost of certain overseas marketing and promotion activities. MAP helps United States commercial entities conduct brand promotion activities including advertising, trade shows, in-store demonstrations, and trade seminars. Under MAP, program participants are reimbursed for their expenses in carrying out approved promotional activities.

5. Success in Meeting Programmatic Purpose/Goals

MAP applications undergo a competitive review process based on criteria as specified in the MAP regulations and an annual *Federal Register* announcement. Funds are awarded to applicants that demonstrate effective performance based on a clear, long-term strategic plan. FAS also considers the extent to which a proposed project targets markets with the greatest growth potential. The FAS allocates funds in a manner that effectively supports the strategic decision making initiatives of the Government Performance and Results Act (GPRA) of 1993. In 2007, FAS commissioned a cost-benefit analysis of USDA's market development programs with an independent economic analysis firm, Global Insight Inc., and recently received the results of an update of that study. The study reported that U.S. agricultural exports were $6.1 billion higher in 2009, compared to what they would have been without the increased investment in market development. Every dollar of increased investment in the MAP and FMD resulted in $35 in exports.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$100
2003	$110
2004	$125
2005	$140
2006	$200
2007	$200
2008	$200
2009	$200
2010	$200
2011	$200

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$97
2003	$103
2004	$124
2005	$139
2006	$158
2007	$184
2008	$179
2009	$219
2010	$202
2011	$207

Not all payments (outlays) are made during the year in which the program agreement is entered into. Outlays could be made up to 5 years after the project is implemented. Most payments are made by the third fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost		FTE	
	Section 11 Admin. Cost	Prog. Funds for Admin. Support	FTE	Tech Assist
2007	$2		5	1
2008	$2		5	1
2009 [a]	$0	$1.75	5	1
2010 [a]	$0	$2.10	5	1
2011 [a]	$0	$2.1 (est.)	5	1

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

For FY 2009 and FY 2010, Section 103 of the American Recovery and Reinvestment Act (ARRA) exempted CCC program funds used to pay authorized administrative costs for MAP from counting against the cap on CCC funds used to pay for salaries and administrative costs imposed by Section 11 of the CCC Charter Act. The Department of Defense and Full-Year Continuing Appropriations Act of 2011 continued the exemption from the CCC section 11 cap for CCC funds used to pay authorized administrative costs of MAP.

9. Eligibility Criteria

To participate in the MAP, an applicant must be a nonprofit U.S. agricultural trade organization, a nonprofit state regional trade group (SRTG), a U.S. agricultural cooperative, or a state government agency. In addition, small-sized U.S. commercial entities may receive MAP funding to promote their branded products. To conduct branded product promotion activities, individual companies must provide at least 50 percent of funding. For generic promotion activities, trade associations and others must meet a minimum ten percent match requirement.

10. Utilization (Participation) Data

For FY 2011 there were 70 applicants competing for $200 million in program funding. Attached is a chart of FY 2011 Market Access Program allocations.

11. Duplication or Overlap with Other Programs

MAP is complementary to other FAS/USDA market development programs whereby funding is made available to address priority, market-specific issues or to undertake activities not already serviced by or unsuitable for funding under other FAS marketing programs, such as the Foreign Market Development Program, the Emerging Market Program, the Technical Assistance for Specialty Crops Program, and the Quality Samples Program.

12. Waste, Fraud and Abuse

FAS is proactive in monitoring its programs for any indications of waste, fraud and abuse. Where such indications are found, FAS has been aggressive in pursuing corrective action, including criminal prosecution, to secure the recovery of funds and prevent recurrence. For example, in 2006 an incarceration and ongoing restitution payments were secured for fraud involving MAP funds. However, vigorous monitoring and oversight procedures have kept such indications to a minimum, and FAS is not aware of any systemic problems in MAP. The FAS Compliance staff routinely reviews MAP agreements to document compliance and to ensure the effectiveness of FAS's internal controls. FAS programs also are audited by both the USDA Office of Inspector General and the Government Accountability Office, each of which provides detailed reports and recommendations for improvement. Finally, FAS programs are subject to the same oversight and documentation requirements common to all USDA programs, including the Improper Payments Information Act.

13. Effect of Administrative PAYGO

None.

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Fiscal Year 2011

Fiscal Year 2011 Market Access Program Program Allocations (MAP)

MAP Participant	Allocation
AHEC, APA, SEC, SFPA *	$8,568,725
Alaska Seafood Marketing Institute	$4,326,996
American Biomass Trade Cooperative	$145,000
American Peanut Council	$2,414,321
American Seed Trade Association	$90,419
American Sheep Industry Association	$381,466
American Soybean Association	$4,465,558
Blue Diamond Growers/Almond Board of California	$3,079,916
Brewers Association Inc.	$385,015
California Agricultural Export Council	$993,079
California Asparagus Commission	$114,709
California Cherry Advisory Board	$743,127
California Cling Peach Board	$353,475
California Fresh Tomato Growers/Florida Tomato Committee	$505,603
California Kiwifruit Commission	$184,268
California Pear Advisory Board	$378,267
California Prune Board	$3,339,658
California Strawberry Commission	$789,070
California Table Grape Commission	$3,494,622
California Tree Fruit Agreement	$2,053,685
California Walnut Commission	$4,614,261
Cherry Marketing Institute	$259,988
Cotton Council International	$20,234,954
Cranberry Marketing Committee	$1,767,921
Distilled Spirits Council	$211,127
Florida Department of Citrus	$4,937,966
Food Export Association of the Midwest USA	$10,919,428
Food Export USA Northeast	$8,152,605
Georgia Pecan Growers	$200,000
Ginseng Board of Wisconsin	$209,597
Hawaii Papaya Industry Association	$173,027
Hop Growers of America	$177,301
Intertribal Agriculture Council	$741,009
National Association of State Departments of Agriculture	$2,750,562
National Confectioners Association	$1,685,845
National Hay Association	$32,445
National Potato Promotion Board	$4,870,824
National Renderers Association	$831,676

Fiscal Year 2011—Continued

Fiscal Year 2011 Market Access Program Program Allocations (MAP)

MAP Participant	Allocation
National Sunflower Association	$1,218,250
National Watermelon Promotion Board	$254,406
New York Wine and Grape Foundation	$376,215
Northwest Wine Promotion Coalition	$805,130
Organic Trade Association	$435,293
Pear Bureau Northwest	$3,632,830
Pet Food Institute	$1,601,375
Raisin Administrative Committee	$2,677,594
Southern United States Trade Association	$5,831,384
Sunkist Growers, Inc.	$3,107,359
Texas Produce Export Association	$95,654
The Catfish Institute	$335,605
The Popcorn Board	$319,607
U.S. Apple Export Council	$685,480
U.S. Dairy Export Council	$4,529,746
U.S. Dry Bean Council	$1,150,793
U.S. Grains Council	$8,621,582
U.S. Hide, Skin & Leather Association	$140,228
U.S. Livestock Genetics Export, Inc.	$1,097,601
U.S. Meat Export Federation	$16,261,732
U.S. Wheat Associates	$6,798,051
USA Dry Pea and Lentil Council	$1,122,955
USA Poultry and Egg Export Council	$5,461,208
USA Rice Federation/U.S. Rice Producers Association	$3,758,042
Washington Apple Commission	$5,199,788
Washington State Fruit Commission	$1,192,087
Welch Foods, Inc.	$907,824
Western Pistachio Association/Cal-Pure Pistachios Inc.	$770,497
Western United States Agricultural Trade Association	$10,859,171
Wine Institute	$5,585,230
Reserve	$5,589,768
Total Available FY 2011 Funding	**$200,000,000**

* American Hardwood Export Council, APA—The Engineered Wood Association, Softwood Export Council, Southern Forest Products Association.

1. Program Name

Technical Assistance for Specialty Crops (TASC).

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Farm Security and Rural Investment Act of 2002 authorized the TASC program and authorized the use of $2 million of Commodity Credit Corporation (CCC) resources in each fiscal year (FY) from 2002 through 2007. The Food, Conservation, and Energy Act of 2008 continued the TASC program through 2012. The 2008 Farm Bill authorized the TASC program at $4 million in FY 2008, $7 million in FY 2009, $8 million in FY 2010, and $9 million for FY 2011 and FY 2012.

4. Purpose/Goals

The legislation calls for the TASC program to assist U.S. organizations by providing funding for projects that address sanitary, phytosanitary (SPS) and related technical barriers that prohibit or threaten the export of U.S. specialty crops.

5. Success in Meeting Programmatic Purpose/Goals

The TASC review and allocation process is especially thorough with each proposal undergoing both a sufficiency check for adherence to program regulations and policy and content review by three reviewers from different divisions. Further, FAS has several application and reporting requirements to assure program effectiveness. When submitting proposals, applicants must include performance measures and objectives in their applications as evaluation criteria. FAS also requires quarterly and final project reports and a final financial report that fully describes and analyzes the effectiveness of each project. Future awards are contingent upon successful completion of the project and acceptance of performance and financial reports. The TASC program has successfully funded research for developing pest mitigations, technical visits by foreign officials to observe industry export practices, and export preclearance programs that have assisted in addressing SPS barriers to trade. Many of these projects would not likely have taken place without TASC program assistance.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$2
2003	$2
2004	$2
2005	$2
2006 [a]	$2
2007	$1
2008	$4
2009	$7
2010	$8
2011	$9

[a] An additional $0.6 million was made available through FAS direct appropriations.

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$0
2003	$1
2004	$2
2005	$2
2006	$2
2007	$1
2008	$1
2009	$2
2010	$3
2011	$7

Not all payments (outlays) are made during the year in which the program agreement is entered into. Outlays could be made up to 5 years after the project is implemented. Most payments are made by the third fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost		FTE	
	Section 11 & General Admin. Cost	Prog. Funds for Admin. Support	FTE	Tech Assist
2007	$.1		1	.29
2008	$.1		1	.29
2009 [a]	$0	$0.1	1	.29
2010 [a]	$0	$.03	1	.29
2011 [a]	$.2 (est.)	$.4 (est.)	1	.29

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

For FY 2009 and FY 2010, Section 103 of the American Recovery and Reinvestment Act (ARRA) exempted CCC program funds used to pay authorized administrative costs for TASC from counting against the cap on CCC funds used to pay for salaries and administrative costs imposed by Section 11 of the CCC Charter Act. The Department of Defense and Full-Year Continuing Appropriations Act of 2011 continued the exemption from the CCC section 11 cap for CCC funds used to pay authorized administrative costs of TASC.

9. Eligibility Criteria

Any U.S. organization, including, but not limited to, U.S. Government agencies, state government agencies, nonprofit trade associations, universities, agricultural cooperatives, and private companies are eligible to receive TASC funding. The term "specialty crop" is defined as all cultivated plants and the products thereof produced in the United States except wheat, feed grains, oilseeds, cotton, rice, peanuts, sugar, and tobacco.

10. Utilization (Participation) Data

To date, for Fiscal Year 2011, funding has been allocated to 26 organizations for 32 TASC projects. In a typical year, between 25 and 35 projects are funded. Attached is a chart of FY 2010 TASC Program allocations.

11. Duplication or Overlap with Other Programs

TASC does not duplicate other programs. TASC is an excellent tool that facilitates USDA and the horticultural industry working in partnership with USDA to resolve sanitary and phytosanitary barriers and successfully maintaining and increasing export market opportunities for U.S. horticultural products.

12. Waste, Fraud and Abuse

FAS is not aware of any examples of waste, fraud, and abuse in this program, including overpayments that the Department or other government agency has determined is a problem. FAS program areas closely monitor all agency agreements to ensure that participants carry out activities in accordance with program regulations. In addition, the FAS Compliance staff routinely reviews FAS agreements agency-wide to document compliance, and to ensure that FAS maintains sufficient internal controls. Further, FAS programs are audited by both the USDA Office of Inspector General and the Government Accountability Office, each of which provides detailed reports and recommendations for improvement. Finally, FAS programs are subject to the same oversight and reporting requirements common to all USDA programs, including testing of transactions under the Improper Payments Improvement Act. Together these internal and external monitoring and evaluation practices serve to catch and correct instances of waste, fraud, and abuse before they result in loss of public funds.

13. Effect of Administrative PAYGO

None.

ATTACHMENT

Fiscal Year 2011

Fiscal Year 2010 Technical Assistance for Specialty Crops (TASC) Program Allocations

Participant	Project Title	Amount
Almond Board of California	European Union Health and Port Authorities Seminar and Tour	$24,750
Bryant Christie, Inc.	Maximum Residue Level Database Funding for Specialty Crops and Hawaiian Papayas	$450,662
California Citrus Quality Council	California Navel Valencia Exports to Korea Program, Korea Inspectors' Visit	$124,562
California Department of Food and Agriculture	Minimizing Trade Barriers through Field Surveys for the European Grapevine Moth	$500,000
California Dried Plum Board	Retaining Export and Food Security of U.S. Specialty Crops: Low-Emission Methyl Bromide Fumigation for Quarantine and Pre-Shipment Uses	$1,458,772
California Fig Advisory Board	Encourage Japanese Government To Allow Potassium Sorbate Treatment on High-Moisture Figs	$100,000
California Grape and Tree Fruit League	To Develop Efficacy Data Through a Pilot Systems Approach for Peach Twig Borer for U.S. Stone Fruit to Australia	$54,388
California Pistachio Export Council	Improve Navel Orange Worm Control in Pistachios To Overcome Sanitary and Phytosanitary Barriers in Major Export Markets	$1,195,500
California Specialty Crops Council	Global Maximum Residue Levels Engaging Specialty Crops in Priority Setting, Planning, and Compliance	$98,000
California Strawberry Commission	Spotted Wing Drosophila Impacts in Strawberry Exports	$46,989
California Table Grape Commission	Post-Harvest Control of Light Brown Apple Moth on Fresh Grapes	$90,000
California Table Grape Export Association	Australian Phytosanitary Preclearance Program	$150,000
California Walnut Commission	Development of Technical Brochures	$66,836
Citrus Research Board of California	Mortality of Asian Citrus Psyllid, Diaphorina Citri, in California Citrus During Packaging and Export to Australia	$216,303
Florida Citrus Packers	Determination of Canker Survival and Transmission via Canker-Blemished Fruit Relative to International Market Access	$489,447
Florida Fruit and Vegetable Association	Management, Maintenance, and Expansion of the U.S.-Canada Pesticide Harmonization Database	$389,464
Georgia Peach Council/ South Carolina Peach Council	Export of Fresh, Systems-Protected Georgia and South Carolina Peaches to Mexico	$240,000
Indian River Citrus League	Best Post-Harvest Handling Practices to Assure Canker-Free Fresh Citrus Fruit Exports	$120,000
Northwest Horticultural Council	Changing India's Phytosanitary Access Requirements for Pacific Northwest Cherries; OFM Monitoring and Verification at Origin Program for the Export of Peaches and Nectarines to Mexico; Study of Potential Health Effects Associated with the Use of Wax Coatings on Produce	$66,060
Rutgers University, IR–4 Project	Actions To Facilitate Global Maximum Residue Levels for Priority Use on Specialty Crops	$627,199
U.S. Apple Export Council	Apple Maggot and Other Pests of Concern—Identification Treatment Methodologies and Data Collection	$158,122

Fiscal Year 2011—Continued

Fiscal Year 2010 Technical Assistance for Specialty Crops (TASC) Program Allocations

Participant	Project Title	Amount
USDA, Agricultural Research Service	Classical Biological Control of the Invasive White Peach Scale on Papaya in Hawaii; Phosphine Fumigation Treatment for Post-Harvest Inspect Control on Lettuce; Evaluating the Efficacy of Systems Approach Components for the Western Cherry Fruit Fly	$155,710
USDA, Animal and Plant Health Inspection Service (APHIS)	Development of Irradiation Treatment for High-Impact Invasive Species and Evaluation of Commodity Tolerance to Irradiation Treatments	$175,000
USDA, APHIS, Center for Plant Health Science and Technology (CPHST)	Development of Infrastructure and Capacity for U.S. Export Specialty Crops Irradiation Treatments	$165,000
USDA, APHIS, Plant Protection and Quarantine and CPHST	A Prototype Electronic Identification Resource To Support Agricultural Commodity Trade: California Table Grapes	$133,907
Washington State Department of Agriculture	Establishment of Japan "Import Tolerance" Maximum Residue Level for Bifenezate in Red Raspberries	$38,000
Total		**$7,334,671**

Foreign Agricultural Service (November 2010).

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1. Program Name

Emerging Markets Program (EMP).

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The original 1990 legislation authorized an annual program to promote U.S. agricultural exports by providing technical assistance to emerging democracies. The program, which was referred to as the Emerging Democracies Program, initially focused on central and eastern Europe and the former Soviet Union. In 1996, legislation refocused the program on all emerging markets (defined as countries that USDA determines have the potential to provide viable and significant markets for U.S. agricultural products). Funding is made available for programming through three channels: (1) the Central Fund, the principal means of funding, made available through a public announcement; (2) the Technical Issues Resolution Fund (TIRF), to address technical barriers to those issues that are time sensitive and are strategic areas of longer term interest; and (3) the Quick Response Marketing Fund (QRMF), to assist with short-term time-sensitive marketing opportunities.

4. Purpose/Goals

EMP helps improve market access and develop or promote exports of U.S. agricultural commodities and products to emerging markets. Through cost-share assistance to eligible applicants, EMP funds may be approved for generic technical assistance activities and projects that assess the food and rural business systems needs of such markets and identify and carry out specific opportunities and projects to enhance the effectiveness of those systems. Emerging markets are defined as those individual target countries or regional country groupings with per capita income of less than $11,115 (the current ceiling on upper middle income economies as determined by the World Bank) and populations greater than one million. The program is not intended for projects targeted at end-user consumers.

5. Success in Meeting Programmatic Purpose/Goals

The EMP review and allocation process is especially thorough with each proposal undergoing both a sufficiency check for adherence to program regulations and policy and content review by no less than five reviewers. Further, FAS has several application and reporting requirements to assure program effectiveness. When submitting proposals, applicants must include performance measures and objectives in their applications as evaluation criteria. FAS also requires a final project report and financial report that fully describes and analyzes the effectiveness of each project. The final 15 percent of a participant's funding is withheld until an acceptable final report is approved by FAS. Future awards are contingent upon successful completion of the project and acceptance of performance and financial reports. The EMP program has successfully funded assessments of the food and agricultural business systems of emerging markets for many agricultural commodities including vitamin-enriched rice in El Salvador and seed potatoes in Egypt. Further, EMP funds have been used to train emerging market importers or provide technical assistance on the use and high quality nature of U.S. agricultural products. These projects would not likely have taken place without EMP program assistance.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$10
2003	$10
2004	$10
2005	$10
2006	$10
2007	$4
2008	$10
2009	$10
2010	$9
2011	$10

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$2
2003	$14
2004	$5
2005	$6
2006	$10
2007	$9
2008	$17
2009	$3
2010	$9
2011	$7

Not all payments (outlays) are made during the year in which the program agreement is entered into. Outlays could be made up to 5 years after the project is implemented. Most payments are made by the third fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost		FTE	
	Section 11 & General Admin. Cost	Prog. Funds for Admin. Support	FTE	Tech Assist
2007	$0.6		2	0.39
2008	$0.6		2	0.39
2009 [a]	$0	$0.1	2	0.39
2010 [a]	$0	$0.3	2	0.39
2011 [a]	$0.4	$0.8 (est.)	2	0.39

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

For FY 2009 and FY 2010, Section 103 of the American Recovery and Reinvestment Act (ARRA) exempted CCC program funds used to pay authorized administrative costs for EMP from counting against the cap on CCC funds used to pay for salaries and administrative costs imposed by Section 11 of the CCC Charter Act. The Department of Defense and Full-Year Continuing Appropriations Act of 2011 continued the exemption from the CCC section 11 cap for CCC funds used to pay authorized administrative costs of EMP.

9. Eligibility Criteria

Any U.S. private or public entity with a role or interest in the exports of U.S. agricultural commodities or products is eligible to participate in the Emerging Markets Program. Preference is given to proposals indicating significant support and involvement by private industry. Proposals are considered from research and consulting organizations only as long as they can demonstrate evidence of substantial participation by U.S. industry. For-profit entities are also eligible, but may not use program funds to conduct private business, promote private self-interests, supplement the costs of normal sales activities, or promote their own products or services beyond specific uses approved for a given project.

10. Utilization (Participation) Data

For FY 2011 to date, FAS has evaluated 59 proposals from the private sector and 72 proposals from the public sector. Through the course of eight tranches, FAS has approved funding for 41 private sector and 34 public sector projects obligating $9,923,737. In a typical year, between 75 and 100 projects are awarded funded. Attached is a chart with a complete list of FY 2010 EMP allocations.

11. Duplication or Overlap with Other Programs

EMP is complementary to other USDA/FAS market development programs whereby funding may be approved to address priority, market-specific issues or to undertake activities not already serviced by or are unsuitable for funding under other FAS market development programs, such as the Foreign Market Development Program (FMD) and Market Access Program (MAP).

12. Waste, Fraud and Abuse

FAS is proactive in monitoring its programs for any indications of waste, fraud and abuse. Where such indications are found, FAS has been aggressive in pursuing corrective action, including criminal prosecution, to secure the recovery of funds and prevent recurrence. However, vigorous monitoring and oversight procedures have kept such indications to a minimum, and FAS is not aware of any systemic problems in EMP. The FAS Compliance staff routinely reviews EMP agreements to document compliance and to ensure the effectiveness of FAS's internal controls. FAS programs also are audited by both the USDA Office of Inspector General and the Government Accountability Office, each of which provides detailed reports and recommendations for improvement. Finally, FAS programs are subject to the same oversight and documentation requirements common to all USDA programs, including the Improper Payments Information Act.

13. Effect of Administrative PAYGO

None.

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Fiscal Year 2011

Fiscal Year 2010 Emerging Markets Program Allocations (EMP)

Market	Activity Title	Amount
Bangladesh	Cotton USA Technical Assistance Initiative in Bangladesh for the Cotton Council International	$200,000
Brazil	Brazil Craft Beer School Seminars for the Brewers Association	$30,000
Brazil	Market Feasibility Study of Brazil for the Alaska Seafood Marketing Institute	$15,041
China	Food Consumption in China's Second-Tier Cities: The New Frontier for U.S. Agricultural Export Opportunities for the University of Florida	$468,600
China	Exporting U.S. Dairy Genetics to China for Cooperative Resources International	$277,632
China	Hotel, Restaurant, and Institutional Sector Development for USDA/Foreign Agricultural Service/ Chengdu	$212,000
China	Distributor Development Program for Emerging City Markets for USDA/Foreign Agricultural Service	$183,000
China	Global Food Safety Forum: China Exchange for the GIC Group	$174,431
China	Phase Three of the China Moon Cake Project for the California Agricultural Export Council	$120,000
China	Fresh Produce in China: Identifying Logistic Constraints and Consumer Trends for SIAM Professionals, LLC	$101,011
China	Turkey Market Development in China—Expanding Demand for U.S. Turkey in China by Increasing its Use in Local Cuisine for the Minnesota Department of Agriculture	$90,000
China	China Familiarization Tour of Organic Farms, Retail, and Processors for the Organic Trade Association	$90,000
China	China Pecan Project for the Georgia Pecan Growers Association$70,800	
China	Implementation of Science-based Principles in Risk Management for USDA/Foreign Agricultural Service	$52,560
China	Assessment of Exports of Hawaii Fresh and Processed Agricultural Products to China Markets Under a Memorandum of Understanding with the Chinese Ministry of Commerce, Beijing International Brand Management Center for the Hawaii Department of Agriculture	$79,818
China	China Beer Distributors Education Program for the Brewers Association	$35,000
China	China Food Safety Law Training for USDA/Foreign Agricultural Service	$27,406
China	Reverse Trade Mission of Chinese Tanneries for the U.S. Hide, Skin and Leather Association	$14,400
Egypt	Food and Drug Administration Middle East and North Africa Food Safety Workshop for Regulators for USDA/Foreign Agricultural Service	$4,690
El Salvador	U.S. Rice Market Research for the U.S. Rice Producers Association	$31,000
Ghana	Ghana Lake Volta Soy in Aquaculture Program for the American Soybean Association	$96,475
Global Emerging Markets	Exploratory Market Research To Identify Opportunities and Launch Preliminary Trade Servicing, Education, and/or Promotional Activities in Emerging Markets for the U.S. Apple Export Council	$259,000

Fiscal Year 2011—Continued

Fiscal Year 2010 Emerging Markets Program Allocations (EMP)

Market	Activity Title	Amount
Global Emerging Markets	Exporting Genomic-Proven U.S. Dairy Genetics, Enhancing Producer Product Knowledge, Demonstrating U.S. Genomic Sire Proofs and the New Generation of Dairy Sires for Cooperative Resources International	$206,100
Global Emerging Markets	Global Pesticide Tolerance Initiative for U.S. Specialty Crops: Technical and Policy Guidance to Emerging Markets for USDA/Foreign Agricultural Service	$196,770
Global Emerging Markets	Technical Support for U.S. Seed Potato Exports, Introduction of Cut Seeds to Foreign Markets for the National Potato Promotion Board	$195,000
Global Emerging Markets	Foreign Country Audits of U.S. Red Meat Facilities for the U.S. Meat Export Federation	$184,400
Global Emerging Markets	Worldwide Market Development for the Northwest Wine Promotion Coalition	$60,000
Global Emerging Markets	Access and Benefit Sharing for Genetic Resources Used in U.S. Food and Agriculture Exports for USDA/Foreign Agricultural Service	$55,566
Global Emerging Markets	Translations of Foreign World Trade Organization Sanitary and Phytosanitary and Technical Barriers to Trade Notifications for USDA/Foreign Agricultural Service	$52,000
Global Emerging Markets	Advancing U.S. Positions on Pesticide Regulatory Standards for USDA/Foreign Agricultural Service	$9,880
Guatemala	U.S. Rice Market Research for the U.S. Rice Producers Association	$31,000
India	India Food Safety Seminars for USDA/Foreign Agricultural Service	$89,175
India	Reverse Trade Mission for Retailers and Wholesalers from India for the Produce Marketing Association	$75,438
India	India Export Market Opportunity Assessment and Familiarization Tour for the Organic Trade Association	$75,000
India	India Retail Education Activities Reverse Mission Retail Training Seminars for the Pear Bureau Northwest	$60,000
India	India Pecan Project for the Georgia Pecan Growers Association	$55,200
Indonesia	Indonesia-U.S. Partnership: Agricultural Technology and Investment Forum for the Texas A&M Norman Borlaug Institute	$51,000
Indonesia	Technical Assistance for the Republic of Indonesia's National Agency for Drug and Food Control to Better Understand the U.S. System To Ensure the Safety of Processed Foods for USDA/Foreign Agricultural Service	$41,014
Indonesia	Product Introduction, Care and Handling, and Merchandising Technique Seminars for Fresh Sweet Cherries for the Washington State Fruit Commission	$14,000
Iraq	Trade Mission to Iraq for USDA/Foreign Agricultural Service	$137,352
Jamaica	U.S. Technical and Regulatory Orientation for Jamaican Food Import Authorities for USDA/Foreign Agricultural Service/Dominican Republic	$17,676
Malaysia	Agricultural Biotechnology Outreach to Malaysian Officials for USDA/Foreign Agricultural Service/Kuala Lumpur	$130,535
Malaysia	Technical Workshop on Coated Foods Applications for the USA Dry Pea and Lentil Council	$56,086

Fiscal Year 2011—Continued

Fiscal Year 2010 Emerging Markets Program Allocations (EMP)

Market	Activity Title	Amount
Mongolia	2010 Microbiology and International Residue Training Seminars for International Government Laboratory Officials for USDA/Foreign Agricultural Service/Beijing	$21,650
Mongolia	Food Safety and Inspection Service Meat and Poultry Inspection Seminar for USDA/Foreign Agricultural Service/Beijing	$21,650
Nigeria, Senegal, Cameroon	Increasing Access to U.S. Soy Products in Nigeria, Senegal, and Cameroon for the American Soybean Association	$250,000
Pakistan	U.S. Soy Food Product Promotion in Pakistan for the American Soybean Association	$152,224
Pakistan	Opening Pakistan to U.S. Dairy and Genetics for World Wide Sires, Ltd.	$111,755
Philippines	Philippines Agricultural Biotechnology Regulatory Outreach for USDA/Foreign Agricultural Service/Manila	$63,584
Poland	Second Phase of Market Development in Poland for California Almonds for the Almond Board of California	$100,000
Regional: Asia-Pacific Economic Cooperation (APEC)	APEC High-Level Policy Dialogue Workshop on Approaches and Tools To Promote Investment in Agricultural Biotechnology for USDA/Foreign Agricultural Service	$153,936
Regional: APEC	APEC Export Certification Roundtable for USDA/Foreign Agricultural Service	$108,800
Regional: APEC	APEC High-Level Policy Dialogue on Agricultural Biotechnology for USDA/Foreign Agricultural Service	$187,174
Regional: Caribbean Basin	Central American Microbiological Standards Program for USDA/Foreign Agricultural Service	$142,356
Regional: Caribbean Basin	Maintaining Access for U.S. Exports to the Caribbean for USDA/Foreign Agricultural Service	$96,270
Regional: Caribbean Basin	Caribbean Food Safety Program for USDA/Foreign Agricultural Service	$93,300
Regional: Central America-Dominican Republic Free Trade Agreement (CAFTA–DR)	Food Safety Standard-Setting Training for Participants in CAFTA–DR for USDA/Foreign Agricultural Service	$97,400
Regional: Latin America	Furthering Approvals of Genetically Engineered Plants Through Promotion of Data Transportability for the International Life Sciences Institute Research Foundation	$413,785
Regional: Latin America	U.S. Outreach Effort To Influence Negotiation by Parties to the Cartagena Protocol for Biosafety for USDA/Foreign Agricultural Service	$157,378
Regional: Latin America	Inter-American Institute for Cooperation on Agriculture	$72,140
	Workshop for Latin America Countries on the Annex (LLP Annex) to the Codex Guideline for the Conduct of Food Safety Assessment of Foods Derived from Recombinant-DNA Plants for USDA/Foreign Agricultural Service	
Regional: Latin America	Promotion of Consumer-Oriented Agricultural Products for Latin America through the International Supermarket Management Class for IGA International, Inc.	$56,462
Regional: Latin America, Caribbean Basin	Western Hemisphere Codex Delegates' Colloquium for USDA/Foreign Agricultural Service	$103,310
Regional: Latin America, Caribbean Basin	Enhancing Latin American and Caribbean Participation in Codex for USDA/Foreign Agricultural Service	$100,000

Fiscal Year 2011—Continued

Fiscal Year 2010 Emerging Markets Program Allocations (EMP)

Market	Activity Title	Amount
Regional: Southeast Asia	Southeast Asia Fruit and Vegetable Consumer Trends, Preferences Research for the Washington Apple Commission	$223,218
Regional: Southeast Asia	Increasing Understanding of U.S. and International Flavor Safety Evaluation Processes for the Flavor and Extract Manufacturers Association	$137,850
Regional: Southeast Asia	Baking with Pea Flour in Southeast Asia for the USA Dry Pea and Lentil Council	$63,573
Regional: Southeast Asia	Nutritional and Technical Information on Dry Beans for Southeast Asian Buyers for the U.S. Dry Bean Council	$46,820
Regional: Southeast Asia	Second Phase of U.S. Dairy in Selected Asian Bakery Markets Project for the California Milk Advisory Board	$37,667
Russia	Review of U.S. Poultry Slaughter and Cold Storage Facilities for the USA Poultry and Egg Export Council	$120,000
Russia	Russia Retail Education Activities Reverse Mission Retail Training Seminars for the Pear Bureau Northwest	$87,200
Russia	Research To Identify Opportunities and Launch Trade Servicing, Education, and Promotion in Russia for the California Prune Board	$70,000
Russia	U.S.-Russia Bilateral Consultative Mechanism on Biotechnology Technical Exchange Meeting for USDA/Foreign Agricultural Service	$26,342
South Africa, Mauritius, Zimbabwe, Mozambique	Southern Africa Biotechnology Outreach for South Africa, Mauritius, Zimbabwe, and Mozambique for USDA/Foreign Agricultural Service/Pretoria	$109,265
Sri Lanka	Prospecting for U.S. Feedstuff and Soymeal Sales in Sri Lanka for the Iowa Soybean Association	$84,206
Sri Lanka	Biotechnology Training for Senior Level Sri Lankan Officials for USDA/Foreign Agricultural Service	$5,000
Thailand	Thailand Importer Developer Program for the Southern United States Trade Association	$185,535
Thailand	Technical Support to U.S. Frozen Potato Tariff Reduction Efforts in Thailand for the National Potato Promotion Board	$84,235
Thailand	Restrictive Labeling Requirements for Alcoholic Beverages to Thailand for USDA/Foreign Agricultural Service	$36,450
Turkey	Biotech Speakers for Istanbul Seminar and Public Outreach for USDA/Foreign Agricultural Service/ Ankara	$38,680
Turkey	U.S. Dairy Genetics to Turkey, Overcoming Unjustifiable Regulatory Barriers for the National Association of Animal Breeders	$22,551
Turkey	Expanding Indiana Hardwood Exports in Turkey for the Indiana State Department of Agriculture	$20,900
Vietnam	Vietnamese Wet Blue Buyers Team to the United States for the Leather Industries of America	$32,450
Total		**$8,361,172**

Foreign Agricultural Service (November 2010).

1. Program Name

Foreign Market (Cooperator) Development Program.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Foreign Market (Cooperator) Development Program (FMD), also known as the Cooperator program, is administered by the Foreign Agricultural Service and uses funds from the Commodity Credit Corporation (CCC). FMD's first participants entered into agreements with FAS in 1954 The program is currently authorized by Title VII of the Agricultural Trade Act of 1978. Funding for FMD was reauthorized through 2012 by the 2008 Farm Bill.

4. Purpose/Goals

The purpose of the program is to create, expand, and maintain foreign markets for U.S. agricultural commodities and products through cost-share assistance. FMD benefits U.S. farmers, processors, and exporters by assisting their organizations in maintaining or increasing market share in existing markets by addressing long-term foreign market import constraints and by identifying new markets or new uses for the agricultural commodity or product in the foreign market. Overseas promotions focus on generic U.S. commodities, rather than brand-name products, and are targeted toward long-term development. Projects under the Cooperator Program are jointly funded by the U.S. Government and industry groups.

5. Success in Meeting Programmatic Purpose/Goals

FMD applications undergo a competitive review process based on criteria as specified in the FMD regulations and an annual *Federal Register* announcement. Funds are awarded to applicants that demonstrate effective performance based on a clear, long-term strategic plan. The FAS also considers the extent to which a proposed project targets markets with the greatest growth potential and a program effectiveness time line against which results can be measured at specific intervals using quantifiable product or country goals. The FAS allocates funds in a manner that effectively supports the strategic decision making initiatives of the Government Performance and Results Act (GPRA) of 1993. In 2007, FAS commissioned a cost-benefit analysis of USDA's market development programs with an independent economic analysis firm, Global Insight Inc., and recently received the results of an update of that study. The study analyzed the impact of the increase in foreign market development investment that took place under the 2002 Farm Bill through 2009. The study reported that U.S. agricultural exports were $6.1 billion higher in 2009, compared to what they would have been without the increased investment in market development. Every dollar of increased investment in the MAP and FMD resulted in $35 in exports.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$34
2003	$34
2004	$34
2005	$34
2006	$34
2007	$34
2008	$34
2009	$34
2010	$34
2011	$34

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Please explain changes between budget authority and outlays.

FY	Outlays
2002	$31
2003	$32

FY	Outlays
2004	$37
2005	$36
2006	$36
2007	$36
2008	$33
2009	$36
2010	$32
2011	$37 (est.)

Not all payments (outlays) are made during the year in which the program agreement is entered into. Outlays could be made up to 5 years after the project is implemented. Most payments are made by the third fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost		FTE	
	Section 11 & General Appropriations Admin. Cost	Prog. Funds for Admin. Support	FTE	Tech Assist
2007	$0.3		1	0.29
2008	$0.3		1	0.29
2009 [a]	$0.3		1	0.29
2010 [a]	$0	$0.3	1	0.29
2011 [a]	$0	$0.4	1	0.29

[a] Source: Explanatory Notes Available Funds Table. Includes direct administrative costs but does not include miscellaneous indirect costs.

For FY 2009 and FY 2010, Section 103 of the American Recovery and Reinvestment Act (ARRA) exempted CCC program funds used to pay authorized administrative costs for FMD from counting against the cap on CCC funds used to pay for salaries and administrative costs imposed by Section 11 of the CCC Charter Act. The Department of Defense and Full-Year Continuing Appropriations Act of 2011 continued the exemption from the CCC section 11 cap for CCC funds used to pay authorized administrative costs of FMD.

9. Eligibility Criteria

To participate in the FMD program an applicant must be a nonprofit U.S. trade organization. An applicant must agree to contribute resources to its proposed promotional activities. The contribution must be at least 50 percent of the value of resources provided by CCC for activities conducted under the project agreement.

10. Utilization (Participation) Data

For FY 2011 there were 22 applicants competing for $34.5 million in appropriated funding. Attached is a chart of FY 2011 Foreign Market Program Development allocations.

11. Duplication or Overlap with Other Programs

FMD is complementary to other FAS/USDA market development programs whereby funding to address priority, market-specific issues or to undertake activities not already serviced by or unsuitable for funding under other FAS marketing programs, such as the Market Access Program, the Emerging Market Program, the Technical Assistance for Specialty Crops Program, and the Quality Samples Program.

12. Waste, Fraud and Abuse

FAS is not aware of any examples of waste, fraud, and abuse in this program, including overpayments that the Department or other government agency has determined is a problem. FAS program areas closely monitor all agency agreements to ensure that participants carry out activities in accordance with program regulations. In addition, the FAS Compliance staff routinely reviews FAS agreements agency-wide to document compliance, and to ensure that FAS maintains sufficient internal controls. Further, FAS programs are audited by both the USDA Office of Inspector General and the Government Accountability Office, each of which provides detailed reports and recommendations for improvement. Finally, FAS programs are subject to the same oversight and reporting requirements common to all USDA programs, including testing of transactions under the Improper Payments Improvement Act. Together these internal and external monitoring and evaluation practices serve to catch and correct instances of waste, fraud, and abuse before they result in loss of public funds.

13. Effect of Administrative PAYGO

None.

ATTACHMENT

Fiscal Year 2011

Fiscal Year 2011 Foreign Market Development Program (FMD)

Cooperator	Allocation
AHEC, APA, SEC, SFPA *	$2,796,545
American Peanut Council	$628,631
American Seed Trade Association	$219,486
American Sheep Industry Association	$161,354
American Soybean Association	$6,648,054
Cotton Council International	$4,532,356
Leather Industries of America	$135,224
Mohair Council of America	$8,808
National Hay Association	$80,110
National Renderers Association	$837,791
National Sunflower Association	$252,192
North American Millers Association	$23,833
U.S. Dairy Export Council	$595,464
U.S. Dry Bean Council	$103,611
U.S. Grains Council	$4,386,866
U.S. Hide, Skin and Leather Association	$98,092
U.S. Livestock Genetics Export, Inc.	$670,213
U.S. Meat Export Federation	$1,612,357
U.S. Wheat Associates	$5,033,535
USA Dry Pea and Lentil Council	$157,319
USA Poultry and Egg Export Council	$1,262,021
USA Rice Federation	$1,457,865
Reserve	$2,798,273
Total Available FY 2011 Funding	**$34,500,000**

* American Hardwood Export Council, APA—The Engineered Wood Association, Softwood Export Council, Southern Forest Products Association.

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1. Program Name

Facility Guarantee Program.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

Authorized by Congress under section 1542 of the Food, Agriculture, Conservation and Trade Act of 1990 to meet the financing needs for the establishment or improvement of facilities or the provision of services in emerging markets that would primarily benefit the export of U.S. agricultural commodities.

4. Purpose/Goals

By providing credit guarantees consistent with the Organisation for Economic Co-operation and Development's (OECD) "Arrangement on Officially Supported Export Credits", for loan tenors of up to 10 years, the financial risk to U.S. lenders (banks or exporters) of foreign banks is greatly diminished. This reduced risk in financing increases export opportunities in those emerging markets where the lack of credit impedes an exporter's ability to sell and a buyer's ability to acquire agriculture-related infrastructure or services that will primarily enhance sales of U.S. agricultural commodities.

5. Success in Meeting Programmatic Purpose/Goals

From inception through June 2011, only one transaction has been guaranteed. Prior to the 2008 Farm Bill statutory amendments, FGP required U.S. content on any goods guaranteed. The 2008 Farm Bill, however, allowed for a "waiver" of U.S. content requirement if such goods were unavailable or the use of such goods is not practicable. The program also requires a determination of downstream benefit to the export of U.S. agricultural commodities. As the FGP program is required to adopt a premia structure consistent with the OECD Arrangement on Officially Supported Export Credits, capital goods programs offered by the U.S. Export-Import Bank were more attractive, as exporters did not need to develop rational trade arguments for the downstream benefits to U.S. agriculture. In light of the waiver provision for U.S. content, we are reviewing ways to use such authority with as little impact on U.S. manufacturing concerns as possible. FGP operates as a subset of the GSM–102 Export Credit Guarantee Program and under that authority is subsumed within the same overall limitations on the amount of credit guarantees that CCC may make available, which is now effectively capped in each fiscal year at $40 million of annual budget authority for "subsidy." FGP subsidy estimates, because of much longer average loan tenors, have been historically higher than those of the GSM–102 program, which in turn requires an evaluation of the best way for USDA to satisfy immediate demand for credit guarantees.

6. Annual Budget Authority (FY 2002–FY 2011)

Applicable law mandates that CCC make available for each fiscal year an amount of credit guarantees (both GSM–102 and FGP) equal to the lesser of (a) $5,500,000 or (b) an amount of guarantees that CCC can make available using budget authority for an underlying subsidy amount of the sum of $40 million per year plus any unobligated budget authority from prior fiscal years.

7. Annual Outlays (FY 2002–FY 2011)

N/A.

8. Annual Delivery Cost (FY 2002–FY 2011)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FGP delivery costs fall under the separate appropriation of $6.8 million (FY 2011) used to cover the salaries and other administrative costs (S&Es) of the Export Credit Guarantee Program (GSM–102). The program's information technology support for web interface, system of records and database are included in the overall costs to maintain the Export Credit Guarantee program information technology.

9. Eligibility Criteria

Please explain who is eligible for participation in this program. Also list any special considerations (for example priority areas or carve-outs for certain eligible producers).

All potential participants—exporters, U.S. financial institutions, foreign banks and countries—can participate provided they are not suspended, debarred or otherwise prohibited from participation in U.S. Government programs. Loan terms will be in accordance with OECD guidelines. In addition exporters must have an office in the United States, U.S. financial institutions must be regulated and foreign banks are subject to extensive individual financial review to determine creditworthiness. By law, credit guarantees cannot be issued to any country that cannot adequately service the debt associated with particular export sales.

10. Utilization (Participation) Data

Please provide the number of participants in the program. If there is a backlog, please explain that as well. Where appropriate, please include additional information, such as the number of acres enrolled in the program.

From inception through June 2011, only one transaction has been guaranteed.

11. Duplication or Overlap with Other Programs

If the purpose/goals or mission of this program are similar to those of other programs, please list those other programs along with an explanation.

The Export Import Bank offers very similar programs—but is absolutely limited to the guarantee of U.S. origin capital goods and U.S. services Ex-Im's primary mission is to expand the export of the U.S. capital goods or services, while the primary mission of the FGP is to enhance the export of U.S. agricultural commodities.

12. Waste, Fraud and Abuse

Please provide examples of waste, fraud, and abuse including overpayments that the Department or other government agency has determined is a problem and how the Department is combating such problems.

USDA is proactive in reviewing this program and its participants. Where there is any indication of waste, fraud and abuse, the Department is aggressive in investigating those incidents. This program when operational will fully implement, document and test at least annually its internal controls in accordance with both, OMB Circular A–123, which implements requirements of the Federal Managers' Financial Integrity Act of 1982, and the Improper Payments Information Act of 2002 (IPIA).

13. Effect of Administrative PAYGO

N/A.

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1. Program Name

Dairy Export Incentive Program (DEIP).

2. Subprograms/Department Initiatives

3. Brief History

Authorized by Congress under Sec. 153 of the Food Security Act of 1985, the program provides a bonus or subsidy on a bid basis to exporters of eligible dairy products (butterfat, nonfat dry milk, whole milk powder and various cheeses). The payments may be made in cash or in commodities held by the Commodity Credit Corporation (CCC). Initially, the program provided the bonuses "in-kind" from surplus stocks of dairy products held by CCC. This 'in-kind' payment was replaced by the issuance of "generic certificates" redeemable for any inventory held by the CCC. As inventories diminished, the program evolved into the sole use of cash payments for the subsidy. As this program provides an export subsidy, it is subject to the subsidy reduction commitments of the United States under the Uruguay Round Agreements of the World Trade Organization (WTO). The program is therefore subject to both budget and quantity limits in accordance with those reduction commitments.

4. Purpose/Goals

By providing a subsidy on exports of eligible dairy products, an amount intended to bridge the gap between world market prices and the U.S. domestic price, DEIP enables exporters to meet the lower world market prices, often influenced by the application of subsidies by other exporting countries—primarily the European Union (EU).

5. Success in Meeting Programmatic Purpose/Goals

The program has been very successful in meeting the needs of exporters and expanding markets for U.S. dairy products when world prices are depressed due to the application of subsidies by other countries. This was most evident leading up to and during the implementation period of the Uruguay Round subsidy reduction commitments. At that time, the EU was aggressively subsidizing dairy exports. Almost 250,000 metric tons of dairy products were exported under DEIP in Fiscal Year 1995 and $162 million in bonus payments were committed under DEIP in Fiscal Year 1993.

6. Annual Budget Authority (FY 2002–FY 2011)

This is a mandatory program with spending capped by our commitments under the WTO Uruguay Round Agreements. These are product specific and follow:

Dairy Product	Budgetary Cap ($Mil)	Quantity Cap (MT)
Nonfat dry milk	$82.46	68,201
Butterfat	$30.49	21,097
Cheese	$3.63	3,030

Dairy Product	Budgetary Cap ($Mil)	Quantity Cap (MT)
Other (whole milk powder)	$0.021	34
Total	**$116.601**	**N/A**

7. Annual Outlays (FY 2002–FY 2011)

Please explain changes between budget authority and outlays:

Fiscal Year	Subsidy Awarded ($Mil)	Quantity (MT)
2002	$54.62	86,473
2003	$32.52	86,155
2004	$2.68	48,498
2005	0	0
2006	0	0
2007	0	0
2008	0	0
2009	$18.89	50,886
2010	$2.37	4,811
2011	0	0

The budget authority is restricted to the budgetary limits of our subsidy reduction commitments under the Uruguay Round Agreements. DEIP is designed to meet, not set, world market prices. Years where there has been limited use of DEIP reflect the United States' competitiveness in the world market without the need for a subsidy. This condition exists today.

8. Annual Delivery Cost (FY 2002–FY 2011)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

Delivery costs are a function of collateral duty when the program is operating. When not operating, program delivery costs are estimated at 0.10 FTE—largely a function of closing outstanding performance issues. When operational, USDA estimates that no more than two FTE equivalents are utilized to operate the program. In fiscal 2010, the program operated for one month and estimated delivery costs were under $40,000. In 2011, estimated delivery costs are under $10,000. The software costs for the program are under $1,000 per year.

9. Eligibility Criteria

Please explain who is eligible for participation in this program. Also list any special considerations (for example priority areas or carve-outs for certain eligible producers).

All potential exporters of U.S. dairy products can participate provided they have an agent in the United States and they are not suspended, debarred or otherwise prohibited from participation in U.S. Government programs.

10. Utilization (Participation) Data

Please provide the number of participants in the program. If there is a backlog, please explain that as well. Where appropriate, please include additional information, such as the number of acres enrolled in the program.

To date 115 exporters of dairy products have participated in DEIP since inception. The following is a list of the number of participants for the period 2002–2011:

Fiscal Year	Participants
2002	17
2003	12
2004	4
2005	0
2006	0
2007	0
2008	0

Fiscal Year	Participants
2009	17
2010	12
2011	0

11. Duplication or Overlap with Other Programs

If the purpose/goals or mission of this program are similar to those of other programs, please list those other programs along with an explanation.

None.

12. Waste, Fraud and Abuse

Please provide examples of waste, fraud, and abuse including overpayments that the Department or other government agency has determined is a problem and how the Department is combating such problems.

USDA is proactive in reviewing this program and its participants. Payments are not made until the exporters provide appropriate export documentation that is reviewed for compliance with program requirements. Where there is any indication of waste, fraud and abuse, the Department is aggressive in investigating those incidents. At this time we have no confirmed evidence of waste, fraud or abuse under DEIP.

13. Effect of Administrative PAYGO

None.

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1. Program Name

The Cochran Fellowship Program.

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Cochran Fellowship Program was established in September 1984 and was authorized in section 1543 of the Food, Agriculture, Conservation, and Trade Act of 1990, as amended. The program provides short-term agricultural fellowships in the United States for senior and mid-level specialists and administrators working in such areas as agricultural trade and policy, agribusiness development, management, animal, plant, and food sciences, extension services, and agricultural marketing. Since its start the Cochran Fellowship Program has trained over 14,300 international participants from 123 countries.

4. Purpose/Goals

The purpose of the Cochran Fellowship Program is to provide agricultural fellowships to individuals from middle-income countries, emerging markets and emerging democracies. By statute, the goals are for participants to gain knowledge and skills through training that will: "(1) assist eligible countries to develop agricultural systems necessary to meet the food and fiber needs of their domestic populations; and (2) strengthen and enhance trade linkages between eligible countries and agricultural interests in the United States."

5. Success in Meeting Programmatic Purpose/Goals

The more than 14,000 Cochran alumni comprise an impressive network of agricultural specialists that have both enhanced food security in their home countries and strengthened trade linkages with the United States. Alumni include the current President of Albania and several Ministers of Agriculture from different regions of the world. The Cochran Fellowship Program can play an important role in resolving agricultural trade issues. For example, in March 2011 the Minister of Agriculture in Iraq lifted the import ban of U.S. livestock genetics shortly after a Cochran training demonstrated the quality of U.S. bovine genetics to three Iraqi agricultural specialists. A Cochran Fellow from China trained in U.S. food retailing practices in 1996 now runs a high-end supermarket chain in Shanghai that carries nearly 3000 American products with annual sales of $44 million.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2002	$4
2003	$5
2004	$4
2005	$4
2006	$4
2007	$4
2008	$3
2009	$5
2010	$5
2011	$3

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

FY	Outlays
2002	$4
2003	$4
2004	$5
2005	$3
2006	$4
2007	$5
2008	$4
2009	$3
2010	$5
2011	$3 (est.)

Not all payments (outlays) are made during the year in which budget authority is made available. Outlays could be made up to 5 years after the appropriation is received. Most payments are made by the third fiscal year after the appropriation.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

To the best of the Department's ability, please outline costs associated with delivery of program, including FTE's, technical assistance, software, *etc.*

FY	Annual Cost	FTEs
2007	5.2	14
2008	4.0	12
2009	2.6	12
2010	4.9	12
2011	4.5 (est.)	13 (est.)

These funds not only support personnel cost, but participants' travel and training cost.

9. Eligibility Criteria

The Cochran Fellowship Program is open to the staff of agribusinesses, government departments, universities, and other agricultural organizations. In their own countries, applicants may be private agricultural producers, managers, technicians, scientists, specialists, professors, administrators, and/or policy makers from both the public and private sectors. Country eligibility includes middle-income countries, emerging democracies, and emerging markets.

10. Utilization (Participation) Data

Between 2002 and 2010 the program provided fellowships to 5835 individuals from 107 countries. During FY 2011 it is anticipated that the Cochran program will sponsor approximately 425 individuals from 60 countries. The yearly totals are as displayed below:

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Number of Cochran Fellows	969	853	864	501	551	706	520	395	476	425

11. Duplication or Overlap with Other Programs

The Cochran Fellowship Program distinguishes itself from 1031 other project grants listed in the *Catalog of Federal Domestic Assistance* through its targeted audience, scope of training, approach and goals. Fellows from middle-income and countries in transition are strategically targeted, based on self-identified agricultural needs in their own countries and the priorities of FAS's strategy. Candidates are often mid-level professionals—from both the public and private sector—and receive specialized training related to trade capacity or market access needs. Cochran's short-term training for 2 to 3 weeks differs from other fellowship programs that are year-long (or longer) programs (Fulbright, Humphrey, USAID-sponsored development assistance scholarships) or targeted to academia (Borlaug, Faculty Exchange Program, Agricultural Research & Development (AWARD) Fellowship Program—USAID).

12. Waste, Fraud and Abuse

All funding for the Cochran Fellowship Program is obligated according to FAS agency-wide fund control procedural and policy guidance. Obligations are recorded on a timely basis in agency and departmental financial systems to ensure that program implementation can proceed in order to meet program objectives over the required timeline. A separate accounting code is established for each discrete Cochran training, ensuring that all expenditures are tied to a specific country and/or training focus. Each training budget is reviewed and modified by program staff to ensure that the amounts expended are appropriate. In addition, Federal travel guidelines are adhered to regarding lodging and *per diem,* as well as daily salary rates. Federal regulatory requirements relating to administration, cost principles and audits are included with each cooperative agreement. Reconciliation of all obligations and expenditures is performed at various intervals to be sure official accounting records are accurate. Timely reviews of unliquidated balances are performed based on OMB Circular A123, Management and Accountability Act.

FAS is proactive in monitoring the Cochran program for any indications of waste, fraud and abuse. FAS has not found any systemic problems in the Cochran Program.

13. Effect of Administrative PAYGO

N/A.

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1. Program Name

The Borlaug International Agricultural Science and Technology Fellowship Program (Borlaug Fellowship Program).

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Borlaug Fellowship Program (BFP) was initiated in March 2004 in honor of the late Nobel Laureate Dr. Norman E. Borlaug, an agronomist, humanitarian, and the father of the Green Revolution. Congress provided statutory authorization for the program in the Food, Conservation and Energy Act of 2008 (7 U.S.C. 3319j). The BFP provides fellowships for scientific training and research in the United States to potential agricultural leaders from eligible countries to promote food security and economic growth. Since its inception in 2004, the BFP has enhanced the scientific, regulatory and agribusiness knowledge and skills of over 500 Borlaug Fellows from 64 developing countries.

4. Purpose/Goals

The Borlaug Fellowship Program helps developing countries strengthen food security and improve agricultural productivity by providing U.S.-based scientific training and collaborative research opportunities to visiting scientists, policymakers, and university faculty. Training for Borlaug Fellows increases their scientific knowledge and promotes long-term collaboration with mentors at U.S. land-grant universities, USDA and other government agencies, and international research centers. The program also strives to help developing countries strengthen agricultural practices through the transfer of new science and agricultural technologies, including those related to production, processing and marketing; addresses obstacles to the adoption of technology, such as ineffective policies and regulations; and promotes the extension of knowledge gained by Fellows to "users and intermediaries in the marketplace."

5. Success in Meeting Programmatic Purpose/Goals

The program has facilitated the adoption of modern agricultural practices in targeted countries by strengthening human and institutional capacity through U.S.-based training. The Borlaug Fellowship Program periodically conducts surveys to gather information from Borlaug alumni about the impact of the fellowship program on their work. Responses from Borlaug alumni received in Fiscal Year 2010 overwhelmingly reported that their fellowship had a positive impact on one or more aspects of their work. Of the 100 surveys received, the Fellows specifically reported that participating in the Borlaug Fellowship Program positively impacted their research (92 percent), teaching (74 percent), and policy objectives (14 percent), including the adoption of one or more new techniques or technologies (52 percent) in their home institutions. For example, A 2008 African Woman in Science Borlaug Alumnus trained in dairy management and nutrition reported that her training resulted in significant increases in milk production and calf births at the Kakoma Estate, a medium size Malawian dairy cooperative enterprise, where she is managing director. A Borlaug Alumnus from Romania with the University of Agricultural Science in Timisoara, Romania, reported that the lab experience he gained through his 2006 Fellowship allowed him to spearhead a research program at his home institution in applied microbiology and biofuels.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

FY	BA
2004–2006	$2
2007	$2
2008	$2
2009	$2
2010	$2
2011	$1.5

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

FY	Outlays
2004–2006	$2
2007	$2
2008	$2
2009	$2.3
2010	$2.1
2011	$1.5 (est.)

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

FY	Annual Cost	FTEs
2007	$1.400	4
2008	$.974	6
2009	$1.625	6
2010	$1.785	8
2011	$1.500 (est.)	8 (est.)

These funds support personnel cost and participants' travel and training cost such as training at Texas A&M University and Prairie View A&M University.

9. Eligibility Criteria

Individuals, who specialize in agricultural education, research and extension, from the public and private sectors in developing countries that are eligible for U.S. economic assistance.

10. Utilization (Participation) Data

Since 2004, the Borlaug Fellowship Program has trained Fellows from 64 countries in sub-Saharan Africa, the Middle East, the former Soviet Union, Asia and Latin America to receive scientific agricultural training in the United States. Collaborative-research and training have spanned such fields as the plant and animal sciences, food safety, agricultural biotechnology, environmental sciences, climate change, and food security. Women agriculturalists receive priority consideration in the program and now comprise nearly 50 percent of participants. During FY 2011 it is anticipated that the Borlaug Fellowship Program will sponsor approximately 34 individuals from 26 countries. The yearly totals are displayed below:

Year	2004–2006	2007	2008	2009	2010	2011
Number of Borlaug Fellows	268	94	66	63	48	34

11. Duplication or Overlap with Other Programs

There is no duplication or overlap with other Federal programs.

12. Waste, Fraud and Abuse

All funding for the Borlaug Fellowship Program is obligated according to FAS agency-wide fund control procedural and policy guidance. Obligations are recorded on a timely basis in agency and departmental financial systems to ensure that program implementation can proceed in order to meet program objectives over the required timeline. A separate accounting code is established for each discrete Borlaug training, ensuring that all expenditures are tied to a specific country and/or training focus. Each training budget is reviewed and modified by program staff to ensure that the amounts expended are appropriate. In addition, Federal travel guidelines are adhered to regarding lodging and per diem, as well as daily salary rates. Federal regulatory requirements relating to administration, cost principles and audits are included with each cooperative agreement. Reconciliation of all obligations and expenditures is performed at various intervals to be sure official accounting records are accurate. Timely reviews of unliquidated balances are performed based on OMB Circular A123, Management and Accountability Act.

13. Effect of Administrative PAYGO

None.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

1. Program Name

Food for Peace Act/USAID Title II, III, and V.

2. Subprograms/Department Initiatives

A. Title II: Emergency and Private Assistance Programs

Under Title II, USAID provides emergency food aid to address needs arising from natural disasters, such as floods or droughts, and complex emergencies often characterized by insecurity and population displacement. USAID also provides development food aid as part of multi-year, development (non-emergency) programs integrated with USAID strategies to address the underlying causes of chronic food insecurity.

B. Title III: Food for Development

Title III is a USAID-administered program for enhancing food security and supporting long-term economic development in least-developed countries. USAID is authorized to donate agricultural commodities to a recipient country and funds the transportation to the point of entry in the recipient country. These commodities may be sold on the domestic market and the revenue generated from their sale is used to support and implement economic development and food security programs. Funds have not been requested or appropriated for Title III for more than a decade.

C. Title V: Farmer to Farmer Program

The John Ogonowski and Doug Bereuter Farmer-to-Farmer Program provides voluntary technical assistance to farmers, farm groups, and agribusinesses in developing and transitional countries to promote sustainable improvements in food security and agricultural processing, production, and marketing. The program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agribusinesses, and nonprofit farm organizations to respond to the local needs of host-country farmers and organizations.

3. Brief History

On July 10, 1954, President Dwight D. Eisenhower signed the Agricultural Trade Development Assistance Act—or Public Law (P.L.) 480—into law. Since that day, the lasting benefits President Eisenhower envisioned have come to pass. The more than 120 million metric tons of American food the United States has sent overseas over the past 57 years under Title II, the largest part of P.L. 480, have kept billions of people overseas from hunger, malnutrition, and starvation.

Early in his Administration, President John F. Kennedy underlined the importance of P.L. 480 to the United States—and the rest of the world—by renaming it "Food for Peace" and placing it in the newly created U.S. Agency for International Development. "Food is strength, and food is peace, and food is freedom, and food is a helping hand to people around the world whose good will and friendship we want," Kennedy said. Since its inception, Food for Peace has adapted several times to accommodate changing needs around the world. Programs currently focus primarily on sub-Saharan Africa and Asia. Despite these changes, the objectives have remained the same: fighting hunger and malnutrition and promoting sustained economic growth and development.

For over 57 years, the Food for Peace program has brought hope and nourishment to the hungry corners of the world. Over three billion people in over 150 countries have benefited directly from our food.

Upon reaching its destination, the food is used in a variety of ways, and always for the people most vulnerable to the effects of hunger: children under age 5, pregnant women, the elderly, and the poorest families in a community. During an emergency in which people face threat of imminent starvation, food—wheat, sorghum, corn and other commodities—are distributed to save their lives. If the symptoms of extreme malnutrition have already appeared, a nutritionally fortified ration with blended, fortified, and processed food is provided. In less dire circumstances, food can be used to compensate people for work, such as building roads or repairing water and irrigation systems. In turn, these projects help protect communities from future hunger by providing them access to local markets for their produce, keeping them healthy, and improving their harvests.

Title II programs have an immediate impact of protecting lives and maintaining consumption levels, while also contributing to longer-term impacts, including enhancing community and household resilience to shocks, helping people build more durable and diverse livelihood bases (enhancing assets, resources, and infrastructure), and enhancing the capabilities of individuals through improvements in health, nutrition and education.

Title V, the Farmer-to-Farmer Program, exemplifies this U.S. helping hand in food aid. Since the program's inception in 1985, over 12,000 volunteer assignments have been completed in over 80 countries. Over one million farmer families (representing about five million people) have directly benefitted from the Farmer-to-Farmer Program. Volunteers help host individuals and organizations build local institutions and linkages to resolve local problems and have provided direct hands-on training to over 80,000 people. Approximately 43 percent of all individuals trained by Farmer-to-Farmer volunteers are women. Under the current program, 15 organizations are providing volunteer services in 25 core countries. Current programs field approximately 600 volunteers per year.

4. Purpose/Goals

The Food for Peace Act, as the statute has been renamed, states the following with respect to the programs authorized under the Act:

> It is the policy of the United States to promote its foreign policy by enhancing the food security of the developing world through the use of agriculture commodities and local currencies accruing under this Act to:
>
> (1) Combat world hunger and malnutrition and their causes;

(2) Promote broad-based, equitable and sustainable development, including agricultural development;
(3) Expand international trade;
(4) Foster and encourage the development of private enterprise and democratic participation in developing countries; and
(5) Prevent conflicts.

The Farmer-to-Farmer Program goal is to help promote agricultural sector growth and food security in developing countries and to increase international understanding of the United States and U.S. development programs by involving American citizens in people-to-people exchanges for work on agricultural development.

5. Success in Meeting Programmatic Purpose/Goals

Title II: Emergency and Private Assistance (Development) Programs

Administered by the USAID Office of Food for Peace in the Bureau for Democracy, Conflict, and Humanitarian Assistance, in FY 2010, Title II programs (emergency and development (non-emergency)) provided more than 2.1 million tons of commodities, with a program cost of approximately $1.9 billion, to assist approximately 55 million people in 46 countries.

For more information on Food for Peace Title II program accomplishments, please see attached text from the FY 2010 International Food Assistance Report (*Attachment B*), as well as the FY 2007–2009 International Food Assistance Reports (attached).

Title V: Farmer to Farmer Program

The USAID Bureau for Food Security administers this program. In FY 2010, implementing agencies fielded 522 volunteers from 48 states and the District of Columbia. The top five states providing volunteers were: California (58 assignments), Wisconsin (50 assignments), North Carolina (28 assignments), Florida (25 assignments), and Minnesota (19 assignments). Of these assignments, 433 were completed by men (83 percent) and 89 by women (17 percent). In FY 2010, 522 volunteer assignments focused on technology transfer (68%), organizational development (12%), business/enterprise development (17%), financial services (2%), and environmental conservation (1%). Volunteers worked at various levels of the commodity production and marketing chain, including: rural services and input supply (35%), on-farm production (40%), storage and processing (14%), and marketing (11%).

See attached examples (*Attachment C*) of the program's successes in meeting the goals and purposes.

6. Annual Budget Authority (FY 2002–FY 2011)

For USAID's annual budget authority (FY 2002–2011), please see *Attachment A.*

7. Annual Outlays (FY 2002–FY 2011)

For USAID's annual Title II outlays (FY 2002–2011), please see *Attachment A.*

8. Annual Delivery Cost (FY 2002–FY 2011)

The annual average Title II delivery cost (FY 2002–FY2011) is $730 per metric ton.

9. Eligibility Criteria

Those eligible for Title II emergency resources are:

- A private voluntary organization or cooperative that is, to the extent practicable, registered with the USAID Administrator, or
- A Public International Organization (PIO), such as the U.N. World Food Program.

Pursuant to section 402 of the Food for Peace Act, this includes U.S. and non-U.S. nonprofit organizations.

Title V, the Farmer-to-Farmer Program, is implemented by U.S. private voluntary organizations, cooperatives, and universities. During FY 2010, eleven private voluntary organizations and four universities participated in the program.

10. Utilization (Participation) Data

Food for Peace (Title II) assisted the following number of beneficiaries in FY 2008 through FY 2010:

FY	Emergency	Development
2008	37.9 million	7.6 million

FY	Emergency	Development
2009	55 million	7.1 million
2010	46.5 million	7.9 million

During FY 2010, the Farmer to Farmer Program (Title V) provided assistance to 455 local organizations (cooperatives, farmer groups, agribusinesses, rural financial organizations and others), directly assisting 34,080 people. The program provided training to 16,853 people.

11. Duplication or Overlap with Other Programs

Food for Peace Title II is the largest USG international food aid program and the only program with a primary responsibility for emergency food assistance. Title II development programs are integrated into country level strategic plans and as such are designed to complement other mission development objectives. Emergency food aid complements food security programs by addressing the most vulnerable populations.

At the country level, the Farmer-to-Farmer Program (Title V) generally works with and through partners' programs. Frequently, these partners' programs are other on-going USAID agricultural and rural development projects. Implementing private voluntary organization country program arrangements and USAID country Missions collaborate to ensure coordination with national development efforts and on-going programs. Coordination and sustainability are ensured through working closely with local host organizations on their farm and business development efforts.

12. Waste, Fraud and Abuse

The USAID Office of Food for Peace works aggressively to avoid waste, fraud, and abuse, and works closely with the USAID Office of Inspector General (OIG) to review Title II, III or V audit findings and respond accordingly with management decisions and actions, as applicable.

13. Effect of Administrative PAYGO

N/A.

ATTACHMENT A

Budget Authority and Outlays—Title II
Total Funding Availability
(in Hundred Millions)

	FY 2002 Final	FY 2003 Final	FY 2004 Final	FY 2005 Final	FY 2006 Final	FY 2007 Final	FY 2008 Final	FY 2009 Final	FY 2010 Final	FY 2011 To Date
Appropriations	958.8	1,809.6	1,185.0	1,413.0	1,488.5	1,664.7	2,060.9	2,320.9	1,840.0	1,497.0
Base Enacted	863.8	1,192.2	1,185.0	1,173.0	1,138.5	1,214.7	1,210.9	1,225.9	1,690.0	1,497.0
Supplemental Appropriations	95.0	* 617.4	0.0	240.0	350.0	450.0	850.0	1,095.0	150.0	0.0
Outlays **	**922.0**	**1,063.0**	**1,535.0**	**1,339.0**	**1,294.0**	**2,550.0**	**2,618.5**	**2,013.0**	**1,639.0**	**N/A**

* $69 million was legislated to be transferred to the Bill Emerson Humanitarian Trust.
** as reported in the President's annual budget appendix.

ATTACHMENT B

Excerpts from FY 2010 International Food Assistance Report

U.S. International Food Assistance Overview

U.S. international food assistance has long played a critical role in responding to global food insecurity. This tradition continued in FY 2010, with the USG providing more than 2.5 million metric tons (MT) of commodities to more than 65 million beneficiaries in 73 countries worldwide. Current U.S. international assistance programs stretch from sub-Saharan Africa to the former Soviet Union and from Latin America and the Caribbean to south Asia. These programs have been adaptable and flexible as food needs have evolved around the world.

Expanded Prepositioning of Commodities

USAID announced a major expansion of its global food aid prepositioning system in Fall 2010. USAID awarded contracts for six prepositioning sites, in the United States (Texas), Sri Lanka, Djibouti, Kenya, South Africa, and Togo.

USAID's prepositioning system operates as part of a modern supply chain management system. When food aid is needed somewhere, USAID first uses commodities from the global prepositioning system—either in warehouses or in transit to them—and then reorders commodities to replace them. This process allows USAID to maintain a continuous flow of vital food aid in response to emergencies. Food aid supplies are stockpiled in or near regions of the world with historically high emergency food aid needs. This system allowed USAID to respond to the floods in Pakistan, for example, by dispatching food aid from its prepositioning warehouse in Djibouti.

Response to Disasters in Haiti and Pakistan

The continued need for humanitarian food assistance was demonstrated throughout FY 2010, particularly in response to the earthquake in Haiti and the floods in Pakistan.

After the devastating earthquake in Haiti in January, USAID was the driving force in rapidly expanding the food aid response to assist Haitians in need.

USAID's abilities to divert over 6,500 tons of food aid already on the ground as part of ongoing programs, as well as to purchase 3,564 tons of commercial rice of U.S. origin in Haiti with assistance from USDA, were critical to jump-starting the large-scale distributions. USAID also dispatched 14,550 tons of food aid from USAID prepositioned stocks in Texas. After the initial emergency food response, USAID transitioned to more targeted distributions to vulnerable groups (*e.g.,* women and children under 5) assisting approximately three million beneficiaries.

After the July floods in Pakistan, USAID dispatched peas and vegetable oil from USAID's prepositioning site in Djibouti and contributed approximately $130 million of Title II and Emergency Food Security Program (EFSP) resources to the World Food Program (WFP) to ensure food distributions at the start of the floods. With an additional USAID contribution of $90 million at the end of 2010, WFP worked to assist more than seven million flood-affected people.

Contribution of Food Aid to Feed the Future

USAID and USDA continue to improve the management of the food aid programs and to link the programs to the Feed the Future Initiative. USAID and USDA have increased coordination at both the headquarters and field levels to ensure that the programs supported country-led strategies and a whole-of-government approach. Both USAID and USDA have required applicants for development food aid programs to demonstrate how proposed projects would support country-led investment plans.

Monitoring and evaluation (M&E) are an increasingly important component of program management. USDA and USAID continue to review and update indicators so that, where appropriate, results of food aid programs can be reported against the Feed the Future Strategic Results Framework.

Bellmon Estimation for Title II (BEST) Project

The USAID BEST Project continues to conduct independent market analyses to ensure that USAID complies with the Bellmon Amendment, which requires that adequate storage facilities be available in a recipient country upon arrival of a commodity to prevent spoilage or waste, and that distribution of the commodity in the recipient country will not result in substantial disincentive or interference with domestic production or marketing in that country. The USAID BEST Project has conducted 13 independent market analyses to ensure that these requirements are met. Studies can be found at *http://www.usaid.gov/our_work/humanitarian_assistance/ffp/bellmonana.html*.

New Famine Early Warning Tool

To better link early warning and response to emergencies, USAID developed a new Famine Early Warning System Network (FEWS NET) resource—the Food Assistance Outlook Briefing—which provides warning of potential food assistance needs 6 months in the future. These predictions are critical because of the time required to purchase and ship in-kind food aid from the United States. This tool also creates evidence-based analysis that is useful to USAID and national decision-makers as they take measures to respond to potential food insecurity. This monthly outlook can be found at *www.fews.net.*

USAID's Famine Early Warning Systems Network (FEWS NET)

USAID's Famine Early Warning Systems Network exemplifies the U.S. commitment to anticipating and responding to humanitarian vulnerabilities and crises. Using interagency agreements with the U.S. Geological Survey, National Aeronautics and Space Administration, National Oceanic and Atmospheric Administration, and USDA, FEWS NET continues to monitor, collect and analyze, and disseminate critical data and information on conditions of food availability and access in the most food insecure countries. FEWS NET provides decision-makers in the U.S. Government, host country governments, and a variety of other regional and international partners timely, unbiased, and insightful early warning and vulnerability information. FEWS NET information products can be found at *www.fews.net*.

In response to rising needs for more and better food security monitoring information in countries not covered by a FEWS NET presence, and where global drivers of food security are ever more present, USAID, through FEWS NET, defined, tested, and is currently implementing an innovative non-presence-based "remote monitoring" strategy. This strategy uses FEWS NET partners to assist in the identification and early warning of significant changes in food availability and food access that might potentially lead to a food security crisis. Sectoral monitoring priorities for remote monitoring include weather and climate, crop condition and output, food markets and trade, and livelihoods. Data to monitor these priority areas is gathered from FEWS partners NOAA, NASA, USDA and the USGS, as well as satellite imagery and in-country sources.

FEWS NET also uses remote monitoring for some countries where direct monitoring does not occur. This light form of monitoring has already provided important evidence for decision-making in Yemen, where it challenged the accuracy of nutritional surveys in the north, and in Tajikistan where it provided important context for understanding the limited food security implications of a drop in remittances to the country.

Monitoring and Evaluation (M&E)

In 2010, through its cooperative agreement with the Food and Nutrition Technical Assistance project (FANTA), USAID's Office of Food for Peace launched *Discussion-TIIME,* a free e-mail listserv and website where Food for Peace Title II monitoring and evaluation practitioners can learn from each other and have access to technical expertise. The listserv and website are geared especially to those practitioners in the field working on USAID Title II development and emergency assistance programs. The goals of *Discussion-TIIME* are to promote the professional development of development and emergency food assistance M&E staff; to help introduce new staff to Title II M&E and to keep experienced staff abreast of emerging issues; and to improve the quality of Title II M&E.

Food Aid Quality

In December 2010, USAID's Office of Food for Peace issued a draft report with recommendations for public comment from a 2 year Food Aid Quality Review (FAQR). The review, a collaborative effort undertaken with Tufts University Friedman School of Nutrition, and in consultation with industry, PVOs, technical experts, UN agencies, and others, aimed to identify ways to better match the nutritional quality of Title II food aid with the nutritional requirements of vulnerable populations overseas.

Given new understandings in nutrition science and the importance of nutrition during the 1,000 days between a child's conception and 2 years of age, the review identified the need to focus on the nutritional requirements of older infants, young children, and pregnant and lactating women. The recommendations focused on:

- Reformulating fortified, blended foods by enhancing micronutrient content and adding animal protein to improve both absorption and growth;
- Improving both composition and use of fortified vegetable oil;
- Improving fortified cereals used in general food distributions;

- Using ready-to-use products when appropriate;
- Modifying programming guidance so that the quality improvements can be used more cost-effectively to achieve specific nutritional outcomes; and
- Changing the processes used to approve new products, develop specifications, procure, and monitor the use of food aid commodities.

The final report will be issued in April 2011. The implementation of these recommendations should dramatically enhance the nutritional impact of food aid rations in both emergency and development settings.

Technical Capacity Building

In 2010, USAID awarded a Technical and Operational Performance Support (TOPS) Program to advance networking among Title II emergency and development partners through training and information sharing on best practice and lessons learned. The near term priorities of TOPS are commodity management, nutrition and food technology, social and behavior change, and gender equity. TOPS works closely with and complements the work of FANTA, which is engaged in a number of important research studies on issues such as household dietary diversity and developing exit strategies that will inform future programming guidance.

Gender

During 2009–2010, USAID, with the support of the FANTA, led a process to develop a framework that will enable Food for Peace to enhance its focus on gender integration into Title II programs. The review and consultative process, as well as recommendations that emerged, are summarized in Occasional Paper #7 *Gender Integration in USAID/DCHA Office of FFP Operations.* This Occasional Paper is located at *www.fantaproject.org*. Some key recommendations include developing comprehensive guidelines specific to gender and food security for effective monitoring and evaluation of Title II programming, strengthening staff competencies on gender integration in food security, and supporting pilot efforts to determine how best to empower women in food assistance programming.

Program Descriptions and Fiscal Year 2010 Accomplishments

2. Title II: Emergency and Private Assistance (Development) Programs:

Administered by the USAID Office of Food for Peace in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), in FY 2010, Title II programs (emergency and development) provided more than 2.1 million MT of commodities, with a program cost of approximately $1.9 billion, to assist approximately 55 million people in 46 countries.

Title II programs focus to reduce food insecurity in vulnerable populations and improve resiliency to shocks—an essential first step toward household self-sufficiency and economic independence. In support of this approach, Title II development programs incorporate many activities to strengthen local capacity to respond to natural disasters.

a. Title II: Emergency Programs:

Title II emergency programs aim to address two forms of emergencies: natural disasters, such as floods or droughts, and complex emergencies characterized by a combination of natural disaster, conflict, and insecurity. All of these elements pose substantial programmatic and operational challenges in responding effectively to the needs of food-insecure populations.

In FY 2010, Title II emergency programs provided more than 1.6 million MT of emergency food aid, with a program cost of more than $1.5 billion, to help alleviate malnutrition and hunger in 27 countries. In all, Title II emergency programs reached approximately 46.5 million food-insecure people in 27 countries in FY 2010.

Food for Peace Title II: Emergency Program Highlights:

Ethiopia: Throughout the first 9 months of 2010, most regions experienced normal to above normal rainfall, thus improving the overall food security situation, even resulting in suspension of emergency distributions in the south as of September. However, in parts of the Amhara, Afar, Oromiya, Tigray, Gambella, and Somali regions the rains also brought devastating floods and related mudslides that destroyed crops and displaced people, requiring emergency food rations. In FY 2010, the bulk of Title II assistance, totaling more than $319 million, was in the form of relief food assistance to flood victims, primarily distributed through WFP and a relief consortium led by Catholic Relief Services (CRS).

USAID also continued its support of the Government of Ethiopia's Productive Safety Net Program (PSNP), by providing approximately $132 million of food assistance through PVO partners to chronically food insecure populations. In exchange for food (or cash) transfers, beneficiaries of the PSNP engage in public works projects such as soil and water conservation, water development, and rural feeder road construction and maintenance, in order to address the underlying factors for food insecurity in the beneficiary communities—mainly lack of availability, access to, and utilization of food resources. As one example, CRS undertook public works projects for water development, including excavation of more than 27,000 m3 for ponds, 88 km of irrigation canals, and more than 7,000 km of trenches for pipelines. Programs also included crop and livestock management training, training community focal persons on child malnutrition, and training in agribusiness skills, among others.

Niger: Due to severe drought, Niger's 2010 harvest could meet less than a quarter of the country's annual food requirements. A Niger household food security survey in early 2010 estimated that 3.3 million people in Niger, representing approximately 22 percent of the overall population, would be highly or extremely food insecure and require emergency food assistance to meet basic food needs through September 2010. As a result, in 2010 the Government of Niger launched a large humanitarian intervention to prevent the worst effects of the food crisis.

Beginning in November 2009, based on early warning of the crisis, USAID ordered U.S. food aid for a FY 2010 total of $48.8 million, or approximately 46,000 MT, which it distributed through WFP and two PVOs.

In addition, USAID made three awards, totaling $26.8 million, under the EFSP to complement the Title II assistance already given. These grants helped assist 1.7 million individuals affected by drought by providing beneficiaries with locally purchased food and vouchers for the purchase of food in local markets. This EFSP program gave USAID and its partners the flexibility to fill a critical food aid gap in response to emergency food aid needs in Niger.

Continued food assistance will be needed in 2011 in order to address the high acute malnutrition rates and to build capacity within Niger's agricultural sector to be able to prevent and respond to future crises.

b. Title II: Private Assistance Programs (Development):

In FY 2010, 16 awardees implemented 42 Title II development food aid programs in 21 countries. Approximately 500,000 MT of food assistance, valued at more than $400 million, was used to support programs that benefited more than 7.9 million people.

Food for Peace Title II: Development Program Highlights:

Guatemala: Guatemala has the highest national level of chronic malnutrition in the Western Hemisphere and one of the highest in the world. Food insecurity is most severe in the highlands and some areas in the east where drought is recurrent and many people eke out a living on non-irrigated subsistence agriculture.

The USAID Guatemala Food Security Program is one of the largest Title II food security programs in the Western Hemisphere. It coordinates with other USAID programs in health, local governance, enterprise and trade as well as with Government of Guatemala entities, international organizations and PVOs to reduce food insecurity among at-risk Guatemalans.

In target municipalities with the highest chronic childhood malnutrition, the program integrates income generation and maternal/child health interventions that reduce food insecurity while improving the family's livelihood and health. USAID implementing partners use food aid rations for targeted supplementary feeding for 6 to 36 month old children and pregnant/lactating women, while they work with families to improve and diversify agricultural production (*i.e.,* soil management and conservation practices), micro-enterprise, and marketing activities that augment farm income sources. In just one program implemented by SHARE, more than 450 farmers were supported with micro-loans, technical assistance, and commercial relationships in order to develop their market access. Using food for work, activities are underway to improve infrastructure in food insecure areas, to ease communities' access to markets, and to lower business transaction costs. Through these initiatives, USAID reaches approximately 400 communities and helps 56,000 families each year.

Liberia: Seven years after the end of the conflict in Liberia, the country is on the road to recovery. Yet threats remain to Liberia's food security, including residual effects of the war, population displacement, limited infrastructure, and poor sanitation and water quality. Countrywide, 30 percent of children are stunted, and 19 percent are underweight. With its agricultural capacity severely diminished by the conflict, Liberia is working to rebuild its agricultural sector, with the aim to transition from food aid to market-driven development.

Building upon the successes of the Catholic Relief Services-led Liberia Integrated Assistance Program supported by USAID, which ended in 2010, USAID awarded ACDI/VOCA $40 million over 5 years to implement the Liberian Agricultural Upgrading, Nutrition and Child Health (LAUNCH) project to reduce food insecurity. The project will build the technical and business management skills of Liberian farmers, as well as work to prevent malnutrition through interventions at the household, community and facility levels. This will be complemented by Opportunities Industrialization Centers International's (OICI) program Health, Agriculture and Nutrition Development for Sustainability (HANDS) in two of the most food insecure counties of Liberia, Grand Geddeh and River Ghee. Combined, these projects aim to assist over 300,000 Liberians in the first year of the awards.

Uganda: The hunger situation in Uganda has generally improved over the last several years. However, hunger challenges remain in distinct areas, with the northeastern Karamoja region considered the most food insecure. The combination of frequent natural disasters, gun violence, severe environmental degradation, extreme poverty, poor hygiene, and other factors has eroded people's capacity to cope with repeated shocks. One particular population vulnerable to food insecurity is displaced persons returning to their land, who may not have the agricultural inputs necessary to begin farming again.

To respond to the chronic food insecurity, USAID has given multi-year development awards to ACDI/VOCA and Mercy Corps. In 2010, USAID allocated $25 million to assist more than 320,000 individuals.

Projects undertaken in 2010 have included improving agricultural yields, creating food producer groups and women's gardening groups, improving sanitation and hygiene through construction of latrines and water wells, and opening of access roads to assist farmers in taking their products to market. As just two examples, in 2010 Mercy Corps established 95 new producer groups in the Kitgum and Pader districts, and 54 km of road were constructed in these same districts using food for work. Together with other initiatives, these projects take a holistic approach to addressing food insecurity.

In addition, USAID awarded $15 million of emergency assistance to WFP in 2010 for drought-stricken areas and refugee assistance.

Bangladesh: In a country of 156 million people, 45 percent of the population does not meet their minimum food requirements. Approximately 37 percent of children under 5 are underweight, and over 48 percent suffer from stunting.

In 2010, USAID contributed $42 million of Title II development funds, amounting to 94,340 MT of food aid, to develop the agricultural sector, improve maternal and child health and nutrition, strengthen livelihoods and entitlements, empower women, increase disaster preparedness, and other initiatives. Three Title II partners in Bangladesh—CARE, ACDI/VOCA, and Save the Children—aim to assist over 580,000 households in some of the poorest and most marginalized communities over the course of their multi-year development programs. As one example, CARE's Strengthening Household Ability to Respond to Development Opportunities (SHOUHARDO) program has already reduced stunting by 28 percent in targeted communities. It has also provided business training for over 6,000 female entrepreneurs, and increased income by 128 percent, among other successes.

c. International Food Relief Partnership:

In November 2000, the U.S. Congress passed the International Food Relief Partnership (IFRP) Act. The law, which was renewed and extended under the 2008 Farm Bill, enables USAID to award grant agreements to eligible U.S. nonprofit organizations to produce and stockpile shelf-stable, prepackaged commodities. Through the IFRP program, commodities are made available to eligible nonprofit U.S. organizations and international organizations for transportation, delivery and distribution in emergency food aid relief programs.

In FY 2010, FFP awarded approximately $8.9 million in Title II IFRP production and distribution grants. Over the course of the FY, 24 IFRP distribution grants were awarded to 17 U.S.-based nonprofit organizations. IFRP awardees distributed commodities to over 312,415 beneficiaries in 17 countries.

The organizations that received grants in FY 2010 to transport and distribute the commodities were: Food for the Hungry, ADRA, Amigos Internacionales, Batey Relief Alliance, Church of Bible Understanding, CitiHope International, Counterpart International, Cross International, Evangelical International Ministries, International Partnership for Human Development, International Relief Teams, Medical Missionaries, Nascent Solutions, Planet Aid, Project Concern International, Resource and Policy Exchange, and World Help.

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, Recipient, and Tonnage—Fiscal Year 2010

Country	Awardee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
Africa					
Burundi	WFP	Cornmeal, Corn Soy Blend, Vegetable Oil, Yellow Peas	3	3,240	$3,578.1
Cameroon	WFP	Rice	81	3,350	$4,550.1
Central African Republic	WFP	Cornmeal, Corn Soy Blend, Yellow Split Peas	1,538	3,830	$5,953.1
Chad	WFP	Cornmeal, Corn Soy Blend, Rice, Sorghum, Vegetable Oil, Wheat, Wheat Flour, Yellow Split Peas	5,614	70,310	$98,217.6
Democratic Republic of the Congo (DRC)	WFP	Cornmeal, Corn Soy Blend, Vegetable Oil, Yellow Split Peas	445	59,280	$85,699.3
Djibouti	WFP	Corn Soy Blend, Rice, Wheat Flour, Yellow Peas	365	2,040	$2,128.7
Ethiopia	CARE	Vegetable Oil, Wheat, Yellow Split Peas	31	290	$125.2
	CRS	Corn Soy Blend, Sorghum, Vegetable Oil, Wheat, Yellow Split Peas	24	227,870	$126,796.9
	REST	Vegetable Oil, Wheat, Yellow Split Peas	696	45,730	$23,544.6
	SCF	Vegetable Oil, Wheat, Yellow Split Peas	215	11,080	$9,027.6
	WFP	Corn Soy Blend, Pinto Beans Vegetable Oil, Wheat, Yellow Split Peas	644	324,200	$230,048.1
Kenya	WFP	Cornmeal, Corn Soy Blend, Sorghum, Vegetable Oil, Wheat Flour, Yellow Split Peas	2,121	109,840	$101,975.4
Madagascar	WFP	Sorghum, Yellow Peas, Yellow Split Peas	1,501	5,630	$4,511.6
Niger	CRS	Bulgur, Corn Soy Blend, Great Northern Beans, Lentils, Vegetable Oil	194	8,060	$8,909.9
	CPI	Corn Soy Blend, Rice, Vegetable Oil	42	2,310	$2,851.9
	WFP	Bulgur, Corn Soy Blend, Lentils, Rice, Sorghum, Vegetable Oil	13	20,340	$36,974.5
Republic of Congo	WFP	Rice, Vegetable Oil, Yellow Split Peas	195	2,980	$4,793.8
Rwanda	WFP	Corn, Cornmeal, Corn Soy Blend, Pinto Beans, Vegetable Oil	537	2,980	$4,167.2

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, Recipient, and Tonnage—Fiscal Year 2010—Continued

Country	Awardee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
Somalia	WFP	Corn Soy Blend, Sorghum, Vegetable Oil, Yellow Split Peas	4	18,650	$15,002.6
Sudan	NPA	Lentils, Sorghum, Vegetable Oil	123	2,660	$5,493.0
	WFP	Corn Soy Blend, Lentils, Sorghum, Vegetable Oil, Yellow Split Peas	49	315,840	$270,162.3
Tanzania	WFP	Cornmeal, Corn Soy Blend, Green Split Peas, Vegetable Oil	198	5,950	$6,051.2
Uganda	WFP	Corn Soy Blend, Cornmeal, Pinto Beans, Sorghum, Vegetable Oil, Yellow Split Peas	3,837	15,530	$15,334.5
Zimbabwe	CRS	Bulgur, Pinto Beans, Vegetable Oil, Yellow Split Peas	—	6,460	$22,713.9
	WFP	Bulgur, Sorghum, Vegetable Oil, Yellow Peas, Yellow Split Peas	11	24,470	$38,428.8
	WVUS	Unspecified Commodities	—	—	$18,308.3
Sub-Total Africa			***18,481***	***1,292,920***	***$1,145,348.2***
		Asia/Near East			
Afghanistan	WFP	Wheat, Wheat Flour, Vegetable Oil	29	43,810	$42,630.3
Algeria	WFP	Great Northern Beans, Lentils, Rice, Vegetable Oil, Wheat Flour	125	6,550	$6,212.6
Laos	WFP	Rice	175	3,280	$3,342.7
Nepal	WFP	Garbanzo Beans, Rice, Vegetable Oil, Yellow Split Peas	549	4,620	$4,130.3
Pakistan	WFP	Rice, Vegetable Oil, Wheat Flour, Yellow Split Peas	43	110,210	$96,850.8
Philippines	WFP	Rice, Vegetable Oil	3	15,200	$15,757.8
Sri Lanka	WFP	Lentils, Vegetable Oil, Wheat, Wheat Flour, Yellow Split Peas	4	22,230	$17,821.5

Yemen	WFP	Great Northern Beans, Pinto Beans, Vegetable Oil, Wheat, Wheat Flour, Yellow Split Peas	995	13,880	$12,699.7
Sub-Total Asia/Near East			***1,923***	***219,780***	***$199,445.7***
		Central Asia			
Tajikistan	SCF	Lentils, Vegetable Oil, Wheat Flour	90	5,970	$9,817.1
Sub-Total Central Asia			***90***	***5,970***	***$9,817.1***
		Latin America/Caribbean			
Colombia	WFP	Pinto Beans, Rice, Vegetable Oil, Wheat Flour	1,590	8,260	$9,057.8
Ecuador	WFP	Lentils, Vegetable Oil, Wheat Flour	19	820	$814.3
Guatemala	CRS	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oils	207	4,440	$7,404.4
	SCF	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil	10	3,190	$7,436.7
	WFP	Black Beans, Corn Soy Blend, Vegetable Oil	470	2,090	$2,572.1
Haiti	ACDI/VOCA	Bulgur, Corn Soy Blend, Yellow Peas	150	2,430	$3,184.3
	CRS	Bulgur, Corn Soy Blend, Green Peas, Pinto Beans, Vegetable Oil	128	18,000	$19,563.6
	WFP	Black Beans, Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil, Yellow Peas	6	64,490	$85,066.8
	WVUS	Bulgur, Corn Soy Blend, Lentils, Pinto Beans, Vegetable Oil	10	30,400	$32,839.8
Sub-Total Latin America/Caribbean			***2,590***	***134,120***	***$167,939.8***
Worldwide Total			***23,084***	***1,652,790***	***$1,522,550.8***

Source: Metric tonnage and total cost values derived from FFP Final Budget Summary Report, January 11, 2011. Awardees listed as approved in cooperative agreements. Commodity types and recipients derived from Food for Peace Information System report, January 3, 2011. Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals. Recipient values reported as zero or low typically are due to either monetization of commodities (thus no recipients), or the late distribution of commodities carried over from the previous fiscal year that prevented reporting.

Table does not include IFRP awardees. See page 14 for a list of awardees and page 38 for the country list.

Appendix 5: USAID Title II Development Activities: Summary Budget, Commodity, Recipient and Tonnage—Fiscal Year 2010

Country	Awardee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
Africa					
Burkina Faso	CRS	Bulgur, Cornmeal, Lentils, Rice, Vegetable Oil	103	8,920	$12,957.5
Burundi	CRS	Bulgur, Cornmeal, Corn Soy Blend, Vegetable Oil, Wheat, Yellow Peas	430	12,690	$7,510.8
Chad	Africare	Bulgur, Wheat Flour Bread	27	4,840	$5,675.0
Democratic Republic of the Congo	ADRA	Cornmeal, Green Peas, Wheat	20	12,660	$4,991.1
	FHI	Cornmeal, Vegetable Oil, Wheat	24	12,310	$5,577.2
	MCI	Cornmeal, Vegetable Oil, Wheat, Yellow Split Peas	87	10,150	$5,006.1
Ethiopia	CARE	Lentils, Vegetable Oil, Wheat, Yellow Peas	185	18,490	$13,072.0
	CRS	Bulgur, Corn Soy Blend, Rice, Vegetable Oil, Wheat, Yellow Split Peas	224	25,040	$14,981.8
	FHI	Vegetable Oil, Wheat, Yellow Peas	187	18,840	$11,662.6
	REST	N/A	—	—	$3,239.4
	SCF–UK*	Lentils, Vegetable Oil, Wheat, Yellow Peas	557	32,660	$19,159.1
Liberia	ACDI	Bulgur, Corn Soy Blend, Rice, Vegetable Oil, Wheat, Yellow Split Peas	106	8,150	$8,427.4
	OICI	Rice, Soybeans, Soy Flour, Wheat Flour	208	7,100	$6,572.8
Madagascar	CRS	Corn Soy Blend, Rice, Sorghum, Vegetable Oil	260	14,340	$17,111.0
Malawi	CRS	Corn Soy Blend, Crude Vegetable Oil, Pinto Beans, Wheat, Vegetable Oil	29	17,190	$18,000.1
Mali	Africare	Bulgur, Vegetable Oil	32	1,650	$2,434.5
	CRS	Bulgur, Corn Soy Blend, Green Split Peas, Vegetable Oil	72	4,800	$7,806.1
Mauritania	CPI	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil, Wheat	62	7,820	$5,000.1
Mozambique	ADRA	Wheat	—	10,000	$4,042.8
	FHI	Wheat	—	8,820	$3,413.6
	SCF	Wheat	—	17,480	$7,309.0
	WVUS	Wheat	—	12,740	$4,789.9
Niger	Africare	Bulgur, Corn Soy Blend, Red Beans, Rice	40	4,510	$4,054.6

	Counterpart	Corn Soy Blend, Rice, Vegetable Oil	5	3,380	$3,754.1
	CRS	Bulgur, Rice	16	7,260	$7,191.3
Sierra Leone	ACDI/VOCA	Corn Soy Blend, Rice, Vegetable Oil, Wheat Flour	10	10,800	$11,999.9
Sudan	ADRA	Lentils, Vegetable Oil	47	2,030	$30,293.1
Uganda	ACDI/VOCA	Corn Soy Blend, Wheat, Vegetable Oil	504	20,010	$16,046.4
	MCI	Corn Soy Blend, Cornmeal, Green Split Peas, Wheat, Vegetable Oil	8	10,170	$8,953.6
Zambia	CRS	Bulgur, Lentils	10	930	$7,254.2
Sub-Total Africa			***3,253***	***325,780***	***$278,287.1***
		Asia/Near East			
Afghanistan	WVUS	Rice, Vegetable Oil, Wheat Flour, Yellow Peas	2,233	10,290	$15,500.0
Bangladesh	ACDI/VOCA	Lentils, Vegetable Oil, Wheat	45	19,270	$9,000.0
	CARE	Wheat	—	57,010	$23,000.0
	SCF	Vegetable Oil, Wheat, Yellow Split Peas	174	18,060	$10,000.1
India	CRS	Bulgur, Vegetable Oil	125	7,000	$3,733.7
Sub-Total Asia/Near East			***2,577***	***111,630***	***$61,233.8***
		Latin America/Caribbean			
Guatemala					
	CRS	Corn Soy Blend, Crude Vegetable Oil, Pinto Beans, Rice, Vegetable Oil	26	5,760	$5,773.5
	MCI	Corn Soy Blend, Crude Vegetable Oil, Pinto Beans, Rice, Vegetable Oil	102	9,490	$9,458.8
	SCF	Corn Soy Blend, Crude Vegetable Oil, Pinto Beans, Rice, Vegetable Oil	12	4,890	$4,733.1
	SHARE	Corn Soy Blend, Crude Vegetable Oil, Pinto Beans, Rice, Vegetable Oil	16	4,960	$5,034.4
Haiti	ACDI/VOCA	Bulgur, Corn Soy Blend, Wheat Flour, Vegetable Oil, Yellow Peas	43	8,040	$10,125.2
	CRS	Bulgur, Corn Soy Blend, Green Peas, Vegetable Oil, Wheat Flour	90	11,610	$10,498.7

Appendix 5: USAID Title II Development Activities: Summary Budget, Commodity, Recipient and Tonnage—Fiscal Year 2010—Continued

Country	Awardee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
	WVUS	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil, Wheat Soy Blend	127	17,990	$15,870.4
Sub-Total Latin America			416	62,740	$61,494.1
Worldwide Total			6,246	500,150	$401,015.0

Source: Metric tonnage and total cost values derived from FFP Final Budget Summary Report, January 11, 2011. Awardees listed as approved in cooperative agreements. Commodity types and recipients derived from Food for Peace Information System report, January 3, 2011. Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals. Recipient values reported as zero or low typically are due to either monetization of commodities (thus no recipients), or the late distribution of commodities carried over from the previous fiscal year that prevented reporting.

ATTACHMENT C

Farmer to Farmer Program Examples of Success in Meeting Programmatic Purpose/Goals

Mr. El-Feki's wife, Neamat, who milks the cows and cares for the calves, is also following the recommendations to produce clean milk. The income from the milk production is used to purchase all the grocery needs for the family. Neamat is now confident that her family and especially her grandchildren now always have access to clean, healthy milk.

Volunteer Unites Two Agribusiness Groups

The Carrot Growers Association (CAGA) is an organization of vegetable producers at Ashanti-Mampong in the Sekyere West District of the Ashanti Region of Ghana. The association was established in 2007 with a membership of 50 farmers. CAGA members produce 5,000 bags of carrots each week and market their produce in 50 kg bags in the retail market. Oftentimes the members are exploited with low prices from the market women. The leadership of the association lacked adequate knowledge of how associations should operate to function as a business entity. An organizational development volunteer, Diana Lilla, worked with CAGA to develop a strategic business plan with step-by-step implementation procedures for the association. Diana also trained the leadership on methods to improve services rendered to their members.

Diana Lilla with members of CAGA.

With the lobbying efforts of the volunteer, CAGA was able to secure 100 acres of land from the local chief, Nana Osei Bonsu, for the farmers to expand their activities. Diane also succeeded in uniting CAGA with a sub association, the carrot marketing association, to form the Carrot Growers and Marketers Association. This combination will further increase services available to members of the new association. The increased opportunity to access services through the association enticed more farmers to enroll as members of the group, and the membership has grown from 50 to 211 farmers.

Volunteer Introduces a New Product to Improve Children's Health and Nutrition in Rural Mali

Malnutrition threatens the life of many Malian children. With 72% of the country living off of less than $1/day, many families do not have access to nutritious food to feed their children. In turn, these children are underweight and lethargic, and some even face the inevitable—death.

In order to provide nourishment for Malian people and to cut the import costs on milk and dairy products, the Government of Mali sought to develop local milk production and collection points. The government accomplished this by creating milk centers throughout the country to produce higher concentrations of fresh milk and to meet the demand for fresh milk during the dry season. While this venture was very successful, producers and retailers were faced with the problem of spoilage due to the short shelf life of fresh milk. For this reason, the FtF program created a volunteer assignment for the Women's Local Milk Stockist Cooperative and recruited Dr. Poul Hansen for his first visit in September 2009. Hansen introduced new technologies, which enabled the cooperative to handle excess milk and develop new products.

Returning to Mali just one year later in August 2010, Hansen was asked to focus on infant yogurt to supplement infant milk for newborn orphans and infants who are in need of alternative feeding. Hansen visited with many of the women members of the Women's Local Milk Stockist Cooperative around the city of Bamako to assess their potential and provide a tailor-made, hands-on, technical training. He taught the co-op members how to process clean and safe regular yogurt, infant yogurt, as well as Indian "paneer" cheese using a thermometer, particular yogurt cultures, and an incubator. Hansen also talked with the co-op members about necessary hygiene and sanitation measures. He went door-to-door to see many of the members at work in their own households, to determine if they were putting what they learned into practice. Now, the members of the cooperative are able to produce the yogurt on their own and can supplement their children's diet with this important source of nutrition.

Dr. Hansen provides hands-on training to women processors in the hygiene and sanitation measures of preparing child.

Hansen's assignment received extensive radio and TV coverage for everyone to follow. At the end of the training sessions, the President of the Cooperative, Dana Niangadou, proclaimed, "This is what we've been talking about—some new ideas to make a difference! Now with this new infant formula, the nutrition and health status of our children in need will change for the better, as will the income of women processors."

"We wasted a lot of resources on many different training modules and, so far, none of them compares to the hands-on Volunteer Technical Assistance we received thanks to the USAID funded Farmer-to-Farmer Program," notes coordinator Moussa Diabate during the closing ceremony.

Dr. Hansen's last words to Mr. Diabate just before departing Mali summed up his commitment to the FtF Program, "This is, with no doubt, the best assignment I've ever had in all my life, and I would appreciate Winrock/Mali recruiting me once more to transfer some other important technologies wherever needed."

Reducing Post Harvest Losses and Increasing Food Security

Nigerian Farmers Learn to Make New Nutritional Products

Fifty percent of the population in Kaduna State, Nigeria is living in poverty. Many farmers depend on crops such as yam as both an income source as well as an important nutrition source for their families. Nevertheless, despite reasonable productivity, many families still struggle to feed their children.

During the dry season, fresh yams do not last long. Without proper post harvest processing and preservation techniques, farmers face the double consequences of having to discard leftover yam and living with food insecurity during several months of the year.

Fortunately, for a group of farmers in Kaduna State, this is no longer a problem.

After identifying the need for post-harvest processing and preservation training, Land O'Lakes, engaged international agriculture and food science expert, Dr. Ramana Govin, to provide assistance. Dr. Govin worked with Nehemiah Foundation

International, a local service provider working with 5,250 farmers in four Nigerian states, and a selected group of 65 farmers in Kaduna, to provide training and technical assistance on yam processing. He demonstrated methods for washing, slicing, drying, and pounding the yam into flour. He also showed the farmers how to apply the same techniques to cassava.

Farmers in Kaduna State practice making yam flour for the first time.

These techniques reduce post-harvest losses and increase the number of months that families have a reliable food source. Instead of leaving leftover yam to rot, farmers can process the yam into flour, which can be used throughout the year. Immediately after the training, farmers already started realizing the benefits of what they had learned. After the first day of the training, one farmer went home, dug some yams, and processed the yams to make flour, just as Dr. Govin had demonstrated. He brought the flour to the workshop the next day and stated, "I never believed it was possible because of how simple the method seemed, until I tried it myself."

Emmanuel Nehemiah of the Nehemiah Foundation states, "Dr. Govin's assignment was successful. Before he came, the farmers did not have any method of processing and preserving yam. The methodologies used are so simple yet the farmers didn't know about it before now. It has been very effective for them and beneficial. Many of them are right now processing and preserving their yams with the new method and they are happy about it."

The impacts of this assignment go beyond the 65 farmers who directly participated. Immediately after Dr. Govin's training, the farmers met with Nehemiah Foundation and decided to appoint trainers who will go out and train others in nearby villages. One month later, 25 of these trainers are now branching out into rural communities and offering instruction in indigenous languages on Dr. Govin's techniques to additional farmers, enabling even more people to improve their family's food security.

ATTACHED REPORTS

U.S. International Food Assistance Report 2007—January 2008

Under Public Law 480, Section 407(f), "the President shall prepare an annual report concerning the programs and activities implemented under this law for the preceding fiscal year." As required, this report is hereby submitted to Congress.

This Report May Be Ordered From:

USAID Development Experience Clearinghouse
8403 Colesville Road, Suite 210
Silver Spring, MD 20910–6368
Telephone: (301) 562–0641
Fax: (301) 588–7787
URL: *http://www.dec.org/*

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Executive Summary

The United States is committed to the goal of global food security through its international food assistance and other foreign assistance programs. In Fiscal Year (FY) 2007, the United States provided more than $2.1 billion of food aid to 78 developing countries, reaching tens of millions of people worldwide. The following summary shows U.S. food assistance allocated by legislative authority for FY 2007.[1]

Program	Tonnage (MT)	U.S. Dollars (Millions)
P.L. 480 Title II *	2,127,804	$1,870
Subtotal P.L. 480 Title II	**2,127,804**	**$1,870**
Food for Progress:		
Title I-funded	23,210	$17
CCC-funded	240,630	$113
Subtotal Food for Progress	**273,840**	**$130**
Section 416(b) **	5,000	$20
Subtotal 416(b)	**5,000**	**$20**
Food for Education	103,230	$99
Subtotal Food for Education	**103,230**	**$99**
Bill Emerson Humanitarian Trust	—	—
Farmer-to-Farmer (FTF)	—	$10
Subtotal Bill Emerson and FTF	—	**$10**

[1] All costs represent commodities plus freight and distribution.

Program	Tonnage (MT)	U.S. Dollars (Millions)
Grand Total	**2,509,874**	**$2,129**

* *Values provided for P.L. 480 Title II include $25 million in 202(e) for WFP, $16 million in general contribution to WFP, $20 million in freight overruns. These costs are offset by $201 million in funding adjustments ($192.3 million of carry-in and $9.6 million in MARAD reimbursements).*

** *Commodities shipped in FY 2007 were associated with prior year agreements on an "as available" basis. There was no new 416(b) programming approved in FY 2007.*

Over the course of FY 2007, USAID and USDA international food assistance programs have proven increasingly responsive to global efforts at reducing food insecurity and targeting those most in need. By responding to assessment and situational information, focusing on reducing risk and vulnerability, targeting the poorest of the poor, and better integrating individual programs into larger—often international—efforts, the U.S. Government aims to improve the effectiveness of aid and to reach global targets for reducing hunger, malnutrition and poverty.

This aid is essential in emergency situations, including the ongoing crisis in Sudan. In FY 2007, more than 354,630 MT of USAID Title II commodities, valued at $356 million, were provided to an estimated 6.4 million beneficiaries in Sudan alone. Meanwhile, in Zimbabwe, 88,900 MT of emergency food assistance helped almost 700,000 people cope with the dual burdens of a deteriorating economic situation and poor agricultural performance. Finally, recognizing the importance of linking development opportunities within a relief setting, Ethiopia's Productive Safety Net Program continued to implement activities that targeted both chronic and acute malnutrition, to the benefit of over seven million individuals. In all, over 32 million people benefited from emergency food aid activities provided through Title II.[2]

At the same time, USAID non-emergency programs continued to focus on increasing agricultural production, and supporting programs to address health, nutrition, HIV and others aimed at investing in people. Special emphasis is placed on combating the root causes of hunger and malnutrition, and interventions are often multi-sectoral in nature as a result. Over the course of the year, more than 8.6 million people in 26 countries benefited from USAID Title II non-emergency food assistance.

USDA Title I, 416(b), and Food for Progress programs provided commodities to food-insecure populations through The World Food Programme (WFP), private voluntary organizations (PVOs) and foreign governments. These resources supported a variety of food security objectives in developing countries, such as humanitarian assistance, HIV mitigation, and agricultural and rural development. In FY 2007, USDA continued the McGovern-Dole International Food for Education and Child Nutrition Program, providing commodities for school feeding as well as nutrition programs for mothers, infants, and children under 5, positively impacting the lives of more than 3.3 million beneficiaries.

Introduction

Since the passage of P.L. 480 in 1954, U.S. international food assistance programs have evolved to address multiple objectives. The most recent changes came with the Farm Security and Rural Investment Act of 2002. The '2002 Farm Bill' restated the objectives that guide U.S. food assistance programs. These objectives are:

- Combat world hunger and malnutrition and their causes;
- Promote broad-based, equitable, and sustainable development, including agricultural development;
- Expand international trade;
- Develop and expand export markets for U.S. agricultural commodities;
- Foster and encourage the development of private enterprise and democratic participation in developing countries; and
- Prevent conflicts.

[2] Updated as of April 21, 2008.

U.S. International Food Assistance

The U.S. international food assistance program is established by several legislative authorities implemented by two Federal agencies. USAID administers Titles II, III, and V of P.L. 480. USDA administers Section 416(b) of the Agricultural Act of 1949, Title I of P.L. 480, Food for Progress, and McGovern-Dole International Food for Education and Child Nutrition. The list below provides a brief description of each activity.

1. **P.L. 480: Agricultural Trade Development and Assistance Act of 1954** (Food for Peace)—the principal mechanism for U.S. international food assistance.

   • **P.L. 480 Title I: Trade and Development Assistance**—concessional sales of U.S. agricultural commodities to developing countries and private entities.

   • **P.L. 480 Title II: Emergency and Development Assistance**—direct donation of U.S. agricultural commodities for emergency relief and development.

   • **P.L. 480 Title III: Food for Development**—government-to-government grants of agricultural commodities tied to policy reform.

   • **P.L. 480 Title V: Farmer-to-Farmer (FTF) Program**—voluntary technical assistance to farmers, farm groups and agribusinesses.

2. **Section 416(b) of the Agricultural Act of 1949**—overseas donations of surplus food and feed grain owned by the USDA Commodity Credit Corporation (CCC).

3. **Food for Progress Act of 1985**—commodity donations available to emerging democracies and developing countries committed to the introduction or expansion of free enterprise in their agricultural economies.

4. **McGovern-Dole International Food for Education and Child Nutrition Program (authorized in the 2002 Farm Bill)**—donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income countries.

5. **Bill Emerson Humanitarian Trust (originally authorized by the Agricultural Trade Act of 1980)**—food reserve administered under the authority of the Secretary of Agriculture. This reserve is available to meet emergency humanitarian food needs in developing countries, allowing the United States to respond to unanticipated food crises.

I. Food Security

Defining a Long-Term Global Strategy

U.S. international food assistance has long played a critical role in responding to global food insecurity. This tradition continued in FY 2007, with the U.S. Government providing over 2.5 million metric tons of commodities. The implementing programs have also evolved to reflect greater understanding of (and a focus on addressing) the causes of famine, food emergencies, and large-scale hunger around the world. In the 1990 Farm Bill, for example, food security was narrowly defined as dependent primarily on the availability of food at the national level. It was broadened in a 1992 policy paper to begin to address distribution and nutritional quality, calling for "all people at all times [to] have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life."[3] This definition includes three elements judged essential to achieving food security, and forms the basis for much of the U.S. Government's international food assistance activity:

- **Food availability:** sufficient quantities of food from household production, other domestic output, commercial imports or food assistance.
- **Food access:** adequate resources to obtain appropriate foods for a nutritious diet, which depends on income available to households and on the price of food.
- **Food utilization:** a diet providing sufficient calories and essential nutrients, potable water and adequate sanitation, as well as household knowledge of food storage and processing techniques, basic principles of nutrition and proper child care and illness management.

In recent years, attention has focused on the continued challenges that hamper efforts at reducing global food insecurity. Progress has been uneven across the de-

[3] USAID Policy Determination Number 19, April 1992.

veloping world, with some countries in all regions gaining and others losing ground. International food assistance programs also face increasingly frequent and severe natural and man made disasters with growing humanitarian demands on both U.S. and international humanitarian assistance resources.

Improving the Efficiency and Effectiveness of International Food Assistance

In April 2007, the Government Accountability Office (GAO) issued a report entitled "Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid."[4] This report captured the results of extensive assessments of U.S. Government international food assistance programs and contained recommendations for USAID and USDA to improve the efficiency and effectiveness of their food aid programs. Since the document was released, USAID and USDA have taken a number of steps to address the issues highlighted in the report. These include:

- expanding monitoring of food aid in the two largest, most complex emergency programs (Sudan and Zimbabwe) and formally requesting that Congress provide authority to use Title II to support monitors for non-emergency programs;
- reviewing how to improve food aid logistics by awarding a contract for an independent review of various logistics options and exploring long-term maritime service contracts;
- improving assessments by collecting and starting to index PVO assessment tools to expand utility; and
- updating food aid specifications by issuing a solicitation for an independent review of the nutritional quality and cost effectiveness of food aid commodities.

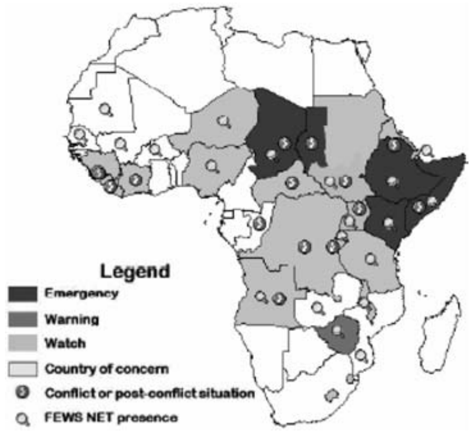
FY 2007 saw increased inter-agency cooperation between USAID and USDA in several critical actions. In an effort to make the Food Aid Consultative Group (FACG) more consultative, USDA and USAID spearheaded the creation of an Executive Committee (EXCOM), providing leadership for the overall agenda and critical discussion points for FACG members. EXCOM is composed of two representatives from USAID, USDA, the commodities industry and PVOs, plus observers from the transportation industry.

USAID and USDA also began collaborating on a comprehensive review of food aid specifications and products, including: a thorough initiation of contracting procedures; an evaluation of USDA product specifications; and a review of options on nutritional quality and cost effectiveness of commodities currently provided as food aid, in order to ensure that the food meets the nutritional requirements necessary to address beneficiaries' needs.

USAID's Famine Early Warning System (FEWS NET)

Saving lives and preventing famine are key objectives of the U.S. Government. FEWS NET is a USAID-funded activity that collaborates with international, national and regional partners to monitor, collect and disseminate critical data on conditions of food availability and access, as well as the environmental and socioeconomic hazards that lead to food insecurity and famine. The goal of FEWS NET is to inform efforts to manage the risk of food insecurity through the provision of timely and analytical early warning and vulnerability information, so that decision makers have ample time to prepare and take preventive action. In 2007, FEWS NET had 23 offices that covered 25 countries.

[4] "Foreign Assistance: Various Challenges Impede the Efficiency and Effectiveness of U.S. Food Aid" (GAO–07–560) (April 2007).



FEWS NET exemplifies the U.S. commitment to anticipating and responding to humanitarian vulnerabilities and crises. FEWS NET has interagency agreements with U.S. Geological Survey (USGS), National Aeronautics and Space Administration (NASA), National Oceanic and Atmospheric Administration (NOAA) and USDA that provide information to the U.S. Government, local governments and a variety of other regional and international partners to assist in averting famine.

Food for Peace's Institutional Capacity Building Grants

FFP's Institutional Capacity Building grants (ICBs) give PVOs funds to build their organizational capacity. This pertains to both headquarters and field management of Title II programming. ICB grants allow groups to enrich their knowledge, enhance their Title II program management and practices, and better serve their communities. Currently, the funds are used for training, travel, workshops, assessments, equipment, tool development and activities that enable each organization to strengthen itself from within and also to mentor and to partner with other Title II PVOs and/or sub-recipients. The 14 participating organizations began their programs in FY 2004 and will conclude at the end of FY 2008.[5]

To capitalize on positive achievements and capture projects already in development, FFP has encouraged the grantees to focus on exit strategies and how to preserve the results of their success. Additionally, FFP created an index that captures all of the tools that have been developed by the PVOs using ICB funds. The index will be distributed to the PVOs and be posted in two online databases.

In FY 2007, FFP conducted extensive reviews of the grantees' mid-term evaluations, annual performance reports, annual work plans and plans for a final evaluation. Following these reviews, the findings, common themes and suggested areas for greater focus and attention in the future were noted and shared with grantees. For example, grantees were encouraged to prioritize their ICB activities and increase linkages to Title II programs for greater impact. In addition, the findings stressed the importance of capturing lessons learned and success stories, to both enhance and foster program performance and innovation.

A Conceptual Framework for Integrating Food Aid and HIV Programs

In many countries, there is a complex interface between chronic food insecurity and HIV. While there is already close collaboration between FFP P.L. 480 Title II food aid and the President's Emergency Plan for AIDS Relief (PEPFAR) programs, in mid-FY 2007, FFP and PEPFAR developed a Conceptual Framework to establish and facilitate a programmatic continuum to address the nutrition, dietary supplementation and food security needs of HIV-infected and -affected populations.[6] The Conceptual Framework, to be implemented in 2008, provides guidance to target Title II food aid and to increase collaboration and joint programming with PEPFAR

[5] ACDI/VOCA, Adventist Development & Relief Agency International (ADRA), Africare, American Red Cross, CARE, Catholic Relief Services (CRS), Counterpart International (CPI), Food for the Hungry (FHI), Land O'Lakes, Inc. (LOL), Mercy Corps International (MCI), Opportunities Industrialization Centers International (OICI), Project Concern International (PCF), Save the Children Federation (SCF) and World Vision, Inc. (WV).

[6] This report is available at *http://www.usaid.gov/our_work/humanitarian_assistance/ffp/pepfar_conceptual.pdf*.

where possible. For example, FFP and PEPFAR are mapping program locations so as to identify priority areas, gaps, and develop a clearer vision of coverage needs, and working to determine standardized eligibility and exit criteria.

II. U.S. International Food Assistance Program Descriptions and Fiscal Year 2007 Accomplishments

A. Public Law 480

The primary mechanism of U.S. international food assistance is the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480), commonly known as Food for Peace.

1. P.L. 480 Title I: Trade and Development Assistance

The P.L. 480 Title I authority provides funding for both a concessional sales program, supporting Trade and Development, and for the Food for Progress grant program, supporting Agricultural Development in emerging democracies. In FY 2007, no new concessional sales agreements were made.

The USDA-administered Food for Progress Program, authorized under the Food for Progress Act of 1985, assists developing countries, particularly emerging democracies "that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement." The program authorizes the Commodity Credit Corporation (CCC) to carry out the sale and exportation of U.S. agricultural commodities on credit terms or on a grant basis, with the use of either CCC financing or P.L. 480 Title I funds. Grants under the Food for Progress program are awarded to governments or PVOs, nonprofit agriculture organizations, cooperatives, intergovernmental organizations or other private entities.

a. P.L. 480 Title I: Food for Progress Highlights

In FY 2007, P.L. 480 Title I funding provided 23,210 MT in Food for Progress assistance, with an estimated value of $17 million. The summaries below provide examples of Title I-funded Food for Progress agreements signed in FY 2007.

- **Afghanistan:** USDA donated 8,210 MT of soybean oil to the Government of the Islamic Republic of Afghanistan. The government will sell the oil and use the proceeds to finance agricultural and rural development activities with the objective of alleviating poverty, creating employment and promoting economic and agricultural development. This will be accomplished through support for higher education, rural extension services, plant and animal disease diagnostics and control, food safety and natural resource management.
- **Ethiopia:** USDA donated approximately 15,000 MT of wheat to the Government of Ethiopia to replenish the grain stocks of the Ethiopian Food Security Reserve Agency, which provides assistance to food-insecure Ethiopians in times of crisis.

2. P.L. 480 Title II: Emergency and Non-Emergency Assistance

More than 85% of U.S. international food aid is used to respond to emergency situations and to implement development projects under Title II, administered by the USAID Office of Food for Peace in the Bureau for Democracy, Conflict, and Humanitarian Assistance.[7] In FY 2007, approximately $1.87 billion, or 2.13 million MT of commodities, was administered under Title II. In the process, FFP partnered with cooperating sponsors (CSs) to implement activities in 64 countries worldwide. These programs benefitted over 40 million people.[8]

The focus of Title II programs is to ***reduce food insecurity in vulnerable populations.*** This focus on vulnerability to food insecurity targets improving resiliency to shocks, an essential first step for household self-sufficiency and economic independence. In support of this strategy, as well as USAID's overarching goal of saving lives and reducing suffering, many Title II emergency programs encompass a number of development-relief transition activities. Similarly, the non-emergency development portfolio incorporates activities to strengthen local capacity to respond to famine, natural disasters and complex emergencies, as well as to provide safety nets in some cases.

a. P.L. 480 Title II: Emergency Programs

[7] Total value equivalent. Metric tonnage equivalent is 84%.
[8] Updated as of April 21, 2008.

Title II emergency programs aim to address two forms of emergencies: natural disasters, such as floods or droughts; and complex emergencies characterized by a combination of natural disaster, conflict and insecurity, a collapse in civil society and/or political stability. All of these elements pose substantial program and operating challenges in responding effectively to the needs of food-insecure populations.

In FY 2007, Title II emergency programs provided 1.5 million MT of emergency food aid, at a cost of $1.4 billion, to help alleviate malnutrition and hunger in 30 countries.[9] In all, Title II emergency programs reached approximately 32.2 million food-insecure people in FY 2007.[10]

P.L. 480 Title II: Emergency Program Highlights

C–SAFE/Zimbabwe:

C–SAFE is the Consortium for the Southern Africa Food Security Emergency, and includes the PVO organizations World Vision, CARE and Catholic Relief Services (CRS). During FY 2007, the Consortium operated under exceedingly difficult circumstances that included crop failure, drought, the world's highest rate of inflation and extreme logistical difficulties. Although the food security situation in Zimbabwe continued to deteriorate, C–SAFE worked to prevent a further decline of the nutritional situation among its 688,000 beneficiaries.

In FY 2007, FFP provided 88,900 MT of food to C–SAFE for distribution in Zimbabwe. Utilizing six distinct feeding programs, C–SAFE carried out short-term food transfers through interventions including food for assets (FFA), safety net feeding, food support for the chronically ill, supply of subsidized food to urban markets, emergency school-based feeding and institutional feeding.

WFP/Sudan:

As in previous years, Title II emergency activities played a key role in the prevention of famine in Darfur, Sudan. In FY 2007, FFP provided 50 percent of WFP's Sudan appeal, representing more than 67 percent of all contributions received by WFP from all donors. Sizable and timely contributions from FFP ensured that WFP was able to meet 100 percent of its prepositioning targets for Darfur and Southern Sudan in 2007. This achievement prevented WFP from having to airlift any commodities to the region, lowering program cost and ensuring timely commodity deliveries during the most critical time of the year. In total, WFP reached more than 3.1 million people in Darfur with food assistance during the critical hunger gap from July–September 2007, and met, on average, more than 92 percent of its monthly target caseload in Darfur throughout all of 2007—despite rampant insecurity and regular attacks on humanitarian staff.

Additionally, Title II emergency assistance was provided to more than 170,000 newly displaced persons fleeing violence in Eastern Chad in 2007, while continuing to meet the needs of over 232,000 refugees from Darfur.

Productive Safety Net Program/Ethiopia:

Working in one of the world's most food-insecure countries, Ethiopia's Productive Safety Net Program (PSNP) represents an innovative approach toward combating both chronic and acute malnutrition. Taking into account the short- and long-term challenges faced by food-insecure households, the program attempts to simultaneously stabilize incomes—thus preventing the sale of assets during hunger periods—and to increase community productivity through public works projects such as soil and water conservation.

In FY 2007, donor coordination with the Government of Ethiopia (GOET) continued to be a vital part of the success of the PSNP. The program reached approximately 7.3 million beneficiaries in chronically food-insecure households. These beneficiaries received food (45 percent of beneficiaries) or cash (55 percent of beneficiaries) in return for participating in public works programs in their communities during the 6 months of the year between harvest and planting season. Results to date have been promising.

During the year, work centered on establishing graduation criteria for the 2008 PSNP cycle and discussions on an increase of the wage rate. Donor/GOET working groups have also established guidelines for pilot PSNP programs for pastoralist areas that will roll out in 2008 in Afar, parts of Oromiya, and selected zones of Somali Region. In FY 2007, USAID contributed 244,310 MT worth—to eight cooperating sponsors implementing the PSNP: CARE, CRS, FHI, Relief Society of Tigray (REST), SCF, SCF–UK, WV and WFP.

b. P.L. 480 Title II: Non-Emergency Programs

[9] Does not include IFRP programming. See page 11 for details.
[10] Updated as of April 21, 2008.

The P.L. 480 Title II development (non-emergency) food aid program constitutes the single largest source of USAID funding in promoting long-term food security in such areas as:

1. Agriculture and Natural Resource Management activities.
2. Health and household nutrition activities.
3. Education, Humanitarian Assistance, and Microenterprise.

In FY 2007, 16 cooperating sponsors implemented 78 Title II non-emergency activities in 26 countries. Approximately 594,840 MT, valued at $348 million, of food assistance was used to support programs that benefited an estimated 8.6 million people.

P.L. 480 Title II: Non-Emergency Program Highlights

The examples below illustrate the breadth of Title II non-emergency food resources implemented by cooperating sponsors as well as how these activities have helped in allaying food insecurity and fostering self-sufficiency.

World Vision/Uganda:

World Vision's Development Assistance Program for Gulu and Kitgum districts of northern Uganda combats high rates of food insecurity prevalent in that region. In FY 2007, two main areas of programming were health and nutrition monitoring and agricultural technology and practices. Activities included 82 nutritional and hygiene-focused training sessions, with almost 2,500 beneficiaries, mothers and foster parents participating. Additionally, using improved seeds and technology, a total of 228,335 tree seedlings were raised at central demonstration nurseries and community tree planting groups. The community nurseries scaled up production by 150 percent compared with FY 2006.

Catholic Relief Services (CRS)/Malawi:

In Malawi, CRS aims to reduce food insecurity of vulnerable populations by improving agricultural techniques and practices. In FY 2007, the Improving Livelihoods through Increased Food Security (I–LIFE) DAP program focused on improving program quality and scale by fine-tuning strategies and realigning interventions based on lessons learned over its first 2 years of implementation. The program delivered 13,360 MT of commodities and achieved success across all indicators and results beyond set targets. For example, agricultural production increased due to improved agriculture practices, use of quality seeds and increased uptake of winter cropping through small-scale irrigation. As a result, almost 95 percent of beneficiaries planted improved crop varieties, representing an impressive (91 percent increase from almost 50 percent last year) adoption of sound agricultural practices. The value of agricultural production per vulnerable household for the 2 seasons was equivalent to $402.87—a 113 percent increase in income per vulnerable household from the previous fiscal year.

Save the Children Federation (SCF)/Bangladesh:

During FY 2007, SCF's Jibon-O-Jibika program assisted more than 2.8 million beneficiaries in the Division of Barisal, Bangladesh. Focusing on enhancing household food security, the program matches critical health and nutrition interventions alongside activities such as homestead gardening, vulnerability mapping, emergency preparedness planning and basic health education services. Some of the greatest impact was demonstrated in the health sector: Jibon-O-Jibika pioneered one-stop service delivery to ensure antenatal care, expanded program for immunization (EPI) and growth monitoring and promotion (GMP) in combined outreach sessions through joint planning with the Ministry of Health and PVOs. Combining immunization and growth monitoring interventions resulted in outcomes that often exceeded program targets: GMP sessions reached 100 percent coverage (101 percent of goal achieved) and EPI coverage went up from 87 percent in FY 2005 to 99 percent during FY 2007 (115 percent of goal achieved). SCF delivered 65,440 MT at an approximate value of $10 million.

Food Assistance in the Fight against HIV

HIV-affected populations often cite food as one of their greatest needs. HIV can cause and worsen food insecurity and malnutrition among infected and affected populations, including orphans and vulnerable children (OVCs). In particular, the infection affects metabolism and causes wasting, especially in more advanced stages and in the absence of anti-retroviral therapy (ART). Food insecurity can also lead people to adopt livelihood strategies that increase the risk of HIV transmission. During FY 2007, there was increased recognition of the interrelationship between food and nutrition security and HIV. During the year, FFP partners continued to provide support to HIV-infected and -affected food-insecure families in a number of countries including Ethiopia, Ghana, Kenya, Rwanda, Uganda and Malawi. In addition, FFP and the PEPFAR collaborated on a conceptual framework for joint work in HIV and Food Security.

Beginning a new program focusing on the reintegration of Internally Displaced Persons in Northern Uganda, ACDI/VOCA worked with The AIDS Service Organization to develop a client eligibility survey for direct food support. In the first year of this effort, 13,400 beneficiaries were identified to receive food supplements designed to support their care. A number of these beneficiaries have since improved their health enough to be incorporated into agricultural activities and ⅔ of these families no longer need to receive food supplementation.

During FY 2007 programming in Malawi, the I–LIFE consortium reached more than 9,000 households who hosted orphans or had chronically ill household members. With the inclusion of these vulnerable households in a range of development activities such as home gardening, irrigation and Village Savings and Loans groups, beneficiaries were able to improve their livelihood capacities to a level where they could graduate from food assistance. In a partnership with PEPFAR and UNICEF, meanwhile, I–LIFE supported home-based care for the chronically ill, and staff were trained to improve program quality.

c. International Food Relief Partnership

In an effort to expand and diversify P.L. 480's sources of food aid commodities and FFP's current base of implementing partners, the U.S. Congress created the International Food Relief Partnerships (IFRP) Initiative in November 2000. This initiative enables USAID to award grant agreements to eligible U.S. nonprofit organizations to produce and stockpile shelf-stable, pre-packaged commodities. Through the IFRP program, commodities are made available to eligible nonprofit U.S. organizations and international organizations for transportation, delivery, and distribution in emergency food aid relief programs.

In FY 2007, the Office of Food for Peace awarded approximately $7 million in Title II IFRP supplier and distribution grants. The program's primary supplier, Breedlove Dehydrated Foods, produced a micronutrient-fortified, dried vegetable soup mix which is used as a meal supplement for humanitarian relief operations overseas. Over the course of the year, 32 nonprofit U.S.-based organizations distributed the commodity to beneficiaries in 32 countries.[11] A list of these countries is provided in *Appendix 9.*

3. P.L. 480 Title III: Food for Development

The P.L. 480 Title III program is a USAID-administered tool for enhancing food security and supporting long-term economic development in the least-developed countries. The U.S. Government donates agricultural commodities to the recipient country and funds their transportation to the point of entry in the recipient country.

[11] Represents IFRP organizations with program agreements in FY 2007. These organizations include: Amigos Internacionales, Batay Relief Alliance, Bless the Children, CRS, Center for International Health, Child Life International, Church of Bible Understanding, CitiHope International, Convoy of Hope, Coprodeli, Evangelistic International Ministry, Fabretto Children's Foundation, Family Outreach, Feed the Children, Haiti Vision, Healing Hands International, Hope Education Foundation, International Crisis Aid, International Partnership for Human Development, International Relief and Development, Inc., International Relief Teams, Legacy World Missions, Medical Missionaries, Nascent Solutions, NOAH Project, OICI, PCI, Project Hope, Resource & Policy Exchange, Salvation Army World Service, Share Circle and Uplift International.

These commodities are sold on the domestic market and the revenue generated from their sale is used to support and implement economic development and food-security programs. Funds were not appropriated for Title III in FY 2007.

4. P.L. 480 Title V: John Ogonowski Farmer-to-Farmer Program

The Farmer-to-Farmer (FTF) Program provides voluntary technical assistance to farmers, farm groups and agribusinesses in developing and transitional countries, in an effort to promote sustainable improvements in food processing, production and marketing. The program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agribusinesses and nonprofit farm organizations to respond to the local needs of host-country farmers and organizations. In general, these volunteers are not overseas development professionals, but rather individuals who have domestic careers, farms and agribusinesses, or are retired persons who want to participate in development efforts. Typically, volunteers spend about 20 to 30 days in the host country.

The FTF Program was initially authorized by Congress in the 1985 Farm Bill and funded through Title V of Public Law 480. It was re-authorized by the 2002 Farm Bill to operate from FY 2004 until FY 2008. The Program has been renamed the John Ogonowski Farmer-to-Farmer Program to honor the pilot on American Airlines Flight 11 that crashed into the World Trade Center in New York City on September 11, 2001.

P.L. 480 Title V: FTF Highlights

During FY 2007, USAID provided $10.1 million for FTF programs of eight cooperating sponsors. The FTF programs funded 734 volunteer assignments (up from 690 volunteers in FY 2006) in 37 countries. Volunteers provided developing country organizations with technical assistance services which directly benefited over 148,700 women and men in FY 2007. The following examples illustrate the types of activities undertaken by the program:

Improving Quality of Products for Export/El Salvador:

In order to assist El Salvadoran dairy farmers and processors with preparing their products to market abroad, a FTF volunteer with more than 50 years of experience in processing cheeses in Wisconsin, traveled to El Salvador to share his knowledge with local cheese industries. Working with managers, technicians, and owners of various cheese factories, the volunteer helped demonstrate improved cheese and yogurt formulations and processes. Such techniques will enable cheese manufacturers to develop new high-value products and reinvent traditional ones for high-end markets abroad. Manufacturers in Agrosania, for example, have improved the flavor of their Monterey Jack cheese, while in La Salud they are now using bean gum to improve their cream cheese and fresh cheese.

Introduction of New Products and Techniques/Moldova:

In Moldova, a FTF volunteer introduced the idea of growing seedless watermelons to the "AgroAccess" Vegetable Marketing Cooperative, and a survey confirmed the market viability of the unique product. Cooperative members were trained in appropriate soil mixes, tray preparation, seeding, and optimal conditions for greenhouse growing of healthy seedlings. Even though hail in July 2007 affected 50 percent of the planned yield, local farmers plan to expand cultivation of seedless watermelons to 15,000 (an increase from 1,200) seedlings and a drip-irrigation system. New crops and progressive production methods are creating new opportunities and generating higher incomes for many hard-working farmers.

Farmer-to-Farmer Volunteer Assignments: FY 2007

Angola	6
Ethiopia	26
Ghana	24
Guinea	6
Kenya	13
Malawi	13
Mali	9
Mozambique	10
Nigeria	17
South Africa	30
Uganda	25
Zambia	13

Farmer-to-Farmer Volunteer Assignments: FY 2007—Continued

Subtotal Africa	***192***
Bolivia	4
El Salvador	22
Guatemala	20
Guyana	25
Haiti	23
Honduras	30
Jamaica	22
Nicaragua	12
Peru	3
Subtotal Latin America/Caribbean	***161***
Armenia	17
Azerbaijan	19
Belarus	16
Georgia	19
Moldova	27
Russia	92
Ukraine	35
Subtotal Europe/Eurasia	***225***
Bangladesh	9
India	16
Indonesia	8
Kazakhstan	22
Kyrgyzstan	41
Nepal	22
Tajikistan	25
Turkmenistan	11
Vietnam	2
Subtotal Asia/Near East	***156***
Total	**734**

B. Section 416(b) of the Agricultural Act of 1949: Surplus Commodities

The Agricultural Act of 1949 authorizes the donation by USDA of surplus food and feed grain owned by the CCC. Section 416(a) authorizes surplus food assistance to be distributed domestically, and surplus food shipped to developing countries for assistance programs is covered under Section 416(b). Surplus commodities acquired by the CCC as a result of price-support operations may be made available under Section 416(b) if they cannot be sold or otherwise disposed of without disrupting price-support programs or at competitive world prices. These donations are prohibited from reducing the amounts of commodities traditionally donated to domestic feeding programs or agencies, from preventing the fulfillment of any agreement entered into under a payment-in-kind program, or from disrupting normal commercial sales.

1. Section 416(b): Surplus Commodities Highlights

During FY 2007, USDA provided approximately 5,000 MT of non-fat dry milk and associated freight, valued at $20 million. All of these shipments were associated with prior year agreements whereby USDA would provide milk in FY 2007 only if surplus commodity became available. There was no new programming in FY 2007 under this program.

C. Food for Progress

The USDA-administered Food for Progress Program, authorized under the Food for Progress Act of 1985, assists developing countries, particularly emerging democracies "that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution, and private sector involvement." The program authorizes the CCC to carry out the sale and exportation of U.S. agricultural commodities on credit terms or on a grant basis, with the use of either CCC financing or P.L. 480 Title I funds. Agreements for Food for Progress are awarded to governments or PVOs, nonprofit agriculture organizations, cooperatives, intergovernmental organizations or other private entities.

The 2002 Farm Bill extended the authority for the Food for Progress Program to provide assistance in the administration and monitoring of food assistance programs to strengthen private-sector agriculture in recipient countries through FY 2007. The CCC is authorized to use $15 million for administrative costs under the grants and $40 million for transportation expenses.

1. CCC-funded Food for Progress Highlights

In FY 2007, CCC funding financed the purchase and shipment of 250,630 MT of commodities to 13 countries, with an estimated value of $113 million. The summaries below provide examples of CCC-funded Food for Progress agreements signed in FY 2007.

- **Bolivia:** USDA donated 11,500 MT of wheat to Food for the Hungry International (FHI), for use in Bolivia. FHI will sell the wheat and use the proceeds to establish: supply chains for higher value agricultural products; develop commodity-producer associations and micro-enterprises; increase agricultural productivity and post-harvest system efficiency; improve access to financial services; and, create strategic alliances with public and private sector organizations in Bolivia. The program will directly benefit 2,500 farmers and 2,500 households indirectly.
- **Mozambique:** USDA donated 21,060 MT of wheat to TechnoServe (TS), a private voluntary organization, for use in Mozambique. TS will sell the wheat in Mozambique and use the proceeds to carry out development work in the poultry industry. TS will expand capacity for poultry farmers, train poultry industry and related government agencies in bio-security and disease prevention, and provide matching grants to large-scale processors to help upgrade facilities. TS will also provide marketing services to promote improved market access and work with government ministries to improve analysis of policy, regulatory and administrative issues impacting the poultry industry.
- **Niger:** USDA donated 5,600 MT of agricultural commodities, including rice and soy-fortified bulgur to International Relief and Development, Inc. (IRD) for use in Niger. IRD will sell the rice in Niger and use the proceeds to help pastoralists reconstitute goat herds, expand water sources for animals, develop pasture reserves, increase vegetable production, and build capacity of local NGOs. This program also includes a food for work (FFW) component, in which 1,600 MT of soy-fortified bulgur will be distributed to workers participating in the water source expansion and pasture development activities.
- **Nicaragua:** USDA donated 15,000 MT of wheat and 1,000 MT of crude degummed soybean oil to FINCA International for use in Nicaragua. FINCA will sell the commodities and use the proceeds over a 3 year period to increase loan capital and microfinance services to micro-entrepreneurs in agriculture-related businesses. This program will directly benefit 8,415 farmers and indirectly benefit 37,867 family members.

D. McGovern-Dole International Food for Education and Child Nutrition Program

An estimated 120 million children around the world do not attend school, due in part to hunger or malnourishment. The majority of them are girls. Following the success of the Global Food for Education Initiative, created in July 2000, the United States has demonstrated its continued commitment to education and child nutrition with the 2002 Farm Bill's authorization of the McGovern-Dole International Food for Education and Child Nutrition Program (FFE) through FY 2007.

Modeled on the U.S. Government's school meals program, the program is named in honor of former Senators George McGovern and Robert Dole for their tireless efforts to promote education and school feeding. The FFE program uses U.S. commodities and financial assistance to provide incentives for children to attend and remain in school, as well as to improve child development through nutritional programs for women, infants and children under 5. In its inaugural year, FFE provided 119,320 MT of commodities, worth $93.1 million, to support programs implemented by WFP and PVOs in 20 countries. In FY 2007, the FFE program provided more than 103,000 MT of commodities to support child nutrition and school feeding programs in 15 countries, the total value of which was over $98 million. The following are examples of new FFE programs that were funded in FY 2007:

- **Mozambique:** USDA donated 23,670 MT of corn-soy blend and rice to Joint Aid Management (JAM) for a child education program in Mozambique. From 2007 to 2009, JAM will implement school feeding for 220,000, 242,000 and 271,000 beneficiaries respectively, construct 610 school warehouses and kitchens, and provide a tri-annual take-home incentive ration for 16,000, 19,000 and 21,000 girls, respectively, and 20,000 orphans and vulnerable children. Complementary projects under this program include water and sanitation improvements, the provision of 180 water wells, and a school gardens initiative in 45 schools. All of these projects include community and student education activities on nutrition, sanitation and health.
- **Liberia:** USDA donated 600 MT of vegetable oil, rice and beans to Visions in Action (VIA) for a school feeding program in Liberia. During 2007 and 2008, VIA will use the resources in a comprehensive program which covers many aspects of education. VIA will improve the quality of the primary school education environment in community schools in underprivileged areas by: paying teachers supplemental salaries; providing needed school supplies, benches and textbooks; building new schools in underserved areas; and, providing seeds and tools for school gardens. The program aims to increase student continuation and promotion by providing monthly take-home rations to students with high attendance levels, and to improve the overall quality of education by establishing a teacher training certificate program for primary school teachers at centers run by the Ministry of Education. Finally, the program includes the goal of improving student nutrition and health through educational posters, the organization and implementation of nutrition workshops, and a take-home ration to teachers who incorporate health and nutrition into the school curriculum.
- **Cambodia:** USDA donated 11,130 MT of commodities to the WFP for a school feeding program in Cambodia. WFP will use the vegetable oil and peas as part of a larger, internationally-sponsored program that provides hot lunches at schools with the aim of increasing school enrollment and attendance rates and reducing dropout rates in primary schools. The program also provides take-home rations to girls during the last three grades of primary school, to encourage parents to keep their daughters in school until completion. WFP's school feeding program also provides community support to women's groups, Parent Teacher Associations and School Canteens Management Committees.

E. Bill Emerson Humanitarian Trust

Although the Bill Emerson Humanitarian Trust (BEHT) is not a food aid program, it is a valuable resource that can be used to respond to unforeseen humanitarian food crises in developing countries. The Emerson Trust is a food reserve of up to 4 million MT of wheat, corn, sorghum, and rice administered under the authority of the Secretary of Agriculture. When an unanticipated emergency arises that cannot be met with P.L. 480 resources, the Secretary of Agriculture may authorize the release of commodities from the reserve in order to meet those immediate needs. Each year, 500,000 MT may be released, plus up to another 500,000 MT that was not released in prior years.

The reserve was originally authorized by the Agricultural Trade Act of 1980 as the Food Security Wheat Reserve and was later broadened to include a number of other commodities. In 1998 the reserve was renamed the Bill Emerson Humanitarian Trust and was reauthorized through 2007 under the 2002 Farm Bill. In FY 2007, the Emerson Trust held 900,000 MT of wheat; however, no commodities were released.

III. Appendices

Appendix 1: List of Abbreviations

BEHT	Bill Emerson Humanitarian Trust
CCC	Commodity Credit Corporation
CS	cooperating sponsor
C–SAFE	Consortium for Southern Africa Food Security Emergency
DAP	Development Assistance Program
EPI	Expanded Program for Immunization
EXCOM	Executive Committee (for the FACG)
FAC	Food Aid Convention
FACG	Food Aid Consultative Group
FEWS NET	Famine Early Warning System Network
FFA	food for assets

Appendix 1: List of Abbreviations—Continued

FFE	McGovern-Dole International Food for Education and Child Nutrition Program (formerly Global Food for Education Initiative)
FFP	Office of Food for Peace (USAID)
FFP/W	Food for Peace Washington Office
FFW	Food for work
FTF	Farmer-to-Farmer Program of P.L. 480, Title V
FY	fiscal year
GAO	Government Accountability Office
GMP	Growth monitoring promotion
HBC	Home-based care
HIV	Human Immunodeficiency Virus
ICB	Institutional Capacity Building
IDPs	Internally Displaced Persons
IFRP	International Food Relief Partnership
I–LIFE	Improving Livelihoods through Increased Food Security
MARAD	Maritime Administration
MT	metric ton
NASA	National Aeronautics and Space Administration
NGO	non-governmental organization
NOAA	National Oceanic and Atmospheric Administration
OVC	Orphans and Vulnerable Children
P.L. 480	U.S. Public Law 480
PEPFAR	President's Emergency Plan for AIDS Relief
PLWHA	People Living with HIV
PSNP	Productive Safety Net Program (Ethiopia)
PVO	private voluntary organization)
UN	United Nations
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USGS	U.S. Geological Survey
WFP	United Nations World Food Programme

Appendix 2: List of Partner Organizations

The following organizations implemented U.S. Government food assistance programs in Fiscal Year 2007:

ACDI/VOCA	Agriculture Cooperative Development International/ Volunteers in Overseas Cooperative Assistance
ADRA	Adventist Development and Relief Agency International, Inc.
Africare	Africare
AI	Amigos Internacionales
ARC	American Red Cross
BRA	Batay Relief Alliance
BC	Bless the Children
Caritas	Caritas
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CBU	Church for Bible Understanding
CIH	Center for International Health
Citihope	Citihope International
CLI	Child Life International
CH	Convoy of Hope
Coprodeli	Coprodeli
CPI	Counterpart International
CRS	Catholic Relief Services
EFSRA	Ethiopian Food Security Reserve Agency
EIM	Evangelistic International Ministry
FCF	Fabretto Children's Foundation, Inc.
FO	Family Outreach
FHI	Food for the Hungry International
FINCA	FINCA International
FTC	Feed the Children
GOAF	Government of Afghanistan
GOB	Government of Bangladesh
GOET	Government of Ethiopia

Appendix 2: List of Partner Organizations—Continued

Haiti Vision	Haiti Vision
HHI	Healing Hands International
HEF	Hope Education Foundation
ICA	International Crisis Aid
IPHD	International Partnership for Human Development
IRD	International Relief and Development, Inc.
IRT	International Relief Teams
JAM	Joint Aid Management
LOL	Land O'Lakes
LWM	Legacy World Missions
MM	Medical Missionaries
MCI	Mercy Corps International
Nascent	Nascent Solutions
NOAH	NOAH Project
NPA	Norwegian People's Aid
OICI	Opportunities Industrialization Centers International
PCI	Project Concern International
PH	Project Hope
PRISMA	Asociación Benéfica PRISMA
REST	Relief Society of Tigray
RPX	Resource & Policy Exchange
Salvation Army	Salvation Army World Service
SCF	Save the Children Federation
SCF–UK	Save the Children UK
Share Circle	Share Circle
SHARE	SHARE Guatemala
TASO	The AIDS Service Organization
TS	TechnoServe
Uplift	Uplift International
VIA	Visions in Action
WFP	United Nations World Food Programme
WS	World Share
WVI	World Vision International, Inc.
UNDP	United Nation Development Program
UNICEF	United Nations Children's Fund

Appendix 3: USDA Title I Program: Food for Progress Grants—Fiscal Year 2007
Title I Programs
Food for Progress Grants

Country	Sponsor	Tonnage (MT)
Africa		
Ethiopia	GOET	15,000
Subtotal Africa		***15,000***
Near East		
Afghanistan	GOAF	8,210
Subtotal Near East		***8,210***
Total		**23,210**

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, and Tonnage—Fiscal Year 2007

Country	Cooperating Sponsor	Commodities	Recipients* (000s)	Metric Tons	Total Cost (000s)
Africa					
Burkina Faso	WFP	Corn Soy Blend, Veg. Oil	668.5	2,500	$2,280.9
Burundi	WFP	Cornmeal, Corn Soy Blend, Veg. Oil, Yellow Peas, Yellow Split Peas	2.5	11,380	$10,071.5
Cameroon	WFP	Bagged Corn, Corn Soy Blend, Red Beans, Veg. Oil	30.0	970	$797.8

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, and Tonnage—Fiscal Year 2007—Continued

Country	Cooperating Sponsor	Commodities	Recipients* (000s)	Metric Tons	Total Cost (000s)
Central African Republic	WFP	Corn Soy Blend, Cornmeal, Green Peas, Veg. Oil, Yellow Split Peas	204.0	14,860	$14,149.0
Chad	WFP	Corn Soy Blend, Soft White Wheat, Sorghum (bulk), Sorghum (bagged), Veg. Oil, Yellow Split Peas	1,000.1	37,270	$37,735.6
Congo (Brazzaville)	WFP	Rice (bagged), Veg. Oil, Yellow Split Peas	308.5	1,220	$1,196.8
Congo (DRC)	FHI	Corn Soy Blend, Cornmeal, Green Peas, Veg. Oil	—	5,350	$6,175.4
	WFP	Corn Soy Blend, Cornmeal, Lentils, Veg. Oil, Yellow Peas, Yellow Split Peas	3,368.3	28,470	$31,662.2
Côte d'Ivoire	WFP	Cornmeal	922.5	6,810	$5,000.1
Djibouti	WFP	Corn Soy Blend, Lentils, Wheat Flour	57.2	1,350	$994.9
Ethiopia	CARE	Corn Soy Blend, Hard Red Winter Wheat, Veg. Oil	545.3	25,280	$12,700.4
	CRS	Bulgur, Corn Soy Blend, Hard Red Winter Wheat, Lentils, Rice (Bagged), Veg. Oil	449.9	17,480	$9,375.7
	FHI	Green Peas, Green Split Peas, Hard Red Winter Wheat, Veg. Oil, Yellow Peas	802.9	17,110	$8,945.6
	WFP	Corn Soy Blend, Hard Red Winter Wheat, Veg. Oil, Yellow Peas, Yellow Split Peas	7.0	195,940	$101,916.5
	REST	Green Peas, Hard Red Winter Wheat, Veg. Oil	952.6	67,610	$33,453.5
	SCF	Hard Red Winter Wheat	89.1	3,970	$1,684.3
	SCF–UK	Green Peas, Hard Red Winter Wheat, Lentils, Yellow Peas, Yellow Split Peas	835.8	19,270	$9,472.8
	WV	Corn Soy Blend, Hard Red Winter Wheat, Veg. Oil, Yellow Peas	210.3	6,880	$3,988.2
Guinea	WFP	Bulgur, Veg. Oil, Yellow Split Peas	1,234.7	1,760	$1,519.4
Kenya	WFP	Bulgur, Corn Soy Blend, Cornmeal, Green Split Peas, Veg. Oil, Wheat Flour, Yellow Split Peas	961.1	112,429	$80,870.0
Lesotho	WV	Cornmeal, Pinto Beans, Veg. Oil, Yellow Peas, Yellow Split Peas	138.7	12,040	$14,605.0
Liberia	WFP	Bulgur, Corn Soy Blend, Veg. Oil, Yellow Split Peas	1,330.7	10,700	$9,146.7
Madagascar	WFP	Green Peas, Pinto Beans, Rice , Sorghum	337.5	6,460	$4,563.0
Mali	WFP	Cornmeal, Veg. Oil, Yellow Split Peas	740.0	4,390	$4,138.9
Mauritania	WFP	Corn Soy Blend, Hard Red Winter Wheat, Soft White Wheat, Soy-Fortified Sorghum Grits, Wheat Soy Blend, Veg. Oil	254.0	4,890	$3,510.9
Niger	WFP	Corn Soy Blend, Veg. Oil	2.9	6,890	$5,763.1
Rwanda	WFP	Corn Soy Blend, Cornmeal, Veg. Oil, Yellow Peas	1,085.0	3,260	$2,996.3
Somalia	CARE	Corn Soy Blend, Lentils, Sorghum, Veg. Oil	460.0	13,250	$10,289.2
	WFP	Corn, Corn Soy Blend, Hard Red Winter Wheat, Sorghum, Veg. Oil, Yellow Peas, Yellow Split Peas	4.3	36,740	$25,016.8
Southern Africa Region	WFP	Black Beans, Bulgur, Corn Soy Blend, Cornmeal, Kidney Beans, Lentils, Pink Beans, Pinto Beans, Red Beans, Sorghum, Veg. Oil, Yellow Peas, Yellow Split Peas	5,534.0	122,915	$102,601.3
Sudan	ADRA	Lentils, Sorghum, Veg. Oil	83.5	780	$774.0
	CARE	Corn Soy Blend, Lentils, Sorghum, Veg. Oil	164.3	3,550	$2,625.6
	WFP	Corn Soy Blend, Lentils, Sorghum, Veg. Oil	12.2	341,070	$339,805.9
	NPA	Lentils, Sorghum, Veg. Oil	196.8	9,230	$12,938.7
Tanzania	WFP	Corn Soy Blend, Cornmeal, Pinto Beans, Veg. Oil, Yellow Split Peas	580.0	14,210	$11,731.3
Uganda	WFP	Black Beans, Corn Soy Blend, Cornmeal, Kidney Beans, Pinto Beans, Sorghum, Veg. Oil, Yellow Split Peas	10.5	64,210	$44,413.7
Zambia	WFP	Sorghum	67.0	1,330	$795.0
Zimbabwe	WV	Bulgur, Cornmeal, Great Northern Beans, Sorghum, Veg. Oil	10.0	88,920	$95,800.7
Sub-Total Africa			*23,661.8*	*1,322,744*	*$1,065,506.7*
		Asia/Near East			
Afghanistan	WFP	Green Peas, Soft White Wheat, Veg. Oil	6.6	89,250	$59,996.0
East-Timor	WFP	Corn Soy Blend, Red Beans, Veg. Oil	165.0	2,290	$2,171.6
Lebanon	WFP	Red Hard Winter Wheat	—	700	$444.2
Nepal	WFP	Garbanzo Beans, Lentils, Rice, Veg. Oil	333.2	6,470	$6,056.3
Sri Lanka	WFP	Lentils, Soft Red Winter Wheat, Veg. Oil, Wheat Flour	1,423.9	24,200	$14,085.9
Syria	WFP	Lentils, Rice, Veg. Oil	30.0	820	$644.2

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, and Tonnage—Fiscal Year 2007—Continued

Country	Cooperating Sponsor	Commodities	Recipients* (000s)	Metric Tons	Total Cost (000s)
West Bank/Gaza	WFP	Garbanzo Beans, Veg. Oil, Wheat Flour	665.0	27,090	$19,487.7
Sub-Total Asia/Near East			*232,623.7*	*23150,820*	*23$102,885.9*
Latin America					
Colombia	WFP	Green Peas, Lentils, Veg. Oil	725.0	4,830	$4,858.4
El Salvador	WFP	Pinto Beans, Veg. Oil	470.0	160	$176.9
Guatemala	WFP	Pinto Beans, Veg. Oil	470.0	240	$263.0
	WS	Corn Soy Blend, Pinto Beans, Rice, Veg. Oil	58.8	1,100	$1,057.7
Honduras	WFP	Pinto Beans, Veg. Oil	470.0	260	$286.9
Nicaragua	WFP	Pinto Beans, Veg. Oil	470.0	210	$229.5
Sub-Total Latin America			*2,663.8*	*6,800*	*$6,872.4*
Unallocated Preposition plus Unallocated			—	*52,600*	*$36,501.2*
Pending Approval			—	—	*$183,233.8*
Funding Adjustments (IFRP, PSCs, Prepositioning and CSB Mitigation)			—	—	*$42,000.0*
Worldwide Total			**28,949.3**	**1,532,964**	**$1,437,000.0**

Source: Tonnage, Values and 202(e) totals derived from FFP Preliminary Final Budget Summary Report, January 2008. Commodities and Recipients derived from Food for Peace Information System report, January 9, 2008.
Note: Values include commodities plus freight. Recipients listed as approved in cooperative agreements.
*Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.
Table does not include International Food Relief Partnership activities. See page 11 for specific details.

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient, and Tonnage Tables—Fiscal Year 2007

Country	Cooperating Sponsor	Commodities	Recipients* (000s)	Metric Tons	Total Cost (000s)
Africa					
Burkina Faso	Africare	Defatted Soy Flour, Pinto Beans, Potato Flakes, Rice, Soy-Fortified Bulgur, Veg. Oil	7.0	5,710	$4,914.3
	CRS	Lentils, Soy-Fortified Bulgur, Soy-Fortified Cornmeal, Rice, Veg. Oil	356.8	14,760	$11,693.9
Chad	Africare	Rice, Wheat Flour	—	4,120	$3,722.4
Ghana	ADRA	Soy-Fortified Bulgur	2,667.0	400	$1,926.0
	CRS	Corn Soy Blend, Northern Spring Wheat, Soy-Fortified Bulgur, Soy-Fortified Sorghum Grits, Veg. Oil,	204.8	22,070	$12,075.8
	OICI	Northern Spring Wheat, Soy-Fortified Bulgur, Soy-Fortified Sorghum Grits, Veg. Oil, Wheat Soy Blend	4.0	9,580	$4,107.3
Guinea	OICI	Green Peas, Soy-Fortified Cornmeal, Veg. Oil	10.7	2,330	$2,494.9
Kenya	ADRA	Corn Soy Blend, Green Peas, Hard Red Winter Wheat, Soy-Fortified Bulgur, Veg. Oil	79.1	7,120	$2,569.6
	CARE	Corn Soy Blend, Hard Red Winter Wheat, Veg. Oil, Yellow Split Peas	4.5	5,960	$2,145.0
	FHI	Corn Soy Blend, Green Split Peas, Hard Red Winter Wheat, Soy-Fortified Bulgur, Veg. Oil	8.8	6,960	$2,844.5
Liberia	CRS	Bulgur, Hard Red Spring Wheat, Lentils, Rice, Veg. Oil, Wheat Flour	17.9	9,170	$6,998.4
Madagascar	ADRA	Corn Soy Blend, Crude De-Gummed Veg. Oil, Hard Red Winter Wheat, Rice, Veg. Oil	12.4	8,620	$4,707.7
	CARE	Corn Soy Blend, Crude De-Gummed Veg. Oil, Great Northern Beans, Rice, Veg. Oil	68.2	11,700	$6,607.4
	CRS	Corn Soy Blend, Crude De-Gummed Veg. Oil, Great Northern Beans, Hard Red Winter Wheat, Rice, Veg. Oil	65.4	8,870	$5,494.5
Malawi	CRS	Corn Soy Blend, Cornmeal, Crude De-Gummed Veg. Oil, Pinto Beans, Veg. Oil	21.4	13,360	$15,000.1
Mauritania	CPI	Corn Soy Blend, Hard Red Winter Wheat, Veg. Oil, Yellow Split Peas	25.3	9,510	$3,849.5
Mozambique	ADRA	Hard Red Winter Wheat, Northern Spring Wheat	—	5,290	$1,967.1
	Africare	Hard Red Winter Wheat, Northern Spring Wheat	—	3,230	$1,187.6

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient, and Tonnage Tables—Fiscal Year 2007—Continued

Country	Cooperating Sponsor	Commodities	Recipients * (000s)	Metric Tons	Total Cost (000s)
	CARE	Hard Red Winter Wheat, Northern Spring Wheat	—	7,720	$2,743.2
	FHI	Hard Red Winter Wheat, Northern Spring Wheat	—	5,920	$2,143.6
	SCF	Hard Red Winter Wheat, Northern Spring Wheat	—	4,720	$1,841.9
	WV	Hard Red Winter Wheat, Northern Spring Wheat	—	22,970	$8,177.1
Niger	Africare	Rice, Soy-Fortified Bulgur	19.0	3,280	$3,334.3
	CRS	Rice, Soy-Fortified Bulgur	40.5	6,040	$4,650.6
Rwanda	ACDI/VOCA	Corn Soy Blend, Soy-Fortified Bulgur, Veg. Oil	2.0	2,930	$4,337.5
	CRS	Bulgur, Corn Soy Blend, Veg. Oil	26.9	2,940	$3,101.2
	WV	Corn Soy Blend, Soy-Fortified Bulgur, Veg. Oil	5.9	2,760	$4,015.8
Senegal	CPI	Corn Soy Blend, Lentils, Potato Flakes, Rice, Soy-Fortified Bulgur, Veg. Oil	44.1	6,560	$4,832.1
Sierra Leone	CARE	Bulgur, Hard Red Winter Wheat, Kidney Beans, Rice, Veg. Oil	30.4	14,290	$9,734.4
Uganda	ACDI/VOCA	Corn Soy Blend, Hard Red Winter Wheat, Veg. Oil	21.2	14,650	$9,579.2
	SCF	Corn Soy Blend, Hard Red Winter Wheat, Lentils, Soy-Fortified Cornmeal, Veg. Oil	4.9	4,800	$3,534.5
	WV	Hard Red Winter Wheat	—	2,510	$1,262.3
Zambia	CRS	Bulgur, Hard Red Winter Wheat, Lentils, Sorghum	5.3	8,410	$6,807.7
	LOL	Northern Spring Dark Wheat	—	4,500	$3,044.3
Sub-Total Africa			*3,753.6*	*263,760*	*$167,445.7*
		Asia/Near East			
Bangladesh	CARE	Hard Red Winter Wheat, Soft Red Winter Wheat, Soft White Wheat, Veg. Oil, Yellow Split Peas	129.7	65,440	$25,567.4
	SCF	Hard Red Winter Wheat, Soft White Wheat, Veg. Oil, Yellow Split Peas	160.0	24,760	$10,040.0
India	CARE	Green Peas, Veg. Oil	—	22,060	$16,531.4
	CRS	Bulgur, Veg. Oil	718.0	21,410	$14,506.4
Indonesia	CARE	Green Split Peas, Northern Spring Dark Wheat, Veg. Oil	15.3	1,870	$1,837.8
	CRS	Corn Soy Blend, Lentils, Northern Spring Dark Wheat, Veg. Oil	93.0	2,940	$1,568.8
	MCI	Green Split Peas, Northern Spring Dark Wheat, Veg. Oil	26.1	3,670	$3,322.2
	SCF	Northern Spring Dark Wheat, Veg. Oil	52.0	3,430	$2,895.0
	WV	Green Split Peas, Hard White Wheat, Northern Spring Dark Wheat, Veg. Oil	37.2	2,580	$1,327.5
Sub-Total Asia/Near East			*1,231.1*	*148,160*	*$77,596.5*
		Central Asia			
Tajikistan	CARE	Lentils, Veg. Oil, Wheat Flour	47.6	5,660	$8,477.6
Sub-Total Central Asia			*47.6*	*5,660*	*$8,477.6*
		Latin America			
Bolivia	ADRA	Corn Soy Blend, Green Peas, Lentils, Soy-Fortified Bulgur, Wheat Flour	17.7	6,330	$4,079.4
	CARE	Corn Soy Blend, Green Peas, Lentils, Soy-Fortified Bulgur, Wheat Flour	7.9	8,320	$5,391.3
	FHI	Corn Soy Blend, Green Peas, Lentils, Soy-Fortified Bulgur, Wheat Flour	15.8	8,960	$5,704.1
	SCF	Corn Soy Blend, Green Peas, Lentils, Wheat Flour	31.6	7,520	$4,874.2
Guatemala	CRS	Corn Soy Blend, Crude De-Gummed Veg. Oil, Pinto Beans, Rice, Veg. Oil	84.0	5,220	$3,971.8
	SCF	Corn Soy Blend, Crude De-Gummed Veg. Oil, Pinto Beans, Rice, Veg. Oil	12.7	4,630	$3,534.4
	WS	Corn Soy Blend, Crude De-Gummed Veg. Oil, Pinto Beans, Rice, Veg. Oil	12.7	5,940	$4,488.8
Haiti	CARE	Hard Red Winter Wheat, Lentils, Soy-Fortified Bulgur, Veg. Oil, Wheat Soy Blend	46.2	11,316	$5,048.3
	CRS	Cornmeal, Crude De-Gummed Veg. Oil, Hard Red Winter Wheat, Lentils, Soy-Fortified Bulgur, Veg. Oil, Wheat Soy Blend	227.5	21,421	$12,008.0
	SCF	Hard Red Winter Wheat, Lentils, Soy-Fortified Bulgur, Veg. Oil, Wheat Soy Blend	127.1	12,567	$5,787.4

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient, and Tonnage Tables—Fiscal Year 2007—Continued

Country	Cooperating Sponsor	Commodities	Recipients* (000s)	Metric Tons	Total Cost (000s)
	WV	Hard Red Winter Wheat, Lentils, Soy-Fortified Bulgur, Veg. Oil, Wheat Soy Blend	53.1	24,036	$9,514.9
Honduras	ADRA	Corn Soy Blend, Northern Spring Wheat, Red Beans, Rice, Veg. Oil	10.9	9,220	$3,835.0
	CARE	Corn Soy Blend, Red Beans, Rice, Veg. Oil	1.5	120	$86.3
	SCF	Corn Soy Blend, Northern Spring Wheat, Red Beans, Rice, Veg. Oil	5.3	8,555	$3,637.3
	WV	Corn Soy Blend, Kidney Beans, Northern Spring Wheat, Red Beans, Rice, Veg. Oil	8.4	10,555	$5,169.0
Nicaragua	ADRA	Corn Soy Blend, Lentils, Northern Spring Wheat, Rice, Veg. Oil	1.9	8,500	$3,490.8
	CRS	Corn Soy Blend, Lentils, Northern Spring Wheat, Rice, Veg. Oil	8.5	6,650	$2,672.9
	PCI	Corn Soy Blend, Lentils, Northern Spring Wheat, Rice, Veg. Oil	11.0	6,440	$2,490.5
	SCF	Corn Soy Blend, Cornmeal, Crude De-Gummed Veg. Oil, Lentils, Northern Spring Wheat, Rice, Veg. Oil	6.4	6,520	$2,584.5
Peru	ADRA	Crude De-Gummed Veg. Oil	—	1,630	$2,131.1
	PRISMA	Crude De-Gummed Veg. Oil	—	410	$3,138.2
	Caritas Inc.	Crude De-Gummed Veg. Oil	—	2,400	$3,138.2
Sub-Total Latin America			*690.2*	*177,260*	*$94,273.3*
Pending Approval			—	—	*$706.9*
Worldwide Total			**5,722.6**	**594,840**	**$348,500.0**

Source: Tonnage, Values and 202(e) totals derived from FFP Preliminary Final Budget Summary Report, January 2008. Commodities and Recipients derived from Food for Peace Information System report, January 9, 2008.

*Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

Note: Values include commodities plus freight. Recipients listed as approved in cooperative agreements.

Appendix 6: USDA Food for Progress Program—CCC-funded Grants—Fiscal Year 2007

Country	Cooperating Sponsor	Tonnage Donated (MT)
Africa		
Kenya	LOL	25,000
	WOCCU	26,610
Liberia	ACDI	10,000
Madagascar	LOL	12,450
	CRS	6,190
Malawi	PAI	10,000
Mozambique	TS	21,060
	PAI	10,000
	GOMZ	4,500
	IRD	5,600
Niger	GONI	17,000
Tanzania	FINCA	20,000
Subtotal Africa		*168,410*
Europe and Eurasia		
Armenia	WFP	920
	ATG	2,500
Azerbaijan	VRF	10,800
Georgia	IRD	15,000
Subtotal Europe and Eurasia		*29,220*
Latin America and the Caribbean		
Bolivia	FFTH	11,500
El Salvador	GOEL	15,500
Nicaragua	FINCA	16,000
Subtotal Latin America and the Caribbean		*43,000*
Worldwide Total		**240,630**

Appendix 7: McGovern-Dole International Food for Education and Child Nutrition Program—Fiscal Year 2007: Donations by Country and Cooperating Sponsor

Country	Cooperating Sponsor	Tonnage Donated (MT)
Africa		
Benin	CRS	480
Congo (Brazzaville)	IPHD	6,300
Guinea	WFP	11,460
Guinea-Bissau	IPHD	4,710
Kenya	WFP	14,350
Liberia	VA	600
Madagascar	CARE	3,190
Malawi	WFP	8,280
Mali	CRS	7,380
Mozambique	JAMGT	5,890
Senegal	CPI	3,240
Subtotal Africa		*65,880*
Asia		
Cambodia	SM	1,750
Cambodia	WFP	11,130
Pakistan	WFP	7,170
Subtotal Asia		*17,300*
Latin America and the Caribbean		
Guatemala	FFTP	10,060
Guatemala	SHARE	6,500
Nicaragua	GLIM	740
Subtotal Latin America and the Caribbean		*20,050*
Grand Total		**103,230**

Appendix 8: Public Law 480 Title II Congressional Mandates—Fiscal Year 2007

	Minimum	Subminimum	Monetization	Value-added	Bagged in United States
FY 2007 Target	2,500,000	1,875,000	15.0%	75.0%	50.0%
Status September 2007	2,573,215	682,353	74.3%	44.8%	54.8%

Minimum: Total approved metric tons programmed under Title II. Metric ton grain equivalent used to report against target.

Subminimum: Metric tons for approved non-emergency programs through PVOs and community development organizations and WFP. Metric ton grain equivalent used to report against target.

Monetization: Percentage of approved Title II programs that are monetization programs.

Value-added: Percentage of approved non-emergency programs that are processed, fortified, or bagged.

Bagged in U.S.: Percentage of approved non-emergency bagged commodities that are whole grain to be bagged in the United States.

Source: USAID Bureau for Democracy, Conflict, and Humanitarian Assistance, Office of Food for Peace, FY 2007Preliminary Budget Summary Overview, January 9, 2008.

Appendix 9: Countries with Approved U.S. Food Assistance Programs—Fiscal Year 2007

Title I (0 countries)

Title III (0 countries)

CCC-Funded Food for Progress (13 countries)

Armenia	Azerbaijan	Bolivia	El Salvador
Georgia	Kenya	Liberia	Madagascar
Malawi	Mozambique	Nicaragua	Niger
Tanzania			

Title I-Funded Food for Progress (2 countries)

Afghanistan	Ethiopia

Title II * (64 countries)

Afghanistan	Angola †	Armenia † **	Azerbaijan
Bangladesh	Benin	Bolivia	Burkina Faso
Burundi	Cambodia † **	Cameroon †	Cape Verde
Central African Rep. †	Chad	Colombia	Congo (Brazzaville) † **
Congo (DRC) †	Côte d'Ivoire	Djibouti	Dominican Rep. † **

Appendix 9: Countries with Approved U.S. Food Assistance Programs—Fiscal Year 2007—Continued

East Timor	Ecuador †**	El Salvador † **	Ethiopia †
Gambia	Ghana †	Guatemala †	Guinea †
Haiti †	Honduras †	India †	Indonesia †
Kenya †	Kosovo †**	Kyrgyzstan †**	Lebanon
Lesotho	Liberia	Madagascar	Malawi †
Mali	Mauritania	Mozambique	Nepal
Nicaragua †	Niger	Peru †	Philippines †**
Romania †**	Rwanda	Senegal	Sierra Leone
Somalia	South Africa †**	Sri Lanka	Sudan
Swaziland †	Syria	Tajikistan †**	Uganda †
Uzbekistan †**	West Bank/Gaza	Zambia †	Zimbabwe †
Food for Education (15 countries)			
Benin	Cambodia	Congo (Brazzaville)	Guatemala
Guinea	Guinea-Bissau	Kenya	Liberia
Madagascar	Malawi	Mali	Mozambique
Nicaragua	Pakistan	Senegal	
Farmer-to-Farmer (37 countries)			
Angola	Armenia	Azerbaijan	Bangladesh
Belarus	Bolivia	El Salvador	Ethiopia
Georgia	Ghana	Guatemala	Guinea
Guyana	Haiti	Honduras	India
Indonesia	Jamaica	Kazakhstan	Kenya
Kyrgyzstan	Malawi	Mali	Moldova
Mozambique	Nepal	Nicaragua	Nigeria
Peru	Russia	South Africa	Tajikistan
Turkmenistan	Uganda	Ukraine	Vietnam
Zambia			

*Represents Title II programs with commodities approved in FY 2007, or that remain active with resources allocated in the prior fiscal year.

†Represents IFRP programs with commodities approved in FY 2007, or that remain active with resources allocated in the prior fiscal year.

**Title II countries served by IFRP programming only.

U.S. International Food Assistance Report 2008

Under Food for Peace Act Section 407(f)(1)(A), "Not later than April 1 of each fiscal year, the Administrator [of USAID] and the Secretary [of Agriculture] shall jointly prepare and submit to the appropriate committees of Congress a report regarding each program and activity carried out under this Act during the prior fiscal year." As required, this report is hereby submitted to Congress.

USAID-supported school feeding program for refugee children from Côte d'Ivoire in Liberia, October 2007. Photo by Anne Shaw, USAID.

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Executive Summary

The United States is committed to the promotion of global food security through its international food assistance and other foreign assistance programs. In Fiscal Year (FY) 2008, the United States provided more than $2.8 billion from U.S. food aid programs to developing countries, reaching tens of millions of people worldwide. The following summary shows U.S. food assistance allocated by legislative authority for FY 2008.[1]

Program	Metric Tons	Total Cost (000)
Food for Peace Title II	2,306,110	$2,350,693.3
Bill Emerson Humanitarian Trust	323,820	$265,781.5
Food for Progress	220,890	$166,000
Section 416(b)	—	—
Food for Education	86,860	$99,000
Farmer-to-Farmer	—	$10,000
Grand Total	**2,937,680**	**$2,891,474.8**

Over the course of FY 2008, the United States Agency for International Development (USAID) and the United States Department of Agriculture (USDA) international food assistance programs have proven increasingly responsive to global efforts at reducing food insecurity and targeting those most in need. By responding to assessment and situational information, focusing on reducing risk and vulnerability, targeting the poorest of the poor and better integrating individual programs into larger—often international—efforts, the U.S. Government aims to improve the effectiveness of aid and to reach global targets for reducing hunger, malnutrition and poverty.

This aid is essential in emergency situations, which in FY 2008 included a regional drought in the Horn of Africa, exacerbated by conflict in Somalia and Kenya; an ongoing crisis due to conflict and displacement in Sudan and the Democratic Republic of the Congo; drought in Afghanistan; hyperinflation and poor harvests in Zimbabwe; hurricanes in Haiti; and a cyclone in Burma. In all, approximately 43 million people in 38 countries benefited from emergency food aid activities provided through Food for Peace Title II programs.

At the same time, USAID non-emergency programs continued to focus on increasing agricultural production and supporting programs to address health, nutrition, HIV and others aimed at investing in people. Special emphasis is placed on combating the root causes of hunger and malnutrition. Over the course of the year, more than 7.2 million people in 28 countries benefited from USAID Title II non-emergency food assistance.

Food for Progress and McGovern-Dole International Food for Education and Child Nutrition programs, both implemented by USDA, provided commodities to food-insecure populations through the World Food Program (WFP), private voluntary organizations (PVOs) and foreign governments. These resources supported a variety of food security objectives in developing countries, such as agricultural sector development, rural development, humanitarian assistance, HIV mitigation programs, school feeding and maternal and child health programs. In FY 2008, USDA's McGovern-Dole International Food for Education and Child Nutrition Program provided commodities for in-school feeding, take-home rations to keep girls enrolled in school, as well as nutrition programs for mothers, infants and children under age 5, positively impacting the lives of more than 2.6 million beneficiaries.

[1] All costs represent commodities plus freight and distribution.

Student eating U.S.-provided school lunch in Kyrgyzstan. Photo by Mercy Corps.

Introduction

Since the passage of Public Law 480 (the Agricultural Trade Development and Assistance Act of 1954, renamed the Food for Peace Act in 2008), U.S. international food assistance programs have evolved to address multiple objectives. The most recent changes came with the Food for Peace Act of the Food, Conservation, and Energy Act of 2008. Commonly known as the 2008 Farm Bill, the Food, Conservation, and Energy Act of 2008 restated the objectives that guide U.S. food assistance programs. These objectives are:

- Combat world hunger and malnutrition and their causes;
- Promote broad-based, equitable and sustainable development, including agricultural development;
- Expand international trade;
- Foster and encourage the development of private enterprise and democratic participation in developing countries; and
- Prevent conflicts.

U.S. International Food Assistance

The U.S. international food assistance program was established by several legislative authorities implemented by two Federal agencies. USAID administers Titles II, III and V of the Food for Peace Act. USDA administers Section 416(b) of the Agricultural Act of 1949, Title I of the Food for Peace Act, Food for Progress, and McGovern-Dole International Food for Education and Child Nutrition Program. The list below provides a brief description of each activity.

1. **Food for Peace Act (formerly the Agricultural Trade Development and Assistance Act of 1954)**—the principal mechanism for U.S. international food assistance.

   - **Title I: Economic Assistance and Food Security**—concessional sales of U.S. agricultural commodities to developing countries and private entities.
   - **Title II: Emergency and Private Assistance Programs**—direct donation of U.S. agricultural commodities for emergency relief and development.
   - **Title III: Food for Development**—government-to-government grants of agricultural commodities tied to policy reform.
   - **Title V: John Ogonowski and Doug Bereuter Farmer-to-Farmer (FTF) Program**—voluntary technical assistance to farmers, farm groups and agribusinesses.

2. **Section 416(b) of the Agricultural Act of 1949**—overseas donations of surplus food and feed grain owned by the USDA Commodity Credit Corporation (CCC).

3. **Food for Progress Act of 1985**—commodity donations available to emergingdemocracies and developing countries committed to the introduction or expansion of freeenterprise in their agricultural economies.

4. **McGovern-Dole International Food for Education and Child Nutrition Program**—donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income countries.

5. **Bill Emerson Humanitarian Trust**—food reserve administered under the authority of the Secretary of Agriculture. This reserve is available to meet emergency humanitarian food needs in developing countries, allowing the United States to respond to unanticipated food crises. Under the 2008 Food for Peace Act, the Administrator of USAID oversees release and use of these funds.

A USAID-supported World Food Program initiative in eastern Sri Lanka assisted these conflict-affected children in FY 2008. Photo by Kathryn Schein, USAID.

I. Food Security

Defining a Long-Term Global Strategy

U.S. international food assistance has long played a critical role in responding to global food insecurity. This tradition continued in FY 2008, with the U.S. Government providing more than 2.8 million metric tons (MT) of commodities. The programs have also evolved to reflect greater understanding of—and a focus on addressing—the causes of famine, food emergencies and large-scale hunger around the world. In the Food, Agriculture, Conservation, and Trade Act of 1990, for example, food security was narrowly defined as dependent primarily on the availability of food at the national level. It was broadened in a 1992 policy paper to begin to address distribution and nutritional quality, calling for "all people at all times [to] have both physical and economic access to sufficient food to meet their dietary needs for a productive and healthy life."[2] This definition includes three elements judged

[2] USAID Policy Determination Number 19, April 1992.

essential to achieving food security and forms the basis for much of the U.S. Government's international food assistance activity:

- **Food availability:** sufficient quantities of food from household production, other domestic output, commercial imports or food assistance.
- **Food access:** adequate resources to obtain appropriate foods for a nutritious diet, which depends on income available to households and on the price of food.
- **Food utilization:** a diet providing sufficient calories and essential nutrients, potable water and adequate sanitation, as well as household knowledge of food storage and processing techniques, basic principles of nutrition and proper child care and illness management.

In recent years, attention has focused on the continued challenges that hamper efforts at reducing global food insecurity. International food assistance programs also face increasingly frequent and severe natural and manmade disasters with growing humanitarian demands on both U.S. and international humanitarian assistance resources.

Food Price Crisis Response

In FY 2008, prices of major food commodities increased significantly worldwide, pushing an estimated 40 million more people into hunger, according to the United Nations Food and Agriculture Organization. This brought the total population of undernourished people to an estimated 963 million in 2008. Multiple factors contributed to higher food prices, including low world grain stocks, poor harvests in traditional exporting countries and food export controls.

In response, President George W. Bush in April 2008 directed the Secretary of Agriculture to draw down on the Bill Emerson Humanitarian Trust, a U.S. food reserve of up to 4 million MT of commodities, to meet emergency food aid needs abroad. With this action, USAID provided emergency food aid to Afghanistan, Ethiopia, Kenya and Zimbabwe.

Unloading corn-soy blend at the port in Djibouti for delivery to Ethiopia, January 2008. Photo by Suzanne Poland, USAID.

In addition, President Bush in May 2008 asked Congress for $350 million in supplemental FY 2008 funding for Title II emergency food aid. Congress in June 2008 appropriated $850 million in the Supplemental Appropriations Act of 2008 for additional Title II emergency food aid for FY 2008. On June 30, 2008, President Bush signed the Supplemental Appropriations Act. Within days, USAID and USDA collaborated to expedite commodity procurement procedures to ensure rapid arrival of lifesaving assistance where it was needed most. This significant U.S. Government response to the food price crisis enabled delivery of substantial and timely food aid.

The Supplemental Appropriations Act of 2008 included $200 million in development assistance funding in FY 2009 to help developing countries address the international food crisis. As required under the Act, the Secretary of State submitted a report to the Committees on Appropriations within 45 days of enactment on the proposed uses of the funds. As noted in that report, U.S. Government strategy targets increasing food productivity in sub-Saharan Africa—where the world's food needs are greatest—focusing on countries where significant expansion of food production is feasible and then reducing barriers to the movement and procurement of food throughout sub-Saharan Africa.

The development assistance funds are being used largely to support urgent agricultural and trade measures to address high food prices. These include actions to increase agricultural productivity; alleviate transportation, distribution and post harvest supply-chain bottlenecks; and promote sound market-based principles. Development assistance funds are also being used to support local and regional procurement of food simultaneously to meet emergency humanitarian needs and address urgent measures to improve markets for African smallholder farmers.

USAID Food Security Task Force

In April 2008, then-USAID Administrator Henrietta H. Fore established a USAID Food Security and Food Price Increase Task Force responsible for coordinating USAID policy and new programs, developing a new USAID food security strategy and interacting with interagency and multilateral groups and initiatives related to the impact of global food price increases on the most vulnerable.

In addition to coordinating additional emergency assistance in response to the global food price increases, the Task Force served as a coordination point for information sharing and joint planning among USAID bureaus and with other government agencies on food security and food price increase impacts.

Title II Food Security Programming Frameworks

Title II non-emergency food aid programs are increasingly being initiated with development of a comprehensive framework indicating how Title II resources could be targeted, programmed and integrated with other resources to reduce food insecurity among vulnerable populations. These Food Security Programming Frameworks define objectives, approaches, geographic foci and institutional partnerships for effective use of U.S. Government resources to reduce food insecurity. The frameworks inform country-specific guidance to grant applicants developing new non-emergency proposals, and support integration of various U.S. Government resources dedicated to reducing food insecurity.

Local and Regional Procurement of Food Aid

The ability to procure food aid commodities locally (in the country where the food aid is needed) and regionally (in a country in the same region where food aid is needed) offers an exceptional opportunity to meet humanitarian needs in an efficient and timely fashion, fill pipeline gaps prior to the arrival of food shipped from the United States and increase the total amount of lifesaving food aid U.S. assistance resources can provide.

Local and regional procurement also has the potential to strengthen and expand commercial markets, stimulate local and regional food production and economies, and ultimately, reduce emergency food aid requirements.

For several years, the Administration has requested from Congress the authority to use up to 25 percent of Title II funds for the local or regional purchase of food aid commodities to assist people threatened by a food security crisis.

The 2008 Food for Peace Act authorized and directed the Secretary of Agriculture to implement a 5 year, $60 million pilot local and regional purchase program for food aid.

Improving the Effectiveness and Efficiency of International Food Assistance

In August 2008, Food for Peace (FFP) issued a Request for Information (RFI) on Increasing the Effectiveness and Efficiency of Title II Food Aid Program Management. The RFI sought information from potential grantees as to their interest, priorities and capacities to participate in or undertake Cooperative Agreements to increase the effectiveness and efficiency of Title II food aid programs. The purpose of the Cooperative Agreements is to improve the FFP program technical and operational procedures and to promote best practices through coordination and delivery of capacity building and technical assistance for current and prospective Title II food aid grantees and programs worldwide.

The principal objectives of the proposed Cooperative Agreements are:

1. Identify best practices in FFP program management and capacity building;

2. Design and undertake training in best practices in program management and capacity building;

3. Communicate and disseminate information on best practices in program management and capacity building; and

4. Strengthen the coordination and collaboration among current and prospective Title II grantees.

Monitoring and Oversight

The 2008 Food for Peace Act gave FFP the flexibility and the mandate to improve oversight of non-emergency programs. As a result, FFP is implementing a number of steps, including increasing food aid staff levels in the field, with 12 additional staff in chronically highly food-insecure countries. This will enhance monitoring capability to anticipate emergency needs.

FFP is helping Missions and governments to plan and implement in-depth food security assessments as they relate to the programming of Title II non-emergency resources. Working with Missions, governments and other stakeholders, FFP is applying assessment results to prepare food security strategies that define objectives, approaches and institutional partnerships for effective use of Title II non-emergency resources to reduce food insecurity.

In addition, FFP is expanding the Layers monitoring system, which uses handheld computers to collect and analyze program information from a random sample of program sites. Once the data are collected, Layers generates a report on the performance of grantees in implementing Title II programs. A wide variety of issues can be evaluated, ranging from the conditions of storage in commodity warehouses and record keeping for commodity losses, to the quality of services delivered by Title II grantees. Layers is currently utilized in Ethiopia, Haiti and Madagascar, and will be expanded to other countries that receive Title II non-emergency assistance, including Guatemala, Mali and Uganda.

FFP is also analyzing lessons learned when programs end. Factors that lead to success in sustaining program benefits after Title II non-emergency food assistance has ended are being examined, with the goal of deriving recommendations for effective Title II non-emergency exit strategies.

FFP has launched a 3 year pilot project to help USAID comply with the Bellmon Amendment, which requires that adequate storage facilities would be available in a recipient country upon arrival of a commodity to prevent spoilage or waste, and that distribution of the commodity in the recipient country will not result in substantial disincentive or interference with domestic production or marketing in that country. The Bellmon Estimation for Title II (BEST) Project is conducting independent market analyses to ensure that these requirements are met. Studies have already been completed and published for Malawi and Madagascar, and more are underway.

Finally, FFP is offering training in the field on monitoring and evaluation for non-emergency program grantees to help them harmonize impact and output indicators and design baseline assessments.

USAID's Famine Early Warning Systems Network

Saving lives and preventing famine are key objectives of the U.S. Government and the international community. The Famine Early Warning Systems Network (FEWS NET) is a USAID-funded activity that collaborates with international, national and regional partners to monitor, collect and disseminate critical data on conditions of food availability and access, as well as the environmental and socioeconomic hazards that lead to food insecurity and famine. The goal of FEWS NET is to manage the risk of food insecurity through the provision of timely and analytical early warning and vulnerability information, so that decision makers have ample time to prepare and take preventive action.

In 2008, FEWS NET covered 20 countries in Africa, Central America, Central Asia and the Caribbean. Its reporting products, maps, data and satellite imagery are posted to the website *www.fews.net*, which receives an average of approximately 20,000 page hits per month.

To more closely track changes in food prices, FEWS NET in FY 2008 launched a monthly "Price Watch" publication that reports on staple food prices in key markets in urban and town centers in food-insecure countries. This price information provides advance warning to better target U.S. food aid resources to the most vulnerable.

FEWS NET exemplifies the U.S. commitment to anticipating and responding to humanitarian vulnerabilities and crises. FEWS NET has interagency agreements with the U.S. Geological Survey, National Aeronautics and Space Administration, National Oceanic and Atmospheric Administration and USDA that provide information to the U.S. Government, host country governments and a variety of other regional and international partners to assist in averting famine.

A demonstration garden in Lira District, northern Uganda, where VEDCO, a local partner of USAID grantee ACDI/VOCA, instructs farmers on improving agricultural production practices. Photo by Anne Shaw, USAID.

A Conceptual Framework for Integrating Food Aid and HIV Programs

FFP and the Office of the U.S. Global AIDS Coordinator, which leads implementation of the President's Emergency Plan for AIDS Relief (PEPFAR), continued to work together during 2008, increasing their coordination to address the links between nutrition and HIV. In Uganda, for example, USAID supported a proposal to develop a food-by-prescription policy (supplementary or therapeutic food is provided according to clinical assessment) that included FFP grantees with a focus on the most food-insecure areas in the country. In Haiti, USAID has developed a proposal for umbrella funding to support organizations that work to reduce food insecurity among HIV-affected families. This strategy, developed by the health team, working together with FFP and other offices within the mission, provides the possibility of a best practice and will offer PVOs access to funds for livelihood activities to support HIV-affected families.

Food Aid Quality Review

Over the last 15 years, USAID has conducted a number of reviews of its processed and fortified foods, making some adjustments in the formulations. Recently, USDA has also looked at the foods on the FFP commodity list and is in the process of updating its specifications and quality control for those foods.

Continuing emphasis in the Food for Peace Act on the importance of micronutrients and FFP's experience with the use of foods in preventing malnutrition in children under age 2 have encouraged a much deeper review of the food aid basket.

FFP issued a Request for Proposals (RFP) in FY 2008 to review the role of food aid commodities in meeting beneficiaries' nutritional needs. In FY 2009, FFP awarded a contract to carry out this review, which will examine the nutritional needs of FFP's current beneficiary populations and the commodities currently available to meet those needs. In addition, the contract will use a consultative process to reach out to the many FFP grantees in order to arrive at a consensus on needed reformulations and/or the development of new foods not currently available. As part of this contract, any recommendations for reformulation or new foods will be accompanied by the description of the process necessary to test and evaluate the efficacy and effectiveness of these foods.

II. U.S. International Food Assistance

Program Descriptions and Fiscal Year 2008 Accomplishments

A. Food for Peace Act

The primary mechanism of U.S. international food assistance is the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480, renamed the Food for Peace Act in 2008).

1. Title I: Trade and Development Assistance

The Title I authority provides funding for both a concessional sales program, supporting Trade and Development and for the Food for Progress grant program, supporting agricultural development in emerging democracies. In FY 2008, no new concessional sales agreements were made.

The USDA-administered Food for Progress Program, authorized under the Food for Progress Act of 1985, assists developing countries, particularly emerging democracies "that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution and private sector involvement." The program authorizes the Commodity Credit Corporation (CCC) to carry out the sale and exportation of U.S. agricultural commodities on credit terms or on a grant basis, with the use of either CCC financing or Food for Peace Title I funds. Grants under the Food for Progress program are awarded to governments or PVOs, nonprofit agriculture organizations, cooperatives, intergovernmental organizations or other private entities.

a. Title I: Food for Progress Highlights

In FY 2008, Food for Progress Title I funding provided 10,900 MT in assistance, with an estimated value of $13 million. The summaries below provide examples of Title I-funded Food for Progress agreements signed in FY 2008.

- **Tajikistan:** USDA donated 6,570 MT of wheat flour and 300 MT of vegetable oil to WFP for use in its Protracted Relief and Recovery Operation. In Tajikistan, WFP works to prevent hunger among chronically food-insecure households in marginalized geographic areas during the lean period through vulnerable group feeding and food for work activities; to promote education through the provision of hot meals in primary schools and take-home rations for girls in secondary schools; to rehabilitate malnourished children and pregnant and lactating women through the provision of supplementary food and to meet the basic food needs of tuberculosis patients; and to support government capacity building in managing national food assistance programs.
- **East Timor:** USDA donated approximately 1,600 MT of corn-soy blend, 850 MT of kidney beans, 900 MT of rice and 260 MT of vegetable oil to WFP for use in its Protracted Relief and Recovery Operation. In East Timor, WFP is carrying out three main activities: maternal and child health, school feeding and emergency preparedness and response. These activities aim to improve the nutritional status of the most vulnerable population groups during critical times of their lives; the potential for agricultural production; and the access to and utilization of schools as a means for human capacity development.

2. Title II: Emergency and Private Assistance Programs

In FY 2008, more than ¾ of U.S. international food aid was used to respond to emergency situations and to implement development projects under Title II, administered by the USAID Office of Food for Peace in the Bureau for Democracy, Conflict, and Humanitarian Assistance. In FY 2008, Title II programs (emergency and non-emergency) and contributions from the Bill Emerson Humanitarian Trust provided more than 2.6 million MT of commodities, with a program cost of more than $2.6 billion, to assist approximately 56 million people in 49 countries worldwide.

The focus of Title II programs is to reduce food insecurity in vulnerable populations. This focus on vulnerability to food insecurity targets improving resiliency to shocks, an essential first step for household self-sufficiency and economic independence. In support of this strategy, the non-emergency development portfolio incorporates some activities to strengthen local capacity to respond to natural disasters.

a. Title II: Emergency Programs

Title II emergency programs aim to address two forms of emergencies: natural disasters, such as floods or droughts, and complex emergencies characterized by a combination of natural disaster, conflict and insecurity. All of these elements pose substantial program and operating challenges in responding effectively to the needs of food-insecure populations.

In FY 2008, Title II emergency programs and contributions from the Bill Emerson Humanitarian Trust provided more than 2.2 million MT of emergency food aid, with a program cost of more than $2.2 billion, to help alleviate malnutrition and hunger in 39 countries. In all, Title II emergency programs reached approximately 43 million food-insecure people in FY 2008.

Food for Peace Title II: Emergency Program Highlights

Horn of Africa

Approximately 19 million people in Ethiopia, Somalia, Kenya and Djibouti needed emergency food assistance in FY 2008 because of a regional drought, with several conflicts in the Horn of Africa. FFP responded with more than 1 million MT of food aid, valued at nearly $853 million, which helped to avert a humanitarian catastrophe.

This response included 735,140 MT of food aid for Ethiopia, valued at $561.5 million; 211,320 MT for Somalia, valued at $197.4 million; 87,300 MT for Kenya, valued at $91.3 million; and 2,360 MT for Djibouti, valued at $2.7 million.

In Somalia, despite sustained periods of drought and civil conflict, the robust food aid response by FFP helped to stave off significant mortality and mass migration.

Emergencies in Urban Settings

While the majority of the world's food-insecure population resides in rural areas, low-income urban populations are vulnerable to market-induced food security shocks, as occurred in 2008 with the rise of food prices worldwide. The urban poor are particularly vulnerable to price increases because such a large portion of their income goes to purchasing food.

In 2008, FFP published *Emergencies in Urban Settings: A Technical Review of Food-Based Program Options.* This review, which emerged from a workshop with private voluntary organizations and World Food Program experts, is a programming manual that will improve targeting and delivery of food aid to those most impacted by rising food prices. It compares program options when food aid is determined to be an appropriate response to an emergency—including targeted household food distribution, food for work, food for training, "wet" feeding, and community-based management of acute malnutrition programs.

In Ethiopia, donors including USAID are working with the Government of Ethiopia to mitigate the effects of recurrent cycles of drought and food shortages through the innovative Productive Safety Net Program (PSNP), which targets 7.2 million of the country's most food-insecure people. These recipients receive cash and/or food transfers on a predictable basis that allow them to withstand the worst periods of food shortages without selling their assets. In return, they provide labor for local public works projects during the 6 months of the year between harvest and planting season. These projects have resulted in the development and protection of thousands of water sources, such as springs, hand-dug wells and water harvesting structures, making water available for human and animal consumption as well as irrigation. They have also provided 33,000 kilometers of rural access roads and the construction of community facilities such as farmer training centers, health posts and schools. PSNP participants withstood the effects of the 2008 drought much better than non-beneficiaries who might have received aid, but on a less predictable basis.

In Kenya, FFP provided nearly 55 percent of WFP emergency resources that assisted up to one million Kenyan marginal farming and pastoralist families affected by drought as well as approximately 300,000 internally displaced Kenyans during calendar year 2008. The United States is the single largest donor to WFP for its emergency operation in Kenya.

Sudan

USAID continues to be the world's leading donor of food assistance to Sudan, having provided more than $1.5 billion in food assistance since the Darfur crisis began in 2004. The United States contributed approximately half of WFP's Sudan appeals for 2008 and 2009, by far the largest contribution from any donor. Timely contributions from FFP helped WFP ensure a continued flow of assistance during the critical hunger period from June to September. Despite rampant insecurity, WFP met, on average, more than 93 percent of its monthly target caseload in Darfur throughout 2008.

Loading USAID food in Port Sudan for World Food Program distribution in Sudan, May 2008. Photo by Tyler Beckelman, USAID.

b. Title II: Private Assistance Programs (Non-Emergency)

The Food for Peace Title II development (non-emergency) food aid program constitutes one of the largest sources of USAID funding in promoting long-term food security in such areas as:

1. Agriculture and Natural Resource Management activities;
2. Health and household nutrition activities; and
3. Education, Humanitarian Assistance and Microenterprise.

In FY 2008, 20 grantees implemented 92 Title II non-emergency activities in 28 countries. Approximately 341,280 MT of food assistance, valued at more than $354 million, was used to support programs that benefited more than 7.2 million people.

Preventing Malnutrition in Children Under Two Approach (PM2A)

The USAID-funded Food and Nutrition Technical Assistance (FANTA) grantee and its partners, the International Food Policy Research Institute and Cornell University, together with FFP grantee World Vision, recently completed the evaluation of a new approach to supplementary feeding in Haiti.

Instead of providing food only as part of the recuperation of malnourished children, the PM2A targets all children from 6 to 24 months with food supplementation and provides mothers with a supplement as well from pregnancy until the baby is 6 months old. Receipt of the food requires the mother's participation in improved health and nutritional services, which include a Behavior Change Communications program oriented toward improving family nutritional status and how the infant and young child is cared for. A careful evaluation in Haiti documented that the PM2A was both successful and cost effective in reducing chronic malnutrition (stunting), wasting and underweight in Haiti when compared with a similar maternal and child health and nutrition program that used the traditional food aid approach of providing supplementary feeding only to already malnourished children as part of their recuperation.

As a result of this study, World Vision and the other two grantees in Haiti are scaling up the use of the PM2A approach to the entire population of Haiti benefiting from FFP non-emergency support. World Vision has also incorporated the use of the PM2A approach into its new multi-year program beginning in FY 2008 in Afghanistan.

See: Marie T. Ruel, *et al.* "Age-based Preventive Targeting of Food Assistance and Behavior Change and Communication for Reduction of Childhood Malnutrition in Haiti: A Cluster Randomized Trial." *The Lancet* 371 (Feb. 16, 2008): 588–595.

Food for Peace Title II: Non-Emergency Program Highlights

The following examples illustrate the breadth of Title II non-emergency food resources implemented by grantees as well as how these activities have helped in allaying food insecurity and fostering self-sufficiency.

Burkina Faso

Africare, a USAID grantee, was awarded the Government of Burkina Faso's highest honor in 2008 for the achievements of its Zondoma Food Security Initiative, which reached all 104 villages in the northern province of Zondoma, a highly food-insecure region. Africare was the only PVO to receive the award, Chevalier de l'Ordre National. Funded through Title II of the Food for Peace Act, the initiative benefited 160,000 people by promoting diversified crop production and employment opportunities, improving household nutrition, educating about HIV/AIDS prevention and providing nutritional support to HIV/AIDS-affected households. Food security in Zondoma province is threatened by factors including low rainfall, high levels of infant morbidity and out-migration of workers.

Bangladesh

USAID contributed 64,500 MT of commodities valued at $47.8 million to non-emergency Title II programs in Bangladesh in FY 2008.

Save the Children Federation has been implementing a Title II development program called Jibon-O-Jibika (Life and Livelihoods) in three coastal districts of south-central Bangladesh since October 2004. The program includes interventions to increase household food availability and access, enhance maternal and child health and nutrition and improve community disaster preparedness. The selected costal areas are considered highly vulnerable due to high malnutrition rates and their geographical location in the cyclone belt of Bangladesh, which means they are constantly threatened by natural disasters. An assessment of disaster preparedness and response conducted in the Jibon-O-Jibika areas of operation in FY 2008 found that cyclone warning awareness has increased substantially during the course of the program's activities. Nearly 100 percent of inhabitants in the areas had received cyclone warning messages prior to Cyclone Sidr in November 2007, a significant improvement from 2005, when a baseline assessment showed that warnings were reaching only 19 to 51 percent of households in the targeted communities. As a result of improved cyclone warning, many households successfully evacuated before Cyclone Sidr, and some were able to use cyclone shelters in their communities.

A 5 year program implemented by CARE—Strengthening Household Ability to Respond to Development Opportunities (SHOUHARDO)—is reaching more than 407,000 vulnerable households in 2,205 villages and 137 urban slums with activities aimed at sustainably reducing chronic and transitory food insecurity. One significant SHOUHARDO activity is a flood early warning system called the Climate Forecast Application in Bangladesh, which is being developed by a consortium including the Georgia Institute of Technology, the National Center for Atmospheric Research and the Asian Disaster Preparedness Center. The first tier of this system, which provides a 10 day warning of impending floods, was completed, tested and handed over to the Bangladesh Water Development Board in FY 2008. Test results indicated a reliability level of more than 90 percent.

Haiti

USAID contributed 44,400 MT of Title II non-emergency food aid valued at $34.2 million to Haiti in FY 2008. USAID's grantees in Haiti work with the poorest of the poor to increase food production, improve health and nutrition, increase livelihoods and household incomes, and provide a food safety net for the most vulnerable people in the population. FFP's non-emergency programs were critical in a year when Haiti was hit by dramatic food and fuel price increases and three hurricanes in quick succession.

In addition to providing support for agricultural activities and emergency food distribution following the hurricanes, ACDI/VOCA developed an early warning system to monitor slow-onset disasters in 34 communities in southeastern Haiti, collecting rainfall and food price data in order to mitigate the effects of drought and price shocks.

Catholic Relief Services trained 525 farmers in soil and water conservation techniques and nursery management, and helped farmers establish 36 demonstration plots in southwestern Haiti to evaluate improved varieties of bean, corn and cassava.

Non-emergency programs in Haiti also included activities that promoted maternal and child health. World Vision fully vaccinated nearly 7,500 children under age 5, provided prenatal and postnatal health services for more than 6,500 women, and provided an average of nearly 22,000 monthly food rations to approximately 88,000 children, pregnant and lactating women, and people living with AIDS.

Primary school students Jayrin Muñoz Videa, left, and Carla Antonieta Maradiaga, right, eating lunch provided by International Food Relief Partnership grantee Fabretto Children's Foundation at Mamá Margarita School in Somoto, Nicaragua. Photo: Rafael I. Merchan, Fabretto Children's Foundation.

c. International Food Relief Partnership

In November 2000, the U.S. Congress passed the International Food Relief Partnership (IFRP) Act. This law enables USAID to award grant agreements to eligible U.S. nonprofit organizations to produce and stockpile shelf-stable, pre-packaged commodities. Through the IFRP program, commodities are made available to eligible nonprofit U.S. organizations and international organizations for transportation, delivery and distribution in emergency food aid relief programs.

In FY 2008, the Office of Food for Peace awarded approximately $8 million in Title II IFRP supplier and distribution grants. The program's primary supplier, Breedlove Dehydrated Foods, produced a micronutrient-fortified, dried vegetable soup mix which is used as a meal supplement for humanitarian relief operations overseas. Over the course of the year, 30 IFRP distribution grants were awarded to 27 nonprofit U.S.-based organizations, which distributed the commodity to beneficiaries in 30 countries. A list of these countries is provided in *Appendix 2, List of Grantees.*

3. Title III: Food for Development

The Food for Peace Title III program is a USAID-administered tool for enhancing food security and supporting long-term economic development in the least-developed countries. The U.S. Government donates agricultural commodities to the recipient country and funds their transportation to the point of entry in the recipient country. These commodities are sold on the domestic market and the revenue generated from their sale is used to support and implement economic development and food-security programs. Funds were not appropriated for Title III in FY 2008.

4. Title V: John Ogonowski and Doug Bereuter Farmer-to-Farmer Program

The John Ogonowski and Doug Bereuter Farmer-to-Farmer (FTF) Program provides voluntary technical assistance to farmers, farm groups and agribusinesses in developing and transitional countries to promote sustainable improvements in food processing, production and marketing. The program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agribusinesses and nonprofit farm organizations to respond to the local needs of host-country farmers and organizations. Volunteers are recruited from all 50 states and the District of Columbia. In general, these volunteers are not overseas development professionals, but rather individuals who have domestic careers, farms and agribusinesses or are retired persons who want to participate in development efforts. Typically volunteers spend about 20 to 30 days in the host country.

The FTF Program was initially authorized by Congress in the Food Security Act of 1985 and funded through Title V of the Agricultural Trade Development and Assistance Act of 1954. The U.S. Congress authorized the current FY 2009–2013 phase of the FTF Program in the 2008 Food for Peace Act, designating it the "John Ogonowski and Doug Bereuter Farmer-to-Farmer Program" in honor of Ogonowski, one of the pilots killed on September 11, 2001, and former Congressman Bereuter, who initially sponsored the program.

Title V: FTF Highlights

Farmer-to-Farmer Volunteer Assignments: FY 2008

Angola	5
Ethiopia	22
Ghana	6
Guinea	7
Kenya	14
Malawi	11
Mali	5
Mozambique	6
Nigeria	1
South Africa	37
Uganda	22
Zambia	12
Subtotal Africa	*148*
Bolivia	1

Farmer-to-Farmer Volunteer Assignments: FY 2008—Continued

El Salvador	8
Guatemala	7
Guyana	17
Haiti	25
Honduras	13
Jamaica	32
Nicaragua	4
Peru	1
Subtotal Latin America—Caribbean	*108*
Armenia	18
Azerbaijan	16
Belarus	17
Georgia	8
Moldova	31
Russia	81
Ukraine	49
Subtotal Europe-Eurasia	*220*
Bangladesh	9
India	4
Indonesia	2
Nepal	5
Kazakhstan	20
Kyrgyzstan	33
Tajikistan	21
Turkmenistan	18
Vietnam	1
Subtotal Asia-Near East	*113*
Total	**589**

During FY 2008, USAID provided $9.8 for FTF programs of eight implementing agencies. The FTF programs funded a total of 589 volunteer assignments in 37 countries. Volunteers provided developing country host organizations with technical assistance services with an estimated value of more than $6.3 million. Volunteer efforts helped hosts mobilize $11.3 million in grants and loans. In addition, volunteers provided direct formal training to 22,822 beneficiaries (of which 45 percent were women). The following examples illustrate the types of activities undertaken by the FTF program:

FTF volunteer Larry Swalheim helps strengthen the cooperative and lifts members' spirits:

In April 2008, FTF volunteer Larry Swalheim visited the Farmer Cooperative in Ukraine to work with its members on cooperative service development. As the Chief Executive Officer of Landmark Cooperative in Wisconsin, Mr. Swalheim is very familiar with a diverse set of products and services, including animal feed production, petroleum marketing and sales of fertilizer and seeds. During his work with the Farmer Cooperative, Mr. Swalheim was able to draw on his extensive experience to teach the cooperative's members methods of strengthening their organization and improving services to farmer members. During his assignment, Mr. Swalheim conducted seven seminars in six towns.

FTF Volunteer Strengthens Broiler Processing Value-chain in Bangladesh:

Bangladesh Broiler Processing Center (BBPC), an agro-enterprise of BRAC, the largest PVO in Bangladesh, was established as a semi-automatic broiler processing facility in 2003 in Tongi/Gazipur, near Dhaka. BBPC faced numerous challenges—

lack of hygienic processing; lack of adequate freezing, storage and transportation facilities; and inefficient cooling and refrigeration systems.

In May 2005 and September 2006, the FTF Program fielded Dr. Omar Oyarzabal, a highly experienced broiler processing specialist, to help improve BBPC's processing facilities and upgrade staff technical and management capabilities. Based on his recommendations, BBPC instituted many important modifications to the plant's technical facilities to bring about tangible improvements in the entire broiler processing value chain. Notable among them were:

- Installed a new blast freezing system to significantly enhance carcass freezing efficiency;
- Improved air-conditioning of the processing and grading spaces to maintain room temperatures below 15° Celsius;
- Upgraded freezer and chiller rooms to allow more space to hold the processed products before refrigeration; and
- Improved maintenance of chill tanks and made changes in the practices of carcass storage.

In 2008, an analysis was conducted to determine the impact of the FTF volunteer assistance. It was found out that as an outcome of these important improvements, production of processed broiler meat has increased by 63 percent (from 80 MT/month to 130 MT/month) as of August 2008; monthly gross value of sales has increased by 128 percent (from $148,235 to $338,382); and monthly average net income has increased by 97 percent (from $16,471 to $32,500).

B. Section 416(b) of the Agriculture Act of 1949: Surplus Commodities

The Agricultural Act of 1949 authorizes the donation by USDA of surplus food and feed grain owned by the CCC. Section 416(a) authorizes surplus food assistance to be distributed domestically and surplus food shipped to developing countries for assistance programs is covered under Section 416(b). Surplus commodities acquired by the CCC as a result of price-support operations may be made available under Section 416(b) if they cannot be sold or otherwise disposed of without disrupting price-support programs or at competitive world prices. These donations are prohibited from reducing the amounts of commodities traditionally donated to domestic feeding programs or agencies, from preventing the fulfillment of any agreement entered into under a payment-in-kind program or from disrupting normal commercial sales.

In FY 2008, no commodities were made available by CCC, and consequently, no donations were made under the program.

C. Food for Progress

The USDA-administered Food for Progress Program, authorized under the Food for Progress Act of 1985, assists developing countries, particularly emerging democracies "that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution and private sector involvement." The program authorizes the CCC to carry out the sale and exportation of U.S. agricultural commodities on credit terms or on a grant basis, with the use of either CCC financing or Food for Peace Title I funds. Agreements for Food for Progress are awarded to governments or PVOs, nonprofit agriculture organizations, cooperatives, intergovernmental organizations or other private entities.

The 2008 Farm Bill extended the authority for the Food for Progress Program to provide assistance in the administration and monitoring of food assistance programs to strengthen private-sector agriculture in recipient countries through FY 2012. The CCC is authorized to use $15 million for administrative costs under the grants and $40 million for transportation expenses.

1. CCC-funded Food for Progress Highlights

In FY 2008, CCC funding financed the purchase and shipment of 199,600 MT of commodities to 15 countries, with an estimated value of $162 million. The summaries below provide examples of CCC-funded Food for Progress agreements signed in FY 2008.

- **Afghanistan:** USDA donated 12,500 MT of wheat to Roots of Peace (ROP), a PVO, for use in Afghanistan. ROP will use proceeds from the sale of the wheat in Afghanistan to assist approximately 14,400 farmers expand horticultural production in Afghanistan. ROP aims to accomplish this by helping plant new orchards and providing extension support for fruit and nut tree farmers; expanding grape production by establishing grape vine nurseries, upgrading vineyards through trellising and providing extension support for grape farmers; providing post-harvest training, services and facilities to farmers; providing training to farmers in literacy, numeracy, business, marketing and financial management; and establishing a line of credit with a local financial institution to provide loans to eligible farmers and merchants. Fruits and nuts are among the most valuable agricultural exports of Afghanistan. The opportunity to expand horticultural production by converting existing irrigated grain fields into high market-value fruit and nut production represents the most practical way of increasing farm incomes and focusing production away from illicit crops.

- **Ethiopia:** USDA donated 20,000 MT of wheat to ACDI/VOCA, a PVO, for use in Ethiopia. Proceeds from the sale of the wheat will be used to develop the animal feed industry, thereby increasing profitability for smallholder livestock owners and pastoralists. Activities include feed formulation and manufacturing, feedlot management and forage production and strengthening the feed distribution channel. The program will benefit more than 72,000 livestock owners, including 53,300 cooperative member farmers and 19,300 pastoralists. Approximately half of Ethiopia's population lives in poverty, while another 15 percent is extremely susceptible to poverty as a result of drought and other shocks. With an estimated 40.9 million cattle and 37 million sheep and goats, the livestock sector is one of Ethiopia's key agricultural industries, contributing 30 to 35 percent of agricultural gross domestic product and 15 to 18 percent of total export earnings and employs a third of Ethiopia's rural population.
- **The Gambia, Guinea-Bissau and Senegal:** USDA donated 4,500 MT of vegetable oil to International Relief and Development, Inc. (IRD), a PVO, for use in The Gambia, Guinea-Bissau and Senegal. Lying within the drought-prone Sahel region, these countries have fragile ecosystems and unstable climates and the regional effects of protracted civil conflict increases vulnerability to food insecurity. IRD will sell the vegetable oil in The Gambia and use the proceeds to assist cashew farmers in The Gambia, southern Senegal and northern Guinea-Bissau. Activities include capacity building of cashew farmer associations, increasing the productivity and quality of cashews, adding value through processing and increasing local consumption of cashews. IRD seeks to increase yield by 60 percent and farmer income by 50 percent; 100,000 farmers will benefit from this program.
- **Honduras:** USDA donated 8,800 MT of soybean meal to TechnoServe, a PVO, for use in Honduras. TechnoServe will sell the commodity in Honduras and use the proceeds to assist 750 smallholder farmers diversify production by integrating jatropha with other high-value products like fine cocoa, roots and tubers and dairy. The program will help agribusinesses access export markets, raise incomes for smallholder farmers, reforest degraded lands, rehabilitate soils and reduce erosion and supply the demand for raw materials to produce competitively priced biodiesel. Over 3 years, small producers in the program will earn $3 million in incremental annual sales, improving living standards for 4,000 rural poor. Despite the fact that Honduras has made important gains in liberalizing its economy (it is ranked as having one of the most open economies in Central America and has favorable year-round growing conditions) Honduran agricultural producers remain mired in poverty, with nearly 70 percent of the rural population engaged in subsistence farming. Per capita income is $1,121 and 63 percent of the population lives in poverty.
- **Niger:** USDA donated 2,410 MT of vegetable oil to Catholic Relief Services (CRS), a PVO, for use in Niger. CRS will sell the commodity and use the proceeds over 3 years to carry out a program to increase production, processing and marketing of sesame, okra, onion and other vegetables in approximately 60 villages, all in the western region of the country. The project will enhance private sector development and give producers the ability to support their financial needs through the sale of locally grown agricultural commodities in national and international markets. The project will assist 8,000 recipients directly and benefit another 32,000 indirectly.

D. McGovern-Dole International Food for Education and Child Nutrition Program

An estimated 120 million children around the world do not attend school, due in part to hunger or malnourishment. The majority of them are girls. Following the success of the Global Food for Education Initiative, created in July 2000, the United States has demonstrated its continued commitment to education and child nutrition with the 2008 Farm Bill's re-authorization of the McGovern-Dole International Food for Education and Child Nutrition Program (FFE) through FY 2012.

Modeled on the U.S. Government's school meals program, the FFE program is named in honor of former Senators George McGovern and Robert Dole for their tireless efforts to promote education and school feeding. The FFE program uses U.S. commodities and financial assistance to provide incentives for children to attend and remain in school, as well as to improve child development through nutritional programs for women, infants and children under age 5. In FY 2008, the FFE program provided more than 125,500 MT of commodities to support child nutrition and school feeding programs in 17 countries, the total value of which exceeded $99 million. The following are examples of new FFE programs that were funded in FY 2008:

- **Bangladesh:** Bangladesh has the third-highest number of hungry poor in the world after India and China. The estimated gross enrollment rate of pre-primary children (aged 4–5 years) in Bangladesh is 23 percent for boys and 26 percent for girls, which is low in comparison to other Asian countries in the region. Additionally, economic hardship forces parents to keep their children at home for domestic and paid work. To increase relief in this region, USDA signed an FFE agreement with WFP to donate 30,000 tons of wheat. WFP will directly distribute the wheat in the form of fortified biscuits to 350,000 students. In addition to direct feeding, this program will include activities to enhance awareness of nutrition and education issues among children, parents, teachers and School Management Committees; de-worming; hygiene, sanitation and nutrition counseling; and HIV/AIDS education.
- **Ethiopia:** Food insecurity is very prevalent in Ethiopia and is demonstrated by widespread chronic malnutrition resulting from inadequate dietary intake, inadequate health infrastructure and limited access to education. As a result, Ethiopia has one of the most nutritionally deprived populations in the world and the large number of children not in school is linked to physical and psychological impairments resulting from malnutrition in early childhood. Though improvement has been observed in the past in regard to enrollment, the enrollment rate in emerging pastoralist regions such as Somali and Afar is still very low, with 30.3 percent and 21.9 percent respectively, compared to the national average gross enrollment rate of 85.8 percent. To help ease this situation, USDA donated 7,020 MT of corn-soy blend and 1,600 MT of vegetable oil to WFP, which will use the food to feed 160,000 students in pastoralist regions.
- **Guatemala:** Guatemala is a post-conflict, poor, multi-ethnic nation with a population of 12 million. According to UNICEF, 31.5 percent of the adult population is illiterate, rising to 73 percent in the rural Mayan highlands where Asociación SHARE deGuatemala (SHARE) will implement an FFE program. USDA donated 280 MT of vegetable oil, 560 MT of dark-red kidney beans, 560 MT of milled rice and 2,400 MT of soybean meal for use in Guatemala. SHARE will sell the soybean meal locally and use the remainder of commodities to provide daily meals for 72,300 teachers and children. Take-home rations will benefit another 18,000 students. In addition to food provisions, the program will provide training for teachers, educational materials and infrastructure improvements. SHARE will also support approximately 300 schools with the supplies and training necessary to implement school gardens. The harvest from these gardens will provide additional complementary and nutritious foods for the daily school snack and will teach students the importance of caring for the environment and working as a team.
- **Laos:** The United States is committed to helping Laos end the threat posed by unexploded ordnance and improve education for Laotian children in the districts of Mahaxy, Boualapha and Ngommalat and in Khammouane Province. Since 2006, with the assistance of the Humpty Dumpty Institute (HDI) and IRD, USDA has provided 1.3 million nutritious mid-morning snacks of corn soy blend and more than 45,000 take-home rations to the children and teachers who maintain a monthly school attendance rate of 80 percent. As a result of this school-feeding program, school enrollment is up 21 percent for girls and 13 percent for boys. Over 450 teachers have received training and 110 schools have implemented vegetable gardens, rehabilitation projects, health-education programs and school kits (pencils and notebooks) distributions. In addition, the Mines Advisory Group removed more than 2,220 items of unexploded ordnance and cleared approximately 200,000 square meters of land and roads. This land is now safe for agriculture and travel for school children and the community.
- **Kyrgyzstan:** With Kyrgyzstan's independence after the fall of the Soviet Union in 1991 came the collapse of most social services, including the education system. Nationwide, primary school enrollment has dropped ten percent since

1991. Further, many families cannot afford the unofficial costs of a primary or preschool education, such as school meals and textbooks and elect to send only their sons, not their daughters, to school. As a result, school attendance for girls has dropped to nearly ten percent lower than for boys. USDA and Mercy Corps International (MCI) signed an FFE agreement for 200 MT of wheat flour, 150 MT of rice and 150 MT of soybean oil to implement a 12 month school feeding program in all 40 rural regions of the Kyrgyz Republic. The program's goal is to empower communities and government toward sustained, improved educational achievement in schools in the most underserved educational institutions, through food distribution to 30,000 students. Additionally, MCI will undertake school infrastructure projects and provide educational grants to school children.

- **Mozambique:** Mozambique has more than 1.5 million orphans, close to 400,000 of whom are AIDS orphans. Many of these children face grave difficulties in surviving, often making school attendance impossible because they are needed for income generation, food production or care for their siblings. USDA signed an FFE agreement with Joint Aid Management (JAM), a PVO, for the donation of 2,100 MT of corn-soy blend and 3,790 MT of milled rice. JAM will use the commodities to provide a daily nutritional meal to 113,000 students and take-home rations to 16,000 girls and 2,200 cooks. JAM's program also includes training seminars and infrastructure development, as well as the establishment of school gardens.
- **Rwanda:** Chronic food insecurity, frequent drought and structural poverty seriously reduce opportunities for children in many parts of Rwanda to complete primary education. Lack of food prevents many children from enrolling in school, forces them to be frequently absent and reduces their learning ability and academic performance. Although primary net enrollment has increased from 73 percent in 2002 to 92 percent in 2005, pupil to teacher ratios have increased and the availability of teaching and learning materials and infrastructure has not kept pace with enrollment. As a result, examination pass rates have declined and the primary completion rate has stagnated. To combat this, USDA signed an FFE agreement with WFP to donate 18,360 MT of cornmeal, 4,860 MT of beans and 1,620 MT of vegetable oil. WFP will directly distribute these commodities to 300,000 students in 12 food-insecure, drought-prone districts in the eastern and southern provinces of Rwanda that show low overall rates of primary enrollment and low attendance of schoolchildren. WFP will also conduct school infrastructure projects and supply kitchen equipment, health related equipment and agricultural tools to schools.

E. Bill Emerson Humanitarian Trust

The Bill Emerson Humanitarian Trust (BEHT) is a food reserve designed to hold up to 4 million MT of wheat, corn, sorghum and rice administered under the authority of the Secretary of Agriculture. When an unanticipated emergency arises that cannot be met with Food for Peace Act resources, the Secretary of Agriculture may authorize the release of commodities from the reserve in order to meet those immediate needs. Each year, 500,000 MT may be released, plus up to another 500,000 MT that was not released in prior years.

The reserve was originally authorized by the Agricultural Trade Act of 1980 as the Food Security Wheat Reserve and was later broadened to include a number of other commodities. In 1998, the reserve was renamed the Bill Emerson Humanitarian Trust.

In FY 2008, USDA converted wheat in the trust into cash.

III. Appendices

Appendix 1: List of Abbreviations

BBPC	Bangladesh Broiler Processing Center
BEHT	Bill Emerson Humanitarian Trust
CCC	Commodity Credit Corporation
CSB	Corn Soy Blend
FEWS NET	Famine Early Warning System Network
FFE	McGovern-Dole International Food for Education and Child Nutrition Program (formerly Global Food for Education Initiative)
FFP	Office of Food for Peace (USAID)
Food for Peace Act	U.S. Food for Peace Act (formerly P.L. 480)
FTF	Farmer-to-Farmer Program of Food for Peace Act, Title V
FY	Fiscal year

Appendix 1: List of Abbreviations—Continued

HIV	Human Immunodeficiency Virus
IFRP	International Food Relief Partnership
MT	Metric ton
PEPFAR	President's Emergency Plan for AIDS Relief
PM2A	Preventing Malnutrition in Children Under Two Approach
PSC	Personnel Services Contract
PSNP	Productive Safety Net Program (Ethiopia)
PVO	Private voluntary organization
RFI	Request for Information
RFP	Request for Proposal
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
WFP	United Nations World Food Program

Appendix 2: List of Grantees

The following grantees implemented U.S. Government food assistance programs in Fiscal Year 2008:

ACDI/VOCA	Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADRA	Adventist Development and Relief Agency International, Inc.
Africare	Africare
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
CNFA	Citizens' Network for Foreign Affairs
CPI	Counterpart International
CRS	Catholic Relief Services
FFPI	Food for the Poor, Inc.
FHI	Food for the Hungry International
Florida A&M	Florida A&M University
GoA	Government of Afghanistan
GLIM	Global Impact, Inc.
HDI	The Humpty Dumpty Institute
IPHD	International Partnership for Human Development
IRD	International Relief and Development, Inc.
LOL	Land O'Lakes
LWM	Legacy World Missions
MCI	Mercy Corps International
NOAH	NOAH Project
NPA	Norwegian People's Aid
OICI	Opportunities Industrialization Centers International Partners of the Americas
PCI	Project Concern International
PFD	Partners for Development
REST	Relief Society of Tigray
ROP	Roots of Peace
SCF	Save the Children Federation
SCF–UK	Save the Children UK
SHARE	SHARE Guatemala
TAMU	Texas A&M University
TS	TechnoServ
UMCOR	United Methodist Committee on Relief
VSU	Virginia State University
WFP	United Nations World Food Program
Winrock	Winrock International
WVUS	World Vision US

The following organizations served as grantees with the Title II-Funded International Food Relief Partnership in Fiscal Year 2008:

ACT	ACTS International
AI	Amigos Internacionales
BRA	Batay Relief Alliance
BC	Bless the Children

Appendix 2: List of Grantees—Continued

CRS	Catholic Relief Services
CIH	Center for International Health
CBU	Church for Bible Understanding
Citihope	Citihope International
CH	Convoy of Hope
Coprodeli	Coprodeli
CPI	Counterpart International
EIM	Evangelistic International Ministry
FCF	Fabretto Children's Foundation
Feed the Children	Feed the Children
Haiti Vision	Haiti Vision
IRD	International Relief and Development/Cambodia
IRT	International Relief Teams
JAM	Joint Aid Management
MM	Medical Missionaries
Nascent	Nascent Solutions
PA	Planet Aid
PCI	Project Concern International
PH	Project Hope
Salvation Army	Salvation Army World Service
SERV	Serv Ministries
RPX	The Resource and Policy Exchange
Uplift	Uplift International
WH	World Help

Appendix 3: USDA Title I Program: Food for Progress Grants—Fiscal Year 2008

Country	Grantee	Commodity	Beneficiaries (000s)	Metric Tons	Total Cost (000s)
Asia/Near East					
Tajikistan	WFP	Vegetable Oil, Wheat Flour	65	6,870	$7,998
East Timor	WFP	Vegetable Oil, Rice, Beans, Corn Soy Blend	36.2	3,610	$4,987.3
Sub-Total Asia/Near East			*101.3*	*10,480*	*$12,985.3*
Worldwide Total			**101.3**	**10,480**	**$12,985.3**

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity and Tonnage—Fiscal Year 2008

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
Africa					
Burkina Faso	WFP	Corn Soy Blend, Vegetable Oil	1,337	2,160	$2,599.80
Burundi	WFP	Corn (bagged), Yellow Peas, Vegetable Oil	2.7	7,380	$8,241.20
Central African Republic	WFP	Cornmeal, Corn Soy Blend, Vegetable Oil, Yellow Split Peas	597	7,490	$10,122.40
Cameroon	WFP	Cornmeal, Corn Soy Blend, Red Beans, Vegetable Oil	85	4,830	$5,136.70
Chad	WFP	Cornmeal, Corn Soy Blend, Rice (bagged), Sorghum (bulk), Vegetable Oil, Yellow Split Peas	1,590.10	49,970.00	$60,925.90
Democratic Republic of the Congo	FHI	—	—	—	** $2,041.50
	WFP	Cornmeal, Corn Soy Blend, Green Peas, Green Split Peas, Pinto Beans, Vegetable Oil, Yellow Split Peas	13.4	42,940	$68,969.10
Djibouti	WFP	Corn Soy Blend, Lentils, Vegetable Oil, Wheat Flour	137.2	2,360	$2,735.00
Ethiopia	CARE	Hard Red Winter Wheat, Lentils, Sorghum (bulk), Vegetable Oil, Yellow Split Peas	904.8	36,620	$29,309.40
	CRS	Bulgur, Corn Soy Blend, Hard Red Winter Wheat, Rice (bagged), Sorghum (bulk), Vegetable Oil, Yellow Split Peas	615.9	116,570	$83,563
	FHI	Green Peas, Hard Red Winter Wheat, Sorghum (bulk), Vegetable Oil, Yellow Split Peas	580.3	37,890	$28,482.30

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity and Tonnage—Fiscal Year 2008—Continued

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
	REST	Hard Red Winter Wheat, Sorghum (bulk), Vegetable Oil, Yellow Peas, Yellow Split Peas	1,767.40	100,270	$75,147.90
	SCF	Green Split Peas, Hard Red Winter Wheat, Vegetable Oil	254.6	9,150	$8,056.50
	SCF–UK	Hard Red Winter Wheat, Lentils, Sorghum (bulk), Vegetable Oil, Yellow Split Peas	863.2	54,800	$42,364.20
	WFP	Corn Soy Blend, Green Peas, Hard Red Winter Wheat, Lentils, Sorghum (bulk), Vegetable Oil, Wheat Flour, Yellow Peas, Yellow Split Peas	350	266,960	$202,638.40
	WVUS	Hard Red Winter Wheat, Vegetable Oil, Yellow Peas	200.9	10,660	$8,692.60
The Gambia	WFP	Rice (bagged)	13.5	680	$577.00
Kenya	WFP	Bulgur, Cornmeal, Corn Soy Blend, Vegetable Oil, Wheat Flour, Yellow Split Peas	1,357.00	61,230.00	$64,633.30
Liberia	WFP	Bulgur, Vegetable Oil	767	1,460	$1,741.60
Mali	WFP	Corn Soy Blend	210	1,540	$1,647.40
Mauritania	WFP	Corn Soy Blend, Hard Red Winter Wheat, Soft Red Winter Wheat, Vegetable Oil	678.8	11,620	$11,552.30
Mozambique	WFP	Cornmeal	5.5	3,190	$2,793.40
Niger	WFP	Cornmeal, Corn Soy Blend, Rice (bagged), Vegetable Oil	5.8	11,080	$13,060.80
Rwanda	WFP	Cornmeal, Corn Soy Blend, Kidney Beans, Pinto Beans, Vegetable Oil	1,627.50	3,340	$3,830.40
Somalia	CARE	Corn Soy Blend, Lentils, Sorghum (bulk), Vegetable Oil, Yellow Peas	369.6	81,030	$70,606.00
	WFP	Corn Soy Blend, Green Peas, Green Split Peas, Lentils, Sorghum (bulk), Vegetable Oil, Yellow Peas, Yellow Split Peas	17.8	130,290	$126,793.80
Sudan	ADRA	Lentils, Sorghum (bagged), Vegetable Oil	44.1	730	$994.80
	CARE	Lentils, Sorghum (bagged), Vegetable Oil	14	1,500	$1,466.90
	CRS	Corn Soy Blend, Lentils, Sorghum (bagged), Vegetable Oil	146.3	3,950	$5,782.20
	NPA	Lentils, Sorghum (bulk), Vegetable Oil	208.2	7,140	$9,795.90
	WFP	Lentils, Sorghum (bulk), Vegetable Oil, Yellow Split Peas	49.6	395,090	$494,876.80
Tanzania	WFP	Cornmeal, Corn Soy Blend, Green Peas, Sorghum (bagged), Soy Fortified Cornmeal, Yellow Peas	733.8	16,900	$14,562.10
Uganda	WFP	Corn Soy Blend, Cornmeal, Pinto Beans, Sorghum (bagged), Sorghum (bulk), Vegetable Oil, Yellow Split Peas	10.9	47,850	$46,283.30
Zambia	WFP	Green Split Peas, Sorghum (bagged), Sorghum (bulk), Yellow Split Peas	91	3,090	$2,806.10
Zimbabwe	WFP	Bulgur, Green Peas, Pinto Beans, Sorghum (bulk), Vegetable Oil, Yellow Peas	2,234.50	47,900.00	$58,603.80
	WVUS	Bulgur, Cornmeal, Sorghum (bulk), Vegetable Oil, Yellow Peasv	10.1	42,010.00	$45,261.30
Sub-Total Africa			***17,894.50***	***1,621,670***	***$1,616,695.10***
		Asia/Near East			
Afghanistan	WFP	Green Split Peas, Hard Red Winter Wheat, Soft White Wheat, Vegetable Oil, Wheat Flour, Wheat Flour Bread, Yellow Peas	44.6	141,930.00	$144,843.20
Algeria	WFP	Corn Soy Blend, Yellow Split Peas, Vegetable Oil, Wheat Flour Bread	125	5,940	$6,816.10
Bangladesh	CARE	Hard Red Winter Wheat, Yellow Split Peas, Vegetable Oil	39	9,290	$5,967.10
	SCF	Hard Red Winter Wheat, Yellow Split Peas, Vegetable Oil	17.5	8,810	$7,948.90
	WFP	Soft Red Winter Wheat (bulk), Vegetable Oil, Rice (bagged), Rice (bulk), Yellow Split Peas	38.9	22,350.00	$17,295.60
Burma	WFP	Corn Soy Blend, Garbanzo Beans, Rice (bagged), Vegetable Oil	1,749	23,640	$28,063.00
East Timor	WFP	Rice (bagged), Vegetable Oil	105	1,040	$1,150.00
Iraq	WFP	Navy Beans, Vegetable Oil, Wheat Flour	1,500	17,500	$23,761.60
Nepal	WFP	Garbanzo Beans, Lentils, Rice (bagged), Vegetable Oil, Yellow Split Peas	328.4	15,830	$18,832.80
Pakistan	WFP	Soft Red Winter Wheat, Vegetable Oil	132	2,450	$2,551.20
Sri Lanka	WFP	Hard Red Winter Wheat (bulk), Lentils, Soft White Wheat (bulk), Vegetable Oil	5.7	31,360	$28,562.90
Syria	WFP	Bulgur, Lentils, Navy Beans, Vegetable Oil	1,086	11,520	$14,031.60

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity and Tonnage—Fiscal Year 2008—Continued

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
Yemen	WFP	Green Peas, Hard Red Winter Wheat, Kidney Beans, Rice (bagged), Wheat Flour	115.5	2,540.00	$2,201.30
Sub-Total Asia/Near East			***5,286.60***	***294,200***	***$302,025.30***
		Central Asia			
Tajikistan	WFP	Wheat Flour	590.8	180	$173.30
Sub-Total Central Asia			***590.8***	***180***	***$173.30***
		Latin America			
Colombia	WFP	Green Peas, Lentils, Pinto Beans, Vegetable Oil, Wheat Flour	2,315	7,680	$10,628.60
Ecuador	WFP	Hard Red Winter Wheat (bagged)	11.7	1,020	$892.90
Haiti	CRS	Corn Soy Blend, Cornmeal, Lentils, Sorghum (bagged), Soy Fortified Bulgur, Vegetable Oil, Yellow Peas	765	7,880	$10,327.70
	WFP	Corn Soy Blend, Pinto Beans, Rice (bagged), Vegetable Oil, Yellow Peas	1.4	20,060	$25,001.80
	WVUS	Cornmeal, Corn Soy Blend, Lentils, Soy Fortified Bulgur, Vegetable Oil, Yellow Peas	294	8,720	$10,002.20
Nicaragua	CRS	Corn Soy Blend, Red Beans, Rice (bagged), Vegetable Oil	5	660	$1,699.40
	WFP	Corn Soy Blend, Rice (bagged)	80	2,760	$3,294.50
Sub-Total Latin America			***3,472.10***	***48,780***	***$61,847.10***
Funding Adjustments (IFRP, PSCs, Prepositioning and CSB Mitigation)			—	—	$15,664.20
Worldwide Total			**27,244**	**1,964,830**	**$1,980,740.80**

Source: Tonnage, Values and Section 202(e) totals derived from FFP Preliminary Final Budget Summary Report, March 11, 2009. Commodities and Recipients derived from Food for Peace Information System report, February 16, 2009.

Note: Values include commodities plus freight. Recipients listed as approved in cooperative agreements.

* Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

** Some programs receive Section 202e and/or ITSH funds without receiving commodities in the same FY. Table does not include IFRP activities. See page 18 for specific details.

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage Tables—Fiscal Year 2008

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
		Africa			
Burkina Faso	Africare	Potatoes (flakes), Rice (bagged)	0.8	2,850	$2,929.8
	CRS	Lentils, Rice (bagged), Soy Fortified Bulgur, Soy Fortified Cornmeal, Vegetable Oil	253.4	7,620	$7,094
Burundi	CRS	Corn Soy Blend, Soy Fortified Bulgur, Soy Fortified Cornmeal, Hard Red Winter Wheat (bulk), Vegetable Oil	58.4	5,510	$4,947.6
Chad	Africare	Soy Fortified Bulgur, Wheat Flour Bread	20.5	3,410	$4,454.7
Democratic Republic of the Congo	ADRA	Cornmeal, Hard Red Winter Wheat (bulk), Vegetable Oil	14.4	4,910	$3,490
	FHI	Cornmeal, Hard Red Winter Wheat (bulk), Vegetable Oil	2.8	3,650	$3,108.3
	MCI	Cornmeal, Hard Red Winter Wheat, Vegetable Oil	5	3,180	$3,192.1
Ethiopia	CARE	Hard Red Winter Wheat, Vegetable Oil, Yellow Split Peas	24.9	3,210	$3,627.1
	CRS	Bulgur, Corn Soy Blend, Hard Red Winter Wheat, Lentils, Rice (bagged), Vegetable Oil	45	5,610	$6,314.4
	FHI	—	—	—	** $500
	REST	—	—	—	** $768
	SCF	Green Split Peas, Hard Red Winter Wheat, Vegetable Oil	76.3	3,650	$4,639.8
	SCF–UK	Hard Red Winter Wheat, Vegetable Oil, Yellow Split Peas	53.7	6,370	$7,372.4
Ghana	CRS	Corn Soy Blend, Soy Fortified Bulgur, Soy Fortified Sorghum Grits, Vegetable Oil	223.5	5,650	$4,736.7
	OICI	Soy Fortified Bulgur, Hard Red Winter Wheat (bulk)	2.5	2,840	$2,209.5

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage Tables—Fiscal Year 2008—Continued

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
Guinea	OICI	Cornmeal, Green Peas, Vegetable Oil	4.3	1,850	$2,992.8
Kenya	ADRA	Corn Soy Blend, Dark Northern Spring Wheat (bulk), Vegetable Oil	50.3	4,280	$3,571.9
	CARE	Corn Soy Blend, Dark Northern Spring Wheat (bulk)	5	3,590	$3,096.8
	FHI	Corn Soy Blend, Dark Northern Spring Wheat (bulk), Green Split Peas, Soy Fortified Bulgur, Vegetable Oil	10.6	3,210	$2,753.4
Liberia	CRS	Bulgur, Lentils, Vegetable Oil	36.5	2,730	$7,672.5
Madagascar	ADRA	Corn Soy Blend, Rice (bagged), Vegetable Oil	9.9	1,540	$5,615.8
	CARE	Corn Soy Blend, Great Northern Beans, Rice (bagged), Vegetable Oil	14	1,550	$5,766.5
	CRS	—	—	—	** $368.8
Malawi	CRS	Cornmeal, Corn Soy Blend, Hard Red Winter Wheat (bulk), Pinto Beans, Vegetable Oil	8.3	17,120	$17,874.4
Mali	Africare	—	—	—	** $990
	CRS	—	—	—	** $989.7
Mauritania	CPI	Corn Soy Blend, Hard Red Winter Wheat (bulk), Lentils, Vegetable Oil	32.3	7,610	$4,962.2
Mozambique	ADRA	Hard Red Winter Wheat (bulk)	—	6,440	$4,039.5
	FHI	Hard Red Winter Wheat (bulk)	—	5,430	$3,359.4
	SCF	Hard Red Winter Wheat (bulk)	—	11,580	$7,502.4
	WVUS	Hard Red Winter Wheat (bulk)	—	7,490	$4,964.6
Niger	Africare	Corn Soy Blend	11.5	480	$3,024.5
	CPI	—	—	—	$2,534.0 **
	CRS	—	—	—	$7,262.1 **
Rwanda	ACDI/VOCA	Corn Soy Blend, Soy Fortified Bulgur, Vegetable Oil	2.6	1,930	$3,396.3
	CRS	Bulgur, Corn Soy Blend, Vegetable Oil	26	2,370	$3,143.3
	WVUS	Corn Soy Blend, Soy Fortified Bulgur, Vegetable Oil	22.8	2,910	$4,810.5
Senegal	CPI	Corn Soy Blend, Lentils, Rice (bagged), Soy Fortified Bulgur, Vegetable Oil	33.3	5,160	$4,070.2
Sierra Leone	CARE	Bulgur, Green Peas, Vegetable Oil	32.4	3,450	$6,948.5
Uganda	ACDI/VOCA	Corn Soy Blend, Hard Red Winter Wheat, Vegetable Oil	42	23,350	$17,576.6
	CRS	—	—	—	** $350
	MCI	Cornmeal, Corn Soy Blend, Hard Red Winter Wheat, Vegetable Oil	2.4	3,740	$3,498.2
	SCF	Corn Soy Blend, Hard Red Winter Wheat, Lentils, Soy Fortified Cornmeal, Vegetable Oil	4.5	3,980	$3,423.5
	WVUS	Hard Red Winter Wheat	—	2,100	$1,517.4
Zambia	CRS	Bulgur, Lentils, Sorghum (bulk)	15	1,710	$5,431.5
	LOL	Hard Red Winter Wheat	—	3,760	$3,689.2
Sub-Total Africa			***1,144.90***	***187,820***	***$206,580.9***
		Asia/Near East			
Afghanistan	WVUS	Rice (bagged), Vegetable Oil, Wheat Flour	11.5	6,820	$9,886.1
Bangladesh	CARE	Hard Red Winter Wheat, Hard Red Winter Wheat (bulk), Soft White Wheat, Soft White Wheat (bulk), Vegetable Oil, Yellow Split Peas	103.3	50,740	$36,857.9
	SCF	Hard Red Winter Wheat, Hard Red Winter Wheat (bagged), Soft White Wheat (bulk), Vegetable Oil, Yellow Split Peas	113	13,760	$10,961.5
India	CARE	—	—	—	** $6,872.8
	CRS	Bulgur, Vegetable Oil	555.1	6,730	$6,611.0
Sub-Total Asia/Near East			***782.9***	***78,050***	***$71,189.3***
		Latin America			
Bolivia	ADRA	—	—	—	** $1,905.3
	CARE	—	—	—	** $300.0
	FHI	Corn Soy Blend, Green Peas, Lentils, Soy Fortified Bulgur	47.4	770	$3,215.4
	SCF	Corn Soy Blend, Green Peas, Lentils	39.4	780	$3,564.7
Guatemala	CRS	Corn Soy Blend, Pinto Beans, Rice (bagged), Vegetable Oil	66	3,470	$4,625.7
	SCF	Corn Soy Blend, Pinto Beans, Rice (bagged), Vegetable Oil	12.8	3,500	$4,628.3
	SHARE	Corn Soy Blend, Pinto Beans, Rice (bagged), Vegetable Oil	16.4	3,810	$4,627.3
Haiti	ACDI/VOCA	Corn Soy Blend, Hard Red Winter Wheat, Lentils, Soy Fortified Bulgur, Vegetable Oil	2	6,380	$5,050.5

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage Tables—Fiscal Year 2008—Continued

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
	CRS	Corn Soy Blend, Hard Red Winter Wheat (bulk), Lentils, Soy Fortified Bulgur, Vegetable Oil	35.2	16,175	$11,729.8
	WVUS	Corn Soy Blend, Hard Red Winter Wheat (bulk), Lentils, Soy Fortified Bulgur, Vegetable Oil	202	21,845	$17,456.8
Honduras	ADRA	Corn Soy Blend, Northern Spring Wheat (bulk), Red Beans, Rice (bagged), Vegetable Oil	45.1	3,770	$3,532.1
	SCF	Corn Soy Blend, Northern Spring Wheat (bulk), Red Beans, Rice (bagged), Vegetable Oil	5	3,660	$3,265.2
	WVUS	Corn Soy Blend, Red Beans, Rice (bagged), Vegetable Oil	8.7	2,250	$3,352.9
Nicaragua	ADRA	Corn Soy Blend, Lentils, Northern Spring Wheat (bulk), Rice (bagged), Vegetable Oil	26.3	2,200	$2,268.2
	CRS	Corn Soy Blend, Lentils, Northern Spring Wheat (bulk), Rice (bagged), Vegetable Oil	7.1	2,290	$2,385.3
	PCI	Corn Soy Blend, Lentils, Northern Spring Wheat (bulk), Rice (bagged), Vegetable Oil	4	2,310	$2,363.0
	SCF	Corn Soy Blend, Northern Spring Wheat (bulk)	34	2,200	$2,247.6
Sub-Total Latin America			***551.4***	***75,410***	***$76,518.1***
Worldwide Total			**2,479.20**	**341,280**	**$354,288.3**

Source: Tonnage, Values and Section 202(e) totals derived from FFP Preliminary Final Budget Summary Report, March 11, 2009. Commodities and Recipients derived from Food for Peace Information System report, February 16, 2009.

*Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

**Some programs receive Section 202(e) and/or ITSH funds without receiving commodities in the same FY.

Note: Values include commodities plus freight. Recipients listed as approved in cooperative agreements. Some programs received Section 202e and/or ITSH funds without receiving commodities.

Appendix 6: Bill Emerson Humanitarian Trust: Summary Budget, Commodity and Tonnage—Fiscal Year 2008

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
		Africa			
Ethiopia	WFP	Corn Soy Blend, Sorghum (bulk), Vegetable Oil	3.8	83,380	59,982.1
Kenya	WFP	Cornmeal, Corn Soy Blend, Vegetable Oil, Yellow Split Peas	1.2	14,990	17,246.5
Zimbabwe	WFP	Green Peas, Pinto Beans, Vegetable Oil	2,232.2	12,510	18,155.8
	WVUS	Bulgur, Cornmeal, Sorghum (bulk), Vegetable Oil, Yellow Peas	4.1	49,080	54,275.9
Sub-Total Africa			***2,241.3***	***159,960***	***149,660.3***
		Asia/Near East			
Afghanistan	WFP	Hard Red Winter Wheat, Vegetable Oil, Yellow Peas	6.6	15,590	22,405.3
North Korea	MCI	Corn (bulk), Corn Soy Blend, Soy Beans (bulk), Vegetable Oil	941.2	38,000	23,583.6
	WFP	Corn (bulk), Soft White Wheat	5.7	110,270	70,132.3
Sub-Total Asia/Near East			***953.5***	***163,860***	***116,121.2***
Worldwide Total			**3,194.8**	**323,820**	**265,781.5**

Source: Tonnage, Values and Section 202(e) totals derived from FFP Preliminary Final Budget Summary Report, March 11, 2009. Commodities and Recipients derived from Food for Peace Information System report, March 20, 2009.

Note: Values include commodities plus freight. Recipients listed as approved in cooperative agreements.

*Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

Appendix 7: USDA–CCC Funded—Food for Progress Grants—Fiscal Year 2008

Country	Grantee	Commodity	Beneficiaries * (000s)	Metric Tons	Total Cost (000s)
		Africa			
Ethiopia	ACDI/VOCA	Wheat	72.6	20,000	$12,656.1
The Gambia Regional	IRD	Vegetable Oil	800	4,500	$10,000
Malawi	PA	Wheat	252.2	10,000	$5,590
Mozambique	PA	Wheat, Textured Soy Protein	145.5	20,070	$9,161.1
	TS	Wheat	12	10,530	$3,832.9
	LOL	Wheat	787.2	15,600	$11,883.1
Liberia	MC	Soybean Oil	28.5	2,360	$5,321.8
Niger	IRD	Soy Fortified Bulgur	92.4	1,000	$6,841
		Vegetable Oil		2,500	
	CRS	Vegetable Oil	10.5	2,410	$5,836.2
Senegal	CPI	Vegetable Oil	194	4,260	$7,427.1
Tanzania	PFD	Wheat	36	15,750	$13,210.5
Sub-Total Africa			***2,431***	***108,980***	***$91,759.9***
		Asia/Near East			
Afghanistan	ROP	Wheat Flour	101.4	12,500	$10,233.8
	GoA	Soybean Oil	—	5,500	$10,312.5
Mongolia	MCI	Wheat	1,594.6	25,000	$13,750
Sub-Total Asia/Near East			***1,696***	***43,000***	***$34,296.3***
		Europe			
Armenia	UMCOR	Soybean Meal	126.5	6,000	$4,402.5
Sub-Total Europe			***126.5***	***6,000***	***$4,402.5***
		Latin America			
Bolivia	PCI	Lentils	50.8	500	$9,418.2
		Peas		500	
		Wheat		15,370	
Guatemala	TAMU	Soybean Meal	25.4	15,000	$9,975
Honduras	TS	Soybean Meal	4.1	8,800	$5,588
Nicaragua	PCI	Wheat	24.5	12,340	$6,771.4
Sub-Total Latin America			***104.7***	***52,510***	***$31,752.6***
Worldwide Total			**4,358.2**	**210,490**	**$153,050.2**

** Beneficiary figures are both direct and indirect.*

Appendix 8: McGovern-Dole International Food for Education and Child Nutrition Program—Fiscal Year 2008 Donations by Country and Commodity

Country	Grantee	Commodity	Beneficiaries (000s)	Metric Tons	Total Cost (000s)
		Africa			
Cameroon	CPI	Beans, Milled Rice, Vegetable Oil	25	1,130	$3,900
Chad	WFP	Cornmeal, Vegetable Oil	194.2	4,290	$4,800
Democratic Republic of the Congo	IPHD	Rice, Pinto Beans, Soybean Oil	70.2	3,970	$600
Ethiopia	WFP	Corn Soy Blend, Vegetable Oil	160.4	3,910	$4,300
Kenya	WFP	Bulgur, Corn Soy Blend, Green Split Peas, Vegetable Oil	1,100	10,700	$9,900
Malawi	WFP	Corn Soy Blend	437.2	6,280	$6,500
Mozambique	JAM	Milled Rice, Wheat Soy Blend	281	8,510	$6,800
Rwanda	WFP	Pinto Beans, Corn Meal, Vegetable Oil	300	8,280	$8,300
Senegal	CPI	—	—	—	** $100
Sierra Leone	CRS	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil	29.5	1,260	$2,900
Sub-Total Africa			***2,597.5***	***48,330***	***$54,400***
		Asia/Near East			
Bangladesh	WFP	Bulk Wheat	350	11,500	$7,800
Cambodia	IRD	Small Red Beans, Soybean Oil, Canned Salmon, Corn Soy Blend	25.6	620	$1,300
Laos	HDI	Black Turtle Beans, Canned Salmon, Corn Soy Blend, Milled Rice, Vegetable Oil	13.4	660	$3,700
	WFP	Canned Salmon, Corn Soy Blend, Rice, Vegetable Oil	50	2,240	$3,100
Pakistan	WFP	Vegetable Oil	259.0	4,690	$9,900
Sub-Total Asia/Near East			***698.0***	***19,710***	***$25,800***

Appendix 8: McGovern-Dole International Food for Education and Child Nutrition Program—Fiscal Year 2008 Donations by Country and Commodity—Continued

Country	Grantee	Commodity	Beneficiaries (000s)	Metric Tons	Total Cost (000s)
Central Asia					
Kyrgyzstan	MCI	Milled Rice, Soybean Oil, Wheat Flour	30.0	500	$2,500
Sub-Total Central Asia			***30.0***	***500***	***$2,500***
Latin America					
Guatemala	SHARE	Corn Soy Blend, Dark Red Kidney Beans, Milled Rice, Soybean Meal, Vegetable Oil	82.8	7,240	$7,600
	FFPI	Rice, Light Red Kidney Beans, Textured Soy Protein, Soybean Oil, Buckwheat Groats, Yellow Corn, Nonfat Dry Milk, Canned Salmon	210.0	10,200	$7,800
Nicaragua	GLIM	Small Red Kidney Beans, Corn Meal, Milled Rice	13.0	880	$1,200
Sub-Total Latin America			***305.8***	***18,320***	***$16,600***
Worldwide Total			**3,631.3**	**86,860**	**99,300**

** Senegal CPI—provision of cash in FY 2008 to support multi-year agreement. Commodities were supplied in previous year.

Source: Commodities, Tonnage and Values derived from McGovern-Dole Food for Education signed agreements and final budgets.

Note: Values include commodities plus freight. Beneficiaries listed as approved for direct distribution in cooperative agreements.

Appendix 9: Food for Peace Title II Congressional Mandates—Fiscal Year 2008

	Minimum	Subminimum	Monetization	Value-added	Bagged in United States
FY 2008 Target	2,500,000	1,875,000	15.0%	75.0%	50.0%
Status as of September 2008	2,695,133	379,029	66.3%	47.6%	27.2%

Minimum: Total approved metric tons programmed under Title II. Metric ton grain equivalent used to report against target.s0

Subminimum: Metric tons for approved non-emergency programs through PVOs and community development organizations and WFP. Metric ton grain equivalent used to report against target.

Monetization: Percentage of approved Title II programs that are monetization programs.

Value-added: Percentage of approved non-emergency programs that are processed, fortified, or bagged.

Bagged in U.S.: Percentage of approved non-emergency bagged commodities that are whole grain to be bagged in the United States.

Source: USAID Bureau for Democracy, Conflict and Humanitarian Assistance, Office of Food for Peace, FY 2008 Preliminary Budget Summary Overview, March 11, 2009.

Appendix 10: Countries with Approved U.S. Food Assistance Programs—Fiscal Year 2008

Title I (0 countries)			
Title I—Funded Food for Progress (2 countries)			
East Timor	Tajikistan		
CCC-Funded Food for Progress (15 countries)			
Afghanistan	Armenia	Bolivia	Ethiopia
The Gambia	Guatemala	Honduras	Liberia
Malawi	Mongolia	Mozambique	Nicaragua
Niger	Senegal	Tanzania	
Title II * (48 countries)			
Afghanistan	Algeria	Bangladesh	Bolivia †
Burkina Faso	Burma	Burundi	Cameroon †
Central African Republic	Chad	Colombia	Democratic Republic of the
Congo	Djibouti	East Timor	Ecuador
Ethiopia	The Gambia	Ghana	Guatemala †
Guinea	Haiti †	Honduras †	India †
Iraq	Kenya †	Liberia	Madagascar
Malawi †	Mali	Mauritania	Mozambique
Nepal	Nicaragua †	Niger	Pakistan
Rwanda	Senegal †	Sierra Leone	Somalia
Sri Lanka	Sudan	Syria	Tajikistan †

Appendix 10: Countries with Approved U.S. Food Assistance Programs—Fiscal Year 2008—Continued

Tanzania †	Uganda †	Yemen	Zambia
Zimbabwe †			
Title II-Funded International Food Relief Partnership (26 countries)			
Angola	Bolivia	Cambodia	Cameroon
Democratic Republic of the	Congo *	Dominican Republic	El Salvador
Ethiopia *	Georgia	Guatemala	Haiti
Honduras	India	Indonesia	Kenya
Kyrgyzstan	Malawi	Nicaragua	Peru
Philippines	Senegal	South Africa	Tajikistan
Tanzania	Uganda	Zimbabwe	
Title III (0 countries)			
Title V—Farmer-to-Farmer (37 countries)			
Angola	Armenia	Azerbaijan	Bangladesh
Belarus	Bolivia	El Salvador	Ethiopia
Georgia	Ghana	Guatemala	Guinea
Guyana	Haiti	Honduras	India
Indonesia	Jamaica	Kazakhstan	Kenya
Kyrgyzstan	Malawi	Mali	Moldova
Mozambique	Nepal	Nicaragua	Nigeria
Peru	Russia	South Africa	Tajikistan
Turkmenistan	Uganda	Ukraine	Vietnam
Zambia			
Bill Emerson Humanitarian Trust (5 countries)			
Afghanistan	Ethiopia	Kenya	North Korea
Zimbabwe			
Food for Education (17 countries)			
Bangladesh	Cambodia	Cameroon	Chad
Congo, Republic of the	Ethiopia	Guatemala	Kenya
Kyrgyzstan	Laos	Malawi	Mozambique
Nicaragua	Pakistan	Rwanda	Senegal
Sierra Leone			

† Represents Title II programs with commodities approved in FY 2008, or that remain active with resources allocated in the prior fiscal year.

* Represents IFRP programs with commodities approved in FY 2007, or that remain active with resources allocated in the prior fiscal year.

U.S. International Food Assistance Report 2009

Cover photo: USAID.

Transmittal to Congress

Under Food for Peace Act Section 407(f)(1)(A), "Not later than April 1 of each fiscal year, the Administrator [of USAID] and the Secretary [of Agriculture] shall jointly prepare and submit to the appropriate committees of Congress a report regarding each program and activity carried out under this Act during the prior fiscal year." As required, this report is hereby submitted to Congress.

April 2010

A USAID-supported World Food Program initiative in eastern Sri Lanka. USAID.

This report may be found online:

USAID Development Experience Clearinghouse
Telephone: (202) 712–0579
URL: *http://www.dec.org/* and at *http://www.usaid.gov*

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Executive Summary

The United States is committed to the promotion of global food security through its international food assistance and other foreign assistance programs. In Fiscal Year (FY) 2009, the United States provided more than $2.9 billion of food assistance to developing countries approximately 2.8 million metric tons, reaching over 70 million people worldwide. The following summary shows U.S. food assistance, by legislative authority, for FY 2009.[1]

Program	Metric Tons	Total Cost (000)
Food for Progress Title I	14,300	$22,000.0
Food for Peace Title II	2,396,314	$2,552,061.6
Food for Development Title III	—	—
Farmer-to-Farmer Program Title IV	—	$12,500.0
Section 416(b)	—	—
Food for Progress CCC	274,230	$215,816.6
McGovern-Dole	126,523	$168,414.8
Procurement Pilot Project	—	$4,750.0
Bill Emerson Humanitarian Trust	21,000	$5,638.4
Grand Total	**2,832,367**	**$2,981,181.4**

More than one billion people—nearly ⅙ of the world's population—suffer from chronic hunger. It is a crisis with devastating and far-reaching effects. Hunger weakens immune systems and stunts child development. Half of all child deaths in the developing world are related to undernutrition. Chronic hunger and undernutrition primarily result from poverty—people who are poor often simply cannot afford to buy food. Hungry families spend over half their income to buy the food they need to survive. Food often cannot travel from surplus to deficit regions within and across countries because of poor roads, barriers at borders and checkpoints along the way. Without enough food, adults struggle to work and children struggle to learn, making sustainable economic development difficult to achieve.

Ensuring global food security will only become more challenging in the future as demand for food is projected to increase by 50 percent over the next 20 years. Increased demand will come primarily from population growth in the developing world and income growth in middle-income countries. Growth in agricultural productivity, which is already lagging globally, also faces increasing threats from climate change, scarce water supplies, and competition for energy resources from industry and urbanization.

Addressing these issues will require a whole-of-government approach, and the U.S. Agency for International Development (USAID) and the U.S. Department of Agriculture (USDA) have been working closely with the U.S. State Department and other U.S. Government agencies to develop the Administration's new Global Hunger and Food Security Initiative, "Feed the Future." The focus and coordination promoted in this initiative will strengthen all U.S. Government (USG) food security programming, including USG food assistance. By targeting the poorest of the poor and better integrating food aid programs into larger—often multilateral—efforts,

[1] All costs represent commodities, freight, and distribution. Beneficiary totals for USAID represent beneficiaries reached in FY 2009. Beneficiary totals for USDA represent planned beneficiary totals associated with the FY 2009 award.

USAID and USDA food assistance programs are aiming to improve the effectiveness of food aid and increase its contribution to global targets for reducing hunger, malnutrition and poverty.

Children receiving USAID-supported food aid in Sudan. USAID.

Introduction

Since the passage of Public Law 480 or the Agricultural Trade Development and Assistance Act of 1954, U.S. international food assistance programs have evolved to address multiple objectives. The most recent changes came with the Food for Peace Act of the Food, Conservation, and Energy Act of 2008. Commonly known as the 2008 Farm Bill, the Food, Conservation, and Energy Act of 2008 restated the objectives that guide U.S. food assistance programs. These objectives are to:

- Combat world hunger and malnutrition and their causes;
- Promote broad-based, equitable and sustainable development, including agricultural development;
- Expand international trade;
- Foster and encourage the development of private enterprise and democratic participation in developing countries; and
- Prevent conflicts.

U.S. International Food Assistance.

The U.S. international food assistance program was established by several legislative authorities and is implemented by two Federal agencies. USAID administers Titles II, III and V of the Food for Peace Act. USDA administers Section 416(b) of the Agricultural Act of 1949, Title I of the Food for Peace Act, Food for Progress, the McGovern-Dole International Food for Education and Child Nutrition Program, and the Local and Regional Food Aid Procurement Pilot Project. The list below provides a brief description of each activity.

1. **Food for Peace Act.**

- **Title I: Economic Assistance and Food Security**—concessional sales of U.S. agricultural commodities to developing countries and private entities.
- **Title II: Emergency and Private Assistance Programs**—direct donation of U.S. agricultural commodities for emergency relief and development.
- **Title III: Food for Development**—government-to-government grants of agricultural commodities tied to policy reform.
- **Title V: John Ogonowski and Doug Bereuter Farmer-to-Farmer (FTF) Program**—voluntary technical assistance to farmers, farm groups and agribusinesses.

2. **Section 416(b) of the Agricultural Act of 1949**—overseas donations of surplus food and feed grain owned by the USDA Commodity Credit Corporation (CCC).

3. **Food for Progress Act of 1985**—commodity donations or concessional financing available to emerging democracies and developing countries committed to the introduction or expansion of free enterprise in their agricultural economies.

4. **McGovern-Dole International Food for Education and Child Nutrition Program**—donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects in low-income countries.

5. Bill Emerson Humanitarian Trust—food reserve administered under the authority of the Secretary of Agriculture. This reserve is available to meet emergency humanitarian food needs in developing countries, allowing the United States to respond to unanticipated food crises. Under the 2008 Food for Peace Act, the Administrator of USAID oversees the release and use of these funds.

6. **Local and Regional Food Aid Procurement Pilot Project (PPP)**—local and regional purchase of commodities to help meet urgent food needs due to food crises and disasters. This program was authorized as a 5 year pilot program under the 2008 Farm Bill.

Beneficiaries of a USAID-supported food aid activity in Malawi. USAID.

I. U.S. International Food Assistance

U.S. international food assistance has long played a critical role in responding to global food insecurity. This tradition continued in FY 2009, with the USG providing more than 2.8 million metric tons (MT) of commodities to more than 70 million beneficiaries and 73 countries worldwide.

In recent years, attention has focused on the continued challenges that hamper efforts at reducing global food insecurity. The Administration's new Global Hunger and Food Security Initiative, "Feed the Future," has been designed to begin to address these challenges, including those faced in our food assistance programs. Starting in FY 2010, coordinated efforts promoted by the initiative will strengthen all USG food security programming. USAID and USDA have already made significant improvements to better target and monitor their food aid programs through a series of new initiatives. USAID's Food for Peace (FFP) office's recent 3 year pilot Bellmon Estimation for Title II (BEST) Project collects and analyzes data and information from USAID, USDA, and other sources to better inform the need, targeting, and potential use of food aid commodities. FFP's recent adoption of the Preventing Malnutrition in Children Under Two Approach (PM2A) builds on research-based successes from targeting this beneficiary category, and improves the cost effectiveness, design and content of such programs. The recent hiring of additional FFP non-emergency (development) food aid program field monitors, meanwhile, increases

FFP's ability to analyze, monitor and respond to food security and food aid concerns. FFP and USDA are also funding efforts aimed at improving the nutritional quality and content of food aid to better serve and respond to the specific needs of food aid beneficiaries.

A. Bellmon Estimation for Title II (BEST) Project

The BEST Project conducts independent market analyses to ensure that FFP complies with the Bellmon Amendment, which requires that adequate storage facilities be available in a recipient country upon arrival of a commodity to prevent spoilage or waste, and that distribution of the commodity in the recipient country will not result in substantial disincentive or interference with domestic production or marketing in that country. The BEST Project is conducting independent market analyses to ensure that these requirements are met. Using the results of these analyses, FFP, USDA, and other food aid partners are better able to target food aid most fully to those countries and beneficiaries in need. A number of studies have already been completed and can be found at *http://www.usaid.gov/our_work/humanitarian_assistance/ffp/bellmonana.html*.

B. Title II Nonemergency Food Security Country Frameworks

In FY 2009, FFP continued to develop Food Security Programming Frameworks (FSPF) that define objectives, approaches, geographic foci and institutional partnerships for effective use of Title II nonemergency resources to reduce food insecurity. The FSPFs provide country-specific guidance to partners developing new Title II multi-year nonemergency assistance proposals (MYAPs). During FY 2009, FFP and respective Regional Bureaus and Missions developed FSPFs for Bangladesh, Burkina Faso, Liberia and Sierra Leone. The FSPFs provide a broad overview of contextual factors and cross-cutting issues that promote or constrain food security programming in the country; identify the determinants of food insecurity and the geographic distribution of food insecurity and malnutrition, including areas of greatest food insecurity, risks and vulnerabilities; describe existing policies, strategies, initiatives, and programs related to reducing food insecurity in the country; and identify priority objectives, program areas, activities, partners, and geographic foci for Title II food security programs. A number of FSPFs have already been completed and can be found at *http://www.usaid.gov/our_work/humanitarian_assistance/ffp/countryspec.html*.

C. USAID's Famine Early Warning Systems Network (FEWS NET)

USAID's Famine Early Warning Systems Network (FEWS NET) exemplifies the U.S. commitment to anticipating and responding to humanitarian vulnerabilities and crises. Using interagency agreements with the U.S. Geological Survey, National Aeronautics and Space Administration, National Oceanic and Atmospheric Administration and USDA, FEWS NET continues to monitor, collect and disseminate critical data on conditions of food availability and access. FEWS NET provides decision makers in the USG, host country governments, and a variety of other regional and international partners timely and analytical early warning and vulnerability information. FEWS NET information products can be found at *www.fews.net*.

In response to rising needs for more and better food security monitoring information in additional countries where food security could become a significant problem, in FY 2009 USAID, working with FEWS NET, defined and tested a nonpresence-based monitoring strategy, referred to as the "remote monitoring" initiative. This strategy prioritizes the identification and early warning of significant changes in food availability and food access that might potentially lead to a food security crisis. Sectoral monitoring priorities for the remote monitoring include weather and climate, crop condition and output, food markets and trade, and a livelihood food security framework for each country.

Using a minimal number of on-the-ground visits and focusing heavily on FEWS NET's existing global monitoring resources and building and sustaining collaborations and partnerships with organizations already established in each country, FEWS NET developed methods, tools and agreements that promote a continuous stream of monitoring data from three remote monitoring pilot countries: Yemen, Tajikistan and Burundi.

D. Monitoring and Evaluation (M&E)

The renewed Monitoring and Evaluation (M&E) emphasis within FFP ensures that Title II resources are being used effectively and efficiently to achieve the best possible food security outcomes, and that food aid program staff continually learn from past experiences to improve program implementation.

In this regard, FFP continued its practice of delivering 4 to 5 day M&E workshops to newly awarded Multi-Year Assistance Program (MYAP) partners in order to improve the quality of Title II M&E data, as well as USG staff charged with monitoring those programs. The workshops help improve the design of program results frameworks, baselines, and M&E plans, and ensure that required indicators from FFP and Missions are included in partner M&E plans and that data are collected in a consistent manner. The workshops also strengthen Mission and partner knowledge of Title II programs and reinforce their understanding of M&E procedures. Workshops have now been held in Mali and in Mozambique (for 16 newly awarded MYAPs), as well as in Ethiopia, Madagascar, and Malawi. Additional workshops will be held as new MYAPs are awarded in FY 2010, for Bangladesh, Burkina Faso, Liberia, Sierra Leone and South Sudan.

FFP also released updated guidance that describes the key M&E responsibilities of MYAP awardees and potential awardees, providing additional detail to existing M&E policies. This guidance can be found at *http://www.usaid.gov/our_work/humanitarian_assistance/ffp/ffpib.html*. In addition, during FY 2009, FFP held a technical assistance workshop on food aid commodity management for Title II awardees. Held in the field, in Maputo, Mozambique, the workshop provided a hands-on component that included observations of commodity management activities at a seaport. Participants also learned the general tenets of Title II commodity management from a field perspective. The training strengthened the capacity of Title II partners to properly manage commodities within their own programs, and to improve commodity management practices among local sub-awardees.

USDA initiated efforts in FY 2009 to improve results-oriented management for its food aid programs. USDA has worked with grantees and results-oriented specialists to develop specific objectives and measures for the programs. Grant agreements completed in FY 2009 included more specific measures to gauge the success of the programs. USDA is continuing work in this area to define objectives and to develop monitoring and evaluation procedures that will be used in administering the programs. USDA plans to fully incorporate results-oriented management in the programs by FY 2011.

E. Food Aid Quality

In FY 2009, FFP awarded Tufts University's School of Nutrition a contract to examine the nutritional needs of food aid beneficiaries and the commodities currently available to meet those needs in the context of total available food resources. The beneficiaries studied include orphans and vulnerable children, pregnant and lactating women, students in grades K–8, food-insecure adolescents and adults, and people living with HIV.

A mother and child with their food aid ration in Ghana. USAID.

As part of their study, technical briefing papers will be produced on the following topics:

- Review of past recommendations and their implementation to date;
- Enrichment and fortification in USAID activities and in Title II commodities;
- Recommendations to improve Title II enrichment and fortification formulations; and
- Food aid and nutritional support for people living with HIV.

A final report will include an expanded executive summary of the findings and recommendations of all four briefing papers, and recommendations for next steps and implementation of these recommendations. It will also include a description of a process for periodic and ongoing review of the nutritional quality of Title II food aid commodities.

Furthermore as part of this review, FFP and Tufts developed and maintain a public, interactive website *(www.foodaidquality.org)* to serve as a general space for information about the Food Aid Quality Review project, including summaries of meetings and presentations, as well as draft documents and preliminary recommendations for comment. On the site, there is also a discussion forum on topics related to the Food Aid Quality Review project, where those in the community are invited to participate by commenting on or starting their own discussion topic.

F. Food and Nutrition Technical Assistance (FANTA) Project

Under the USAID supported FANTA Project-2, FFP continued to publish a number of Title II relevant publications, guides and tools to support Title II partners and USAID and USDA staff in strengthening knowledge in food security and nutrition activities. A list of the publications can be found at *www.fantaproject.org/focus/foodaid.shtml.*

One of the persistent challenges to Title II nonemergency programs is to assure that the impacts they achieve are sustained after the program has ended. All Title II nonemergency programs are now required to incorporate an "exit strategy" that aims at sustaining program impact. However, little guidance exists on how to implement successful exit strategies. To address this gap, FFP, with the help of Tufts University through FANTA Project-2, is developing guidance on the design of such strategies. For that purpose, a set of studies is being conducted in several countries where Title II nonemergency programs are ending.

Each country study protocol calls for a review of Title II awardees' planned exit strategies and their implementation of that strategy during the final MYAP year, followed by a qualitative review one year after the MYAP has ended, as well as in-depth qualitative and quantitative assessments 2 years after exit to assess the extent to which the impacts of the MYAP were maintained or improved, and to understand factors of success or failure in the specific exit strategies that were used.

G. Preventing Malnutrition in Children Under Two Approach (PM2A)

The Preventing Malnutrition in Children Under Two Approach (PM2A) is a food-assisted program aimed at reducing the prevalence of child malnutrition by targeting a package of health and nutrition interventions to all pregnant women, mothers of children 0–23 months and children under 2 in food-insecure program areas, regardless of nutritional status. Because they are the most nutritionally-vulnerable members of the population, the program targets everyone in these groups to protect children from malnutrition and its long-term consequences, including diminished psychomotor skills, work capacity, intelligence and income. PM2A integrates best practices in maternal and child health and nutrition (MCHN) programming and combines them with food assistance. USAID now strongly encourages Title II partners that submit MYAP proposals to design their MCHN intervention on the basis of preventive actions. In FY 2009, utilizing Title II resources, USAID awarded PM2A MYAPs for Guatemala and Burundi.

II. Program Descriptions and Fiscal Year 2009 Accomplishments

A. Food for Peace Act

1. Title I: Economic Assistance and Food Security

The Title I authority of the Food for Peace Act provides funding for both a concessional sales program, supporting trade and development and for the Food for Progress grant program, supporting agricultural development in emerging democracies. The primary objective of the concessional sales component is to provide food assistance to targeted developing countries in order to promote economic growth. By gradually reducing the concessionality of support and eliminating ocean freight financing, the program is intended to assist in the recipient country's transition from aid to commercial trade. There were no Title I-funded concessional sales programs active in FY 2009.

Title I resources were used to support the Food for Progress grant program in FY 2009, providing 14,300 MT in assistance to two countries, Burundi and the Central African Republic, with an estimated value of $22 million. Additional information on Title I-funded activities is included in the Food for Progress section of this report.

2. Title II: Emergency and Private Assistance Programs

More than ¾ of U.S. international food aid was used in FY 2009 to respond to emergency situations and to implement development projects as part of the Title II program. Administered by the USAID Office of Food for Peace in the Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA), in FY 2009, Title II programs (emergency and nonemergency) provided more than 2.3 million MT of commodities, with a program cost of approximately $2.6 billion, to assist approximately 61 million people in 61 countries.

The focus of Title II programs is to reduce food insecurity in vulnerable populations, and improving resiliency to shocks is an essential first step toward household self-sufficiency and economic independence. In support of this strategy, the nonemergency development portfolio incorporates many activities to strengthen local capacity to respond to natural disasters.

a. Title II: Emergency Programs

Title II emergency programs aim to address two forms of emergencies: natural disasters, such as floods or droughts, and complex emergencies characterized by a combination of natural disaster, conflict, and insecurity. All of these elements pose substantial programmatic and operational challenges in responding effectively to the needs of food-insecure populations.

In FY 2009, Title II emergency programs provided more than 1.9 million MT of emergency food aid, with a program cost of more than $2.1 billion, to help alleviate malnutrition and hunger in 38 countries. In all, Title II emergency programs reached approximately 54 million food-insecure people in FY 2009.

Food for Peace Title II: Emergency Program Highlights

Pakistan: With fighting between government forces and militants in Pakistan's North-West Frontier Province on the rise, the number of internally displaced persons (IDPs) increased exponentially in early 2009, with estimated figures growing from several hundreds of thousands to over two million in mere months. As the number of IDPs grew—reaching as many as 2.2 million by the end of May 2009—so did the level of Title II assistance. In all, FFP provided 62,730 MT of food aid to the World Food Program (WFP) in FY 2009, valued at $55 million, to help meet the needs of Pakistan's IDP population. Importantly, FFP was able to meet the demands of a rising IDP population by using prepositioned commodities (see box on following page) and ship diversions to expedite the transport, arrival, and distribution of U.S. food aid. Moreover, as security conditions improved and IDPs began to return to their places of origin, FFP continued to provide assistance to IDPs and returnees, serving as an important safety net until their livelihoods could be restored.

U.S. food aid being prepared for distribution at an IDP camp in Pakistan. USAID.

Ethiopia: In FY 2009, FFP continued to support the Government of Ethiopia's Productive Safety Net Program (PSNP) by providing an estimated $120 million of food assistance through its nongovernmental organization (NGO) partners to chronically food insecure beneficiaries. In exchange for food (or cash) transfers, beneficiaries of the PSNP carry out public works projects such as soil and water conservation, community road construction and rehabilitation, small-scale irrigation, and school and health post renovation and construction, among others. The food and cash transfers prevent the depletion of household assets (such as the sale of livestock or the eating of the next season's seeds), and the public works projects create community assets, such as roads and health posts.

Beehives being distributed to a youth group in Ethiopia as part of an income generating activity. FHI.

In addition to support for the PSNP, Food for Peace provided over $266 million of relief food assistance through WFP and Catholic Relief Services (CRS) to drought-affected beneficiaries. These people can normally meet their own food requirements. However, because of successive seasons of insufficient rain and inadequate harvests, they required emergency food assistance.

Prepositioning Warehousing

USAID's warehouse program supports the strategic prepositioning of Food for Peace commodities by increasing the number of warehouses from two up to five in regions that show historic need or are situated along trade routes. Under the new program, the Agency expects to store packaged and bulk food commodities, as needed, in at least five warehouses throughout Africa, in South Asia, and within the United States.

Prepositioning warehouses are an integral part of USAID's food aid program. They offer USAID the capability to significantly reduce transit times of food commodities in the midst of a crisis.

USAID uses prepositioning sites to maintain a continuous flow of vital food aid. The Agency stores commonly needed commodities in the prepositioning warehouses and, as needs arise, ships the food directly from the warehouse to the region in need.

Expansion of the USAID prepositioning program was made possible by new authorities provided by Congress in the 2008 Farm Bill.

b. Title II: Private Assistance Programs (Nonemergency)

The Food for Peace Title II development (nonemergency) food aid program constitutes one of the largest sources of USAID funding in promoting long-term food security in such areas as:

- Agriculture and Natural Resource Management activities;
- Health and household nutrition activities (*e.g.,* MCHN including PM2A); and
- Education, Humanitarian Assistance, and Microenterprise.

In FY 2009, 19 awardees implemented 78 Title II nonemergency programs in 31 countries. Approximately 474,350 MT of food assistance, valued at more than $370 million, was used to support programs that benefited more than seven million people.

Food for Peace Title II: Nonemergency Program Highlights

Guatemala: High levels of malnutrition are especially harmful for children under the age of 2, who can experience life-long impairments in their physical and cognitive development. In the northern department of Alta Verapaz in Guatemala, more than 60 percent of children under 5 are chronically malnourished, while infant and maternal mortality rates are among the worst in the country. To improve food security in Alta Verapaz, FFP provided Mercy Corps International (MCI) 3,370 MT of food aid in FY 2009, valued at $7.6 million, to implement a program using the Preventing Malnutrition in Children Under Two Approach. Working in tandem with government health counterparts and FANTA for operations research support, MCI provided food assistance to 227,000 Guatemalan children under 2 and malnourished children under 5, as well as nursing and pregnant mothers in the Alta Verapaz, Petén and Quiché regions. In addition, by the end of the PM2A program in Guatemala in FY 2013, health providers will have increased their capacity to plan for community health needs, and program beneficiaries are expected to have improved their nutritional status and access to sustainable, quality health care.

Liberia: While Liberia continues on its path to recovery and development after decades of poor governance and civil war, high rates of chronic malnutrition persist. As part of the U.S. President's Food Security Response Initiative (PFSRI), FFP allocated 4,860 MT of food aid commodities in FY 2009, valued at $6.3 million, for non-emergency assistance in Liberia. Using these resources, CRS and over a dozen international and domestic NGOs are working with 35,380 beneficiaries in 24 districts to improve agricultural production, infrastructure and emergency preparedness. The program also aims to improve the management of childhood illnesses, rehabilitate malnourished children, and provide life skills education for children and adolescents impacted by HIV.

A father and son bringing home their USAID food aid ration in Tajikistan. USAID.

Focusing on building the capacity of local NGOs to manage food security activities and interventions, CRS's program made significant achievements in FY 2009. One activity in the remote area of Nyor-Diaply—rehabilitating community fish ponds left dormant due to the war and providing associated training—led to the rehabilitation of 21 fish ponds by seven community-based organizations. Eleven of the ponds produced 1,084 kg of tilapia and catfish, from which community members were able to feed themselves and sell the rest for a profit of USD $650. The fish farming groups involved plans to save a portion of the profits and expand their fish farming activities in the community.

Uganda: Following decades of civil insecurity and successive seasons of poor rains and harvests, northern and northeastern Uganda remain highly food insecure. As part of a Title II-funded MYAP, ACDI/VOCA and its sub-grantees are implementing activities in 17 rural districts in northern and eastern Uganda. Using 19,850 MT in food aid in FY 2009, valued at $12.7 million, ACDI/VOCA provided over 116,000 beneficiaries with food assistance, agricultural training and support, income generation services and grants, and activities in health, nutrition, and hygiene. Using the support provided, the 1,955 farmer savings groups formed under the program amassed a cumulative savings of $162,668 in 2 years. In addition, the program focuses extensively on People Living with HIV/AIDS (PLWHA). In addition to food aid provided, in FY 2009, 96,970 PLWHAs, including their families, were provided with income generating grants, agricultural support, and other support services upon graduation from direct food distributions.

c. International Food Relief Partnership

In November 2000, the U.S. Congress passed the International Food Relief Partnership (IFRP) Act. The law, which was renewed and extended under the recent farm bill, enables USAID to award grant agreements to eligible U.S. nonprofit organizations to produce and stockpile shelf-stable, prepackaged commodities. Through the IFRP program, commodities are made available to eligible nonprofit U.S. organizations and international organizations for transportation, delivery and distribution in emergency food aid relief programs.

In FY 2009, FFP awarded approximately $8.6 million in Title II IFRP production and distribution grants. As part of the production grant, Breedlove Dehydrated Foods produced a vitamin-fortified, dried vegetable soup mix that is prepared and used as meals, predominantly in institutional settings. Over the course of the FY, 30 IFRP distribution grants were awarded to 23 nonprofit U.S.-based organizations. IFRP awardees distributed the commodity to over 90,000 beneficiaries in 23 countries.

The organizations that received grants in FY 2009 to transport and distribute the commodities were: ACTS International; Amigos Internacionales; Batey Relief Alliance; Catholic Relief Services; Center for International Health; Children's Hunger Fund; Church of Bible Understanding; CitiHope; Convoy of Hope; Coprodeli USA; Counterpart International; Cross International; Evangelistic International Ministries; Fabretto Children's Foundation; Feed the Children; Food for the Hungry; Haiti Vision; International Partnership for Human Development; International Relief and Development; International Relief Teams; Nascent Solutions; Project Concern International; Resource and Policy Exchange; and World Help.

3. Title III: Food for Development

The Food for Peace Title III program is a USAID-administered tool for enhancing food security and supporting long-term economic development in the least-developed countries. The USG donates agricultural commodities to the recipient country and funds their transportation to the point of entry in the recipient country. These commodities are sold on the domestic market and the revenue generated from their sale is used to support and implement economic development and food-security programs. Funds were neither requested nor appropriated for Title III in FY 2009.

4. Title V: John Ogonowski and Doug Bereuter Farmer-to-Farmer (FTF) Program

The John Ogonowski and Doug Bereuter FTF Program provides voluntary technical assistance to farmers, farm groups, and agribusinesses in developing and transitional countries to promote sustainable improvements in food processing, production, and marketing. The program relies on the expertise of volunteers from U.S. farms, land-grant universities, cooperatives, private agribusinesses, and nonprofit farm organizations to respond to the needs of host-country farmers and organizations. Volunteers are recruited from all 50 states and the District of Columbia. In general, these volunteers are not overseas development professionals but rather individuals who have domestic careers, farms, and agribusinesses or are retired persons who want to participate in development efforts. Typically, volunteers spend about 20 to 30 days in the host country.

The FTF Program was initially authorized by Congress in the Food Security Act of 1985 and funded through Title V of the Agricultural Trade Development and Assistance Act of 1954. The U.S. Congress authorized the current FY 2009–2013 phase of the FTF Program in the 2008 Food for Peace Act, designating it the "John Ogonowski and Doug Bereuter Farmer-to-Farmer Program" in honor of Ogonowski, one of the pilots killed on September 11, 2001, and former Congressman Bereuter, who initially sponsored the program.

During FY 2009, USAID provided $12.5 million for FTF programs. Over approximately 6 months of active implementation during the fiscal year, 218 volunteer assignments were completed in 23 countries, strengthening 163 host organizations—cooperatives, farmer associations, agribusinesses, and NGOs—and directly assisting 10,533 persons, including training 5,951 persons. Approximately 35 percent of FTF beneficiaries were female. Importantly, new FTF programs were implemented in 20 core countries, developing 5 year work plans for 41 country projects, focusing on agricultural productivity and value-chain development for dairy, horticulture, staple food crops, aquaculture, and other commodities. Four special projects were launched, involving new implementing organizations and targeting special issues such as avian influenza prevention, organic coffee production, and food security.

Farmer-to-Farmer Volunteer Assignments: FY 2009

Africa	
Angola	4
Egypt	18
Ethiopia	1
Ghana	13
Kenya	16
Malawi	15
Mali	5
Mozambique	12
Nigeria	13
Tanzania	12
Uganda	10
Sub-Total Africa	***119***
Latin America/Caribbean	
Bolivia	1
Dominican Republic	4
Guyana	5
Haiti	7
Jamaica	7
Nicaragua	12
Peru	2
Sub-Total Latin America/Caribbean	***38***
Europe/Eurasia	
Belarus	5
Georgia	23
Moldova	15
Sub-Total Europe/Eurasia	***43***
Asia/Near East	
Lebanon	16
Tajikistan	2
Sub-Total Asia/Near East	***18***
Worldwide Total	**218**

Title V: FTF Program Highlights

FTF-supported green pepper producer women's group in El Salvador. USAID.

Egypt: The Four Thousand Tons per Day Program, a USAID Global Development Alliance (GDA) activity in Egypt, targets over 8,000 smallholder farmers to help them to become reliable and profitable suppliers for both local processors and export markets. FTF volunteers provide invaluable technical and training assistance through the program. For example, in FY 2009, volunteers provided technical assistance to farmer groups in the Nubariya region, and introduced new technologies for managing soil fertility, irrigation water use, and seedling production. One of the beneficiaries, a smallholder tomato producer in the region, almost doubled his yield from the previous year as well as his net income, in part from savings incurred from lower production costs. Using some of the proceeds generated, his household plans to purchase small livestock and rent additional land to increase the area under cultivation next season.

B. Section 416(b) of the Agricultural Act of 1949: Surplus Commodities

The Agricultural Act of 1949 authorizes the donation by USDA of surplus food and feed grain owned by the CCC. Section 416(a) authorizes surplus food assistance to be distributed domestically, and surplus food donated to developing countries for assistance programs is covered under Section 416(b). Surplus commodities acquired by the CCC as a result of price-support operations may be made available under Section 416(b) if they cannot be sold or otherwise disposed of without disrupting price-support programs at competitive world prices. In FY 2009, no commodities were made available by CCC for use in the 416(b) program and, consequently, no donations were made under the program.

C. Food for Progress

The USDA-administered Food for Progress Program, authorized under the Food for Progress Act of 1985, assists developing countries, particularly emerging democracies "that have made commitments to introduce or expand free enterprise elements in their agricultural economies through changes in commodity pricing, marketing, input availability, distribution and private sector involvement." The program authorizes the CCC to carry out the sale and exportation of U.S. agricultural commodities on credit terms or on a grant basis, with the use of either CCC financing or Title I funds. Agreements under the Food for Progress Program are awarded to governments or private voluntary organizations (PVOs), nonprofit agricultural organizations, cooperatives, intergovernmental organizations or other private entities.

The 2008 Farm Bill extended the authority for the Food for Progress Program to provide assistance in the administration and monitoring of food assistance programs to strengthen private-sector agriculture in recipient countries through FY 2012. The CCC is authorized to use $15 million for administrative costs under the grants, and $40 million for transportation expenses.

In FY 2009, CCC funding financed the purchase and shipment of 274,230 MT of commodities to 14 countries, with an estimated value of $216 million. In total, the Food for Progress Program—through CCC and Title I funding—provided over $238 million in food assistance in FY 2009, which supported the purchase and shipment of 288,530 MT of commodities.

Food for Progress Program Highlights

Afghanistan: As part of the USG's long-term commitment to help Afghanistan rebuild after years of war, USDA provided 25,000 MT of monetized wheat—valued at $12.1 million—to Shelter for Life International (SFL) to implement programs that combat food insecurity. SFL is rehabilitating irrigation systems, building storage facilities, facilitating information sharing, and extending credit to local farmers. Through training and the technical support provided, increases are expected in agricultural productivity, local markets will be made more accessible, and grain mills will be improved.

Bangladesh: Although having made great strides in meeting the food needs of its growing population, Bangladesh remains among the poorest and most densely populated countries in the world. Approximately 50 percent of the total population live in poverty, 34 percent live on less than $1 per day, and over 52 percent of children under 5 years of age face severe malnutrition. To combat these problems, Cornell University is using the proceeds from 4,850 MT of monetized crude degummed soybean oil—valued at $10.5 million—to implement programs that fight poverty in the region. Specifically, Cornell is providing training and micro-loans to small farmers to enhance agricultural production technology in liming, bedding, and arsenic management. It is also improving the capacity of national agricultural institutions, NGOs, and input suppliers to provide technical support and infrastructure development to farmers. The goals of the program are to increase crop productivity of the farms assisted by Cornell's program by 40 percent and expand incomes of local farmers by 25 percent.

Burundi: Burundi has a high population density and very limited natural resources, with 90 percent of Burundians dependent on subsistence farming. Despite recent improvements in the political and security landscapes, food insecurity persists after more than a decade of civil war. High food prices are also impacting vulnerable people in both rural and urban areas. To mitigate food security challenges, Food for Progress funding was provided to WFP to support the recovery process in six provinces characterized by high levels of food insecurity. Using 3,500 MT of corn, 2,250 MT of yellow split peas, and 1,500 MT of vegetable oil, WFP provided general food distribution and support for vulnerable groups, carried out school feeding, and implemented activities aimed at asset creation, skills training, and improved nutrition. These activities reached approximately 65,000 beneficiaries in 2009.

Dominican Republic: Food insecurity and malnutrition are most widely seen in the underserved sugar cane farming communities (bateyes) in the Dominican Republic where access to farming and agricultural production is limited. The Batey Relief Alliance (BRA) is implementing programs designed specifically to address the pressing needs of millions in the Dominican Republic, especially in the bateyes. BRA is monetizing 1,250 MT of crude degummed soybean oil and is using the proceeds to implement program activities that address some of the country's food needs. Using $2 million in Food for Progress resources over the life of the program, BRA is improving the region's agricultural productivity by establishing new agricultural cooperatives where BRA will provide credit and train local farmers in agricultural management. Through a Food for Work program, farmers and farm families will assist in the construction of storage facilities and irrigation systems for improved crop management, help repair roads for improved market access, and assist with repairs to latrines, schools, and homes for improved sanitary and health conditions among agricultural populations. The objectives of the program are to increase agricultural production by 20 percent and decrease crop losses by 20 to 25 percent. Income and food sales are planned to increase by 20 percent, and beneficiary access to markets is expected to increase by 35 percent. Finally, the program may provide 1,400 people with access to potable and clean water.

Ethiopia: Ethiopia is among the most underdeveloped countries in the world, ranking 171 of 177 countries in the 2009 United Nations Human Development Index. Malnutrition is rampant, affecting an estimated 50 percent of the population. The World Council of Credit Unions (WOCCU) is using proceeds from 23,000 MT of monetized hard red winter wheat provided through the Food for Progress program to implement activities that address food insecurity in the areas of Tigray, Amhara, and Oromia. The program, valued at $13.8 million, is developing a supportive commercial environment for agriculture by providing technical assistance on productivity, post-harvest handling, and marketing strategies to farmer members of existing rural credit unions. Infrastructure such as storage facilities, irrigation systems, access roads, bridges, basic sanitation facilities, and other support projects will improve through the support of community self-help activities. Finally, WOCCU is strengthening community-based agricultural credit unions in order to expand credit and micro-loans to local farmers. These activities are hoped to increase output, yields, and income for local farmers by 30 percent by the end of the 4 year program.

Malawi: Over ½ of Malawi's 13.6 million inhabitants live in poverty, with 30 to 50 percent of the population at risk of food insecurity. To support sustainable economic and agricultural development, USDA provided the Foundation for International Community Assistance International (FINCA) 10,000 MT of hard red spring wheat to implement programs aimed at reducing food insecurity. The total value of FINCA's grant for FY 2009 equaled $8.5 million. Using the proceeds from the monetization of the wheat, FINCA is expanding microfinance services to agribusiness entrepreneurs in rural areas as well as conducting social and economic assessments to determine the influence of loans on household welfare and agriculture-related businesses. Moreover, training and support is provided to local farmers to promote long-term sustainable agricultural growth. These activities will contribute toward the following objectives: increase individual business sales and income for loan recipients by ten percent annually and increase access to tools, equipment, inputs, marketing opportunities, and financial services for rural clients by 15 percent.

Philippines: While experiencing a period of economic growth and decreasing poverty rates nationwide, poor agricultural practices, natural disasters, and conflict have prevented sustainable development in the Mindanao provinces of the Philippines. In response, USDA provided a Food for Progress grant valued at $5.7 million to CRS in FY 2009. CRS is monetizing 9,000 MT of soybean meal provided through the program and will use the proceeds to implement activities aimed at increasing food production and reducing poverty in selected Mindanao provinces. The program will focus on: enhancing technical support to farmers; increasing post-harvest capacity; improving post-harvest practices; increasing crop diversification for cash crops; and linking farmers to financial institutions and markets. This agreement will build upon the successes of CRS/Philippines' ongoing USDA-assisted Small Farms and Marketing Program, which has been implemented in five pilot sites throughout Mindanao. CRS's objectives are to increase farm incomes of resource-poor farmers by an average of 50 percent, provide agricultural extension and marketing services for 10,000 farmers, and increase rice, cacao, and coffee production.

Senegal: To combat high rates of poverty and malnutrition in Senegal, USDA provided a Food for Progress grant in FY 2009 to the National Cooperative Business Association (NCBA) totaling $8.3 million. NCBA is using proceeds from 4,200 MT of monetized crude degummed soybean oil to implement programs aimed at strengthening producer organizations, enhancing millet production, improving market linkages, and increasing access to financial services. Training programs include financial management, efficient production and processing methods, marketing strategies, and business development. NCBA is also distributing improved seeds locally, promoting conservation farming, establishing information systems for farmers, and providing a range of financial services and financial training opportunities for producer groups and processors. Over 9,000 people are benefiting from this assistance.

D. McGovern-Dole International Food for Education and Child Nutrition Program

An estimated 120 million children around the world do not attend school, due in part to hunger or malnourishment. The majority of them are girls. Following the success of the Global Food for Education Initiative, created in July 2000, the USG has demonstrated its continued commitment to education and child nutrition with the 2008 Farm Bill's reauthorization of the McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole Program) through FY 2012.

Modeled after the USG's school meals program, the McGovern-Dole Program is named in honor of former Senators George McGovern and Robert Dole for their tireless efforts to promote education and school feeding. The McGovern-Dole Program uses U.S. commodities and financial assistance to provide incentives for children to attend and remain in school, as well as to improve child development through nutritional programs for women, infants, and children under age 5. In FY 2009, the McGovern-Dole Program provided more than 126,523 MT of commodities to support child nutrition and school feeding programs in 18 countries, the total value of which exceeded $168 million.

Schoolgirls taking part in a McGovern-Dole-supported WFP program in Bangladesh. USDA.

McGovern-Dole Program Highlights

Cambodia: Decades of war and internal strife continue to impede Cambodia's economic growth. Low per capita Gross Domestic Product (GDP) in combination with high inflation in recent years has had major implications for the country's largest economic sector—agriculture—where poor farming practices, inadequate irrigation systems, and unfavorable market conditions already hamper development, with negative impacts on food security and nutrition. In response, International Relief and Development (IRD) is using 1,930 MT of USDA-donated commodities to meet the following goals: increase school enrollment by 29 percent, expand attendance by 20 percent, and raise the continuation rate to 86 percent in 51 schools in Kampong Chhanang Province over the 3 years of the program. IRD will provide nutritious onsite meals and take-home rations to girls, to students who complete the sixth grade, and to high performing teachers. Program activities will reach 31,100 students, 200 teachers, and 1,300 families. In addition to meals provided, each targeted school will have active health and nutrition education programs to combat the province's high malnutrition rates more effectively.

Guatemala: While the country suffers from high rates of malnutrition nationwide, high rates are especially pronounced in rural areas. In areas such as the central and northwestern highlands, they run as high as 80 percent. With the goal of increasing the nutritional and educational status of children in targeted areas of the rural Mayan highlands, the McGovern-Dole Program donated 13,780 MT of commodities to Asociación SHARE de Guatemala (SHARE) in FY 2009. Targeting approximately 385 schools in these areas, SHARE's program includes direct feeding, the provision of take-home rations, establishing and training members of Parent Teacher Associations (PTAs), developing school infrastructure, promoting capacity building of indigenous organizations, and establishing school gardens for educational and nutritional purposes. Through this program, SHARE will directly reach over 70,000 students and 2,300 teachers each year. The program's targets are to increase enrollment by 17 percent and attendance by 19 percent. In addition, the promotion rate is expected to rise to 79.5 percent.

Liberia: With a fractured economy and few services available following years of civil war and poor governance, Liberia remains one of the poorest countries in the world. Upwards of 40 percent of children under 5 years old suffer from malnutrition and more than ⅓ of the population lives on less than $1 per day. Life expectancy is a mere 45 years, and the adult literacy rate is 52 percent. With the Government of Liberia's renewed focus on economic development and food security, IRD is implementing a 3 year McGovern-Dole Program-funded program in five counties in Liberia: Montserrado, Grand Bassa, Maryland, Grand Kru, and River Gee. Each year, program activities will directly benefit 30,000 students and 600 teachers, and indirectly reach 25,000 families through a combination of direct feeding, health/nutrition activities, HIV/AIDS education, school resource and infrastructure improvements, and the building of sustainability through PTAs, school farms, and youth clubs. The program also provides school supplies and printed materials that support literacy and numeracy to targeted schools. The program is focused on increasing total enrollment by 30 percent and attendance by 44 percent.

Pakistan: Nutrition and education remain priorities in Pakistan, where malnutrition rates average 37 percent for children under 5 and the national literacy rate is 55 percent. The McGovern-Dole Program has been providing assistance to WFP since 2005, offering female beneficiaries in targeted food-insecure districts access to development opportunities through three primary activities. The first focuses on improving enrollment, attendance, and retention rates among girls at targeted primary schools. The second focuses on pregnant mothers, who are provided with quality health services during pre- and post-natal periods. Lastly, WFP supports asset creation and livelihood improvement activities to improve the socioeconomic condition of rural women and their families. WFP has reached over 6.4 million Pakistanis since 2005 and received $7 million in McGovern-Dole Program support in FY 2009. During that year, WFP continued to build upon program successes that included an increase in the completion rate of 22 percent for females in targeted schools and an increase in enrollment of over 450 percent for females in targeted schools between 2005 and 2008. In that same time period, deliveries by trained birth attendants increased from 51 percent to 93 percent and in 2008, 234,066 women received routine health services. Furthermore, the number of families with access to clean drinking water increased by ten percent in 2008.

Uganda: The Karamoja region of Uganda is one of the country's most vulnerable areas, where malnutrition and lack of education remain pressing issues. Only 18 percent of men and six percent of women are literate and only an estimated 33 percent of children are enrolled in school, based on 2007 statistics. In FY 2009, the McGovern-Dole Program granted WFP 5,680 MT of commodities, a donation valued at $19 million, for 3 years of support to assist the government in improving the cognitive performance of primary school children in the region. WFP provided school meals to students in both day and boarding schools and allocated take-home rations to girls achieving 80 percent attendance per term. The objectives of the program are to increase total enrollment by 30 percent and attendance for girls and boys by 23 percent and 11 percent, respectively, above 2008 levels. Importantly, the Government of Uganda plans to gradually integrate itself into program administration and activities to ensure program sustainability.

E. Bill Emerson Humanitarian Trust (BEHT)

The Bill Emerson Humanitarian Trust (BEHT) is a reserve of commodities and cash that is used to meet unanticipated food aid needs. The BEHT can hold wheat, rice, corn, and sorghum in any combination, but the only commodity ever held has been wheat. USDA has recently sold the remaining wheat in the trust (about 915,000 MT) so that currently the BEHT holds only cash—$315 million. The cash would be used by USDA to purchase U.S. food products when USAID determines it is needed for emergency food aid.

The 2008 Farm Bill reauthorizes the BEHT through FY 2012 and allows the Secretary of Agriculture to invest the funds from the trust in low-risk, short-term securities or instruments so as to maximize its value.

FFP used $5.6 million of BEHT resources in FY 2009, which was converted into 21,000 MT of food aid commodities, to respond to declining food security conditions in North Korea.

F. Local and Regional Food Aid Procurement Pilot Project (PPP)

The USDA Local and Regional Food Aid Procurement Pilot Project (PPP) was authorized as a pilot program under the 2008 Farm Bill. The primary objective of the project is to use local and regional purchase to help meet urgent food needs due to food crises and disasters quickly. The goal is to protect against a decline in food consumption, save lives, and reduce suffering. In FY 2009, $4.75 million was allocated for programming in three countries, of which $2.73 million was used for local and regional procurement of commodities and $2.02 million for associated costs including inland transportation and storage and handling. All three pilot programs in FY 2009 in Malawi, Mali, and Tanzania were implemented by WFP.

PPP Program Highlights:

Malawi: Ranking 160 of 177 countries in the United Nations 2009 Human Development Index, with half of its 12 million citizens living below the poverty line and 20 percent of the population extremely poor, Malawi proved an ideal candidate for PPP assistance in FY 2009. USDA provided WFP with funding support from the PPP to address the food needs of households that are at risk of hunger and poverty. In addition to providing food to vulnerable groups, WFP specifically focuses on procuring food including cereals, pulses, and corn-soy blend, from smallholder farmer groups through pro-smallholder tendering practices. Through this process, WFP hopes to strengthen the engagement of smallholders and small/medium-scale traders in the markets, stimulate agricultural production and cohesion within smallholder farmer organizations, and raise smallholder/trader income levels. Support provided through the PPP in Malawi will provide food to 24,999 households, or an estimated 124,995 beneficiaries, for approximately 3 months.

Mali: A landlocked Sahelian country with a poverty rate of over 59.3 percent, Mali suffers from high levels of food and nutritional insecurity that is most pronounced in rural areas. As part of PPP, USDA provided almost $1.1 million to WFP to assist with their Country Program and Protracted Relief and Recovery Operation (PRRO). Under these programs, WFP provides support for basic education, rural development, and food security. Specifically, the programs include nutrition interventions among children aged 6 to 59 months, food assistance for vulnerable groups, and communication activities on nutritional information. Support provided through the PPP in Mali will provide food to 28,000 pregnant and lactating women for 6 months and to 15,000 people through food for work/food for training activities for 3 months.

Tanzania: While Tanzania is one of Africa's more politically stable countries, the country is categorized as a low-income and food-deficit country, with almost 80 percent of its total population dependent on subsistence agriculture for their livelihood. In FY 2009, USDA provided WFP $2 million in PPP resources to assist with their Country Program and PRRO in Tanzania. Under the Country Program, WFP provides support to HIV/AIDS-affected households, implements food for asset creation activities, and provides supplementary feeding to vulnerable children and lactating and pregnant women. The PRRO, meanwhile, provides basic food needs to refugees and the most vulnerable Tanzanians living in northwestern Tanzania. Activities under this program enable poor communities to acquire livelihood skills to build resilience to future shocks and support education, health care, and agricultural services. Support provided through the PPP in Tanzania will provide food to over 125,000 beneficiaries, including refugees, for one to 5 months.

III. Appendices

Appendix 1: List of Abbreviations

BCC	Behavior Change Communication
BEHT	Bill Emerson Humanitarian Trust
CCC	Commodity Credit Corporation
CSB	Corn Soy Blend
FANTA	Food and Nutrition Technical Assistance
FEWS NET	Famine Early Warning System Network
FFP	Office of Food for Peace (USAID)
FSPF	Food Security Programming Framework
FTF	Farmer-to-Farmer Program of Food for Peace Act, Title V
FY	Fiscal year
GDA	Global Development Alliance (USAID)
GDP	Gross Domestic Product
GHFSI	Global Hunger and Food Security Initiative
GOE	Government of Ethiopia
HIV	Human Immunodeficiency Virus
HPSC	Health Practices, Strong Communities
IDP	Internally Displaced Person
IFRP	International Food Relief Partnership
ITSH	Internal Transportation, Storage and Handling
M&E	Monitoring and Evaluation
MCHN	Maternal and Child Health and Nutrition
MDG	Millennium Development Goal
MT	Metric ton
MYAP	Multi-Year Assistance Program
NGO	Nongovernmental Organization

Appendix 1: List of Abbreviations—Continued

PEPFAR	President's Emergency Plan for AIDS Relief
PFSRI	President's Food Security Response Initiative
PLWHA	People Living with HIV/AIDS
PM2A	Preventing Malnutrition in Children Under Two Approach
PPP	Procurement Pilot Project
PRRO	Protracted Relief and Recovery Operation
PSNP	Productive Safety Net Program
PTA	Parent Teacher Association
RFI	Request for Information
RFP	Request for Proposal
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development
USDA	U.S. Department of Agriculture
USG	U.S. Government
WFP	World Food Program

Appendix 2: List of Awardees

The following awardees implemented U.S. Government food assistance programs in Fiscal Year 2009:

ACDI/VOCA	Agriculture Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ACTS	ACTS International
ADRA	Adventist Development and Relief Agency International, Inc.
Africare	Africare
AI	Amigos Internacionales
BRA	Batey Relief Alliance
CARE	Cooperative for Assistance and Relief Everywhere, Inc.
Caritas	Caritas
CBU	Church of Bible Understanding
CH	Convoy of Hope
CHF	Children's Hunger Fund
CHOUF	Cooperative Housing Foundation
CIH	Center for International Health
Citihope	Citihope International
Coprodeli	Coprodeli USA
CPI	Counterpart International
Cross	Cross International
CRS	Catholic Relief Services
CU	Cornell University
EIM	Evangelistic International Ministries
FCF	Fabretto Children's Foundation
Feed the Children	Feed the Children
FFTP	Food for the Poor
FHI	Food for the Hungry International
FINCA	Foundation for International Community Assistance International
GDR	Government of the Dominican Republic
GIROA	Government of the Islamic Republic of Afghanistan
GoPK	Government of Pakistan
HV	Haiti Vision
IPHD	International Partnership for Human Development
IRD	International Relief and Development
JAM	Joint Aid Management
LOL	Land O'Lakes
MCI	Mercy Corps International
Nascent	Nascent Solutions
NCBA	National Cooperative Business Association
NPA	Norwegian People's Aid
OICI	Opportunities Industrialization Centers International
PAI	Planet Aid International
PCI	Project Concern International
PRISMA	Asociacion Benefica Prisma
REST	Relief Society of Tigray
RI	Relief International

Appendix 2: List of Awardees—Continued

ROP	Roots of Peace
RPX	Resource and Policy Exchange
SCF	Save the Children Federation
SCF–UK	Save the Children UK
SFL	Shelter for Life International
SHARE	Asociación SHARE de Guatemala
TNS	TechnoServ
UMCOR	United Methodist Committee on Relief
WH	World Help
WFP	World Food Program (United Nations)
WOCCU	World Council of Credit Unions
WVUS	World Vision US

Appendix 3: USDA Title I Program: Food for Progress Grants—Fiscal Year 2009

Country	Grantee	Commodity	Beneficiaries (000s)	Metric Tons	Total Cost (000s)
Africa					
Burundi	WFP	Corn, Vegetable Oil, Yellow Split Peas	65	7,250	$10,000.0
Central African Republic	WFP	Cornmeal, Corn Soy Blend, Vegetable Oil, Yellow Split Peas	65	7,050	$12,000.0
Sub-Total Africa			*130*	*14,300*	*$22,000.0*
Worldwide Total			**130**	**14,300**	**$22,000.0**

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage—Fiscal Year 2009

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
Africa					
Burundi	WFP	Cornmeal, Corn Soy Blend, Vegetable Oil, Yellow Peas	2	3,720	$4,101.7
Cameroon	WFP	Cornmeal, Vegetable Oil, Yellow Peas	170	4,690	$4,868.5
Central African Republic	WFP	Cornmeal, Corn Soy Blend, Kidney Beans, Rice, Vegetable Oil	367	3,430	$5,431.4
Chad	WFP	Cornmeal, Corn Soy Blend, Sorghum, Vegetable Oil, Yellow Peas, Yellow Split Peas	1,746	100,950	$138,482.2
Côte d'Ivoire	WFP	Cornmeal, Corn Soy Blend, Pinto Beans, Vegetable Oil	2	4,980	$6,608.1
Democratic Republic of the Congo	WFP	Cornmeal, Corn Soy Blend, Pinto Beans, Vegetable Oil, Yellow Split Peas	328	72,080	$111,654.1
Ethiopia	CARE	Vegetable Oil, Wheat, Yellow Split Peas, Lentils	202	19,180	$13,188.5
	CRS	Corn Soy Blend, Peas, Sorghum, Vegetable Oil, Wheat	26	168,790	$92,987.3
	SCF	Vegetable Oil, Wheat, Yellow Split Peas	161	21,230	$17,887.6
	SCF–UK	Lentils, Vegetable Oil, Wheat, Yellow Split Peas	628	46,170	$30,230.8
	WFP	Corn Soy Blend, Pinto Beans, Sorghum, Vegetable Oil, Wheat, Yellow Split Peas	587	249,410	$173,740.5
Kenya	WFP	Cornmeal, Corn Soy Blend, Green Split Peas, Vegetable Oil, Wheat Flour, Yellow Split Peas	3,910	125,610	$133,722.8
Rwanda	WFP	Cornmeal, Pinto Beans, Vegetable Oil, Corn Soy Blend	705	2,430	$2,932.9
Somalia	CARE	Corn Soy Blend, Vegetable Oil, Sorghum	123	14,200	$11,195.5
	WFP	Corn Soy Blend, Lentils, Sorghum, Vegetable Oil, Yellow Peas, Yellow Split Peas	17	142,440	$112,242.0
Sudan	ADRA*	—	—	—	$332.7
	CRS	Corn Soy Blend, Lentils, Sorghum, Vegetable Oil	243	5,130	$8,678.4
	NPA	Lentils, Sorghum, Vegetable Oil	197	2,860	$6,234.0
	WFP	Lentils, Sorghum, Vegetable Oil, Yellow Split Peas	47	476,360	$532,202.5
Tanzania	WFP	Cornmeal, Corn Soy Blend, Pinto Beans, Vegetable Oil	512	9,480	$9,718.7
Uganda	WFP	Corn Soy Blend, Cornmeal, Pinto Beans, Sorghum, Vegetable Oil, Yellow Peas, Yellow Split Peas	1,943	19,520	$18,546.1
Zimbabwe	WFP	Bulgur, Pinto Beans, Sorghum, Vegetable Oil, Yellow Peas	9	96,340	$92,487.3

Appendix 4: USAID Title II Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage—Fiscal Year 2009—Continued

Country	Grantee	Commodity	Recipients* (000s)	Metric Tons	Total Cost (000s)
	WVUS	Bulgur, Cornmeal, Sorghum, Vegetable Oil, Yellow Peas	4	92,370	$73,397.0
Sub-Total Africa			***11,928***	***1,681,370***	***$1,600,870.6***
		Asia/Near East			
Afghanistan	WFP	Corn Soy Blend, Green Peas, Wheat, Vegetable Oil	16	62,190	$59,509.7
Algeria	WFP	Beans, Corn Soy Blend, Rice, Vegetable Oil, Wheat Flour	125	6,470	$6,880.3
Georgia	WFP	Kidney Beans, Vegetable Oil, Wheat Flour Bread	100	1,550	$1,840.9
Nepal	WFP	Lentils, Rice, Vegetable Oil, Yellow Split Peas	550	7,450	$8,793.0
Pakistan	WFP	Vegetable Oil, Wheat Flour, Yellow Split Peas	1,207	62,730	$55,386.7
Philippines	WFP	Rice	2	1,480	$1,855.0
Sri Lanka	WFP	Lentils, Vegetable Oil, Wheat	2,352	38,550	$28,727.8
West Bank/Gaza	WFP	Garbanzo Beans, Vegetable Oil, Wheat Flour	1,030	21,430	$20,715.4
Yemen	WFP	Beans, Wheat	72	3,900	$2,432.0
Sub-Total Asia/Near East			***5,454***	***205,750***	***$186,140.8***
		Central Asia			
Tajikistan	SCF	Vegetable Oil, Wheat Flour, Yellow Peas	70	4,090	$6,091.1
Sub-Total Central Asia			***70***	***4,090***	***$6,091.1***
		Latin America/Caribbean			
Colombia	WFP	Green Peas, Lentils, Pinto Beans, Vegetable Oil, Wheat Flour	1,590	8,660	$11,046.4
Haiti	CARE	Lentils, Bulgur, Vegetable Oil	49	870	$1,495.5
	CRS	Bulgur, Vegetable Oil, Yellow Peas	14	910	$2,478.0
	WFP	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil, Yellow Peas	1,603	16,110	$21,253.4
	WVUS	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil, Yellow Peas	52	2,000	$3,040.0
Sub-Total Latin America/Caribbean			***3,309***	***28,550***	***$39,313.3***
Funding Adjustments *(Program Support Costs, Prepositioning, and Unallocated Resources)*			—	—	***$333,553.4***
Worldwide Total			**20,760**	**1,919,760**	**$2,165,969.2**

Source: Metric tonnage and total cost values derived from FFP Preliminary Final Budget Summary Report, November 24, 2009. Awardees listed as approved in cooperative agreements. Commodity types and recipients derived from Food for Peace Information System reports, December 4, 2009 and November 13, 2009, respectively. Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

*Some programs receive Section 202(e) and/or ITSH funds without receiving commodities in the same FY.

Table does not include IFRP awardees. See page 14 for a list of awardees and page 38 for the country list.

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage Tables—Fiscal Year 2009

Country	Grantee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
		Africa			
Burkina Faso	Africare	Bulgur, Pinto Beans, Rice, Soy Flour, Vegetable Oil	21	2,390	$3,498.1
	CRS	Bulgur, Cornmeal, Lentils, Rice, Vegetable Oil	214	8,460	$9,807.8
Burundi	CRS	Bulgur, Corn Soy Blend, Vegetable Oil, Wheat,Yellow Peas	59	20,900	$16,013.8
Chad	Africare	Bulgur, Wheat Flour Bread	99	5,680	$8,110.5
Democratic Republic of the Congo	ADRA	Cornmeal, Green Peas, Vegetable Oil, Wheat	21	5,410	$4,654.5
	FHI	Cornmeal, Vegetable Oil, Wheat	3	5,100	$4,465.7
	MCI	Cornmeal, Vegetable Oil, Wheat, Yellow Split Peas	3	6,020	$5,223.1
Ethiopia	CRS	Bulgur, Corn Soy Blend, Rice, Vegetable Oil, Wheat, Yellow Split Peas	192	25,080	$17,066.5
	FHI	Green Peas, Wheat	195	19,690	$12,368.4
	REST	Vegetable Oil, Wheat, Yellow Peas	755	46,070	$25,485.7
	SCF–UK*	—	—	—	$3,526.8
Ghana	OICI	Bulgur, Vegetable Oil, Wheat	7	4,990	$4,500.0

Appendix 5: USAID Title II Non-Emergency Activities: Summary Budget, Commodity, Recipient and Tonnage Tables—Fiscal Year 2009—Continued

Country	Grantee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
Guinea	OICI	Cornmeal, Green Peas, Vegetable Oil	14	1,400	$2,500.9
Liberia	CRS	Rice	—	4,860	$6,300.9
Madagascar	ADRA	—	—	—	$71.2
	CRS	Corn Soy Blend, Rice, Sorghum, Vegetable Oil	135	3,640	$16,186.1
Malawi	CRS	Corn Soy Blend, Pinto Beans, Wheat, Vegetable Oil	34	25,230	$18,963.0
Mali	Africare	Bulgur, Vegetable Oil	37	1,600	$2,821.2
	CRS	Bulgur, Corn Soy Blend, Green Split Peas, Vegetable Oil	63	5,120	$8,755.2
Mauritania	CPI	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil, Wheat	99	7,140	$5,000.1
Mozambique	ADRA	Wheat	—	8,830	$3,974.9
	FHI	Wheat	—	8,640	$3,654.2
	SCF	Wheat	—	16,550	$7,454.8
	WVUS	Wheat	—	11,540	$4,968.0
Niger	Africare	Red Beans, Rice	14	3,400	$4,486.7
	Counterpart	Corn Soy Blend, Rice, Vegetable Oil	12	3,400	$3,038.5
	CRS	Bulgur, Rice	23	6,340	$6,568.7
Rwanda	ACDI/VOCA	Bulgur, Corn Soy Blend, Vegetable Oil	3	1,010	$1,415.8
	CRS	Bulgur, Corn Soy Blend, Vegetable Oil	26	1,810	$2,130.3
	WVUS	Bulgur, Corn Soy Blend, Vegetable Oil	49	2,570	$3,815.5
Senegal	CPI	Bulgur, Corn Soy Blend, Lentils, Potato (flakes), Rice, Vegetable Oil	43	3,600	$3,355.1
Sierra Leone	CARE	Bulgur, Vegetable Oil, Wheat, Yellow Split Peas	27	9,460	$7,850.5
Uganda	ACDI/VOCA	Corn Soy Blend, Wheat, Vegetable Oil	42	19,850	$12,748.6
	MCI	Corn Soy Blend, Cornmeal, Green Split Peas, Wheat, Vegetable Oil	8	10,170	$8,446.1
Zambia	CRS	Bulgur, Lentils	15	1,710	$8,002.2
Sub-Total Africa			***2,212***	***307,660***	***$257,229.4***
		Asia/Near East			
Afghanistan	WVUS	Rice, Vegetable Oil, Wheat Flour, Yellow Peas	138	8,190	$13,500.0
Bangladesh	CARE	Vegetable Oil, Wheat, Yellow Split Peas	228	50,100	$21,582.9
	SCF	Vegetable Oil, Wheat, Yellow Split Peas	180	18,320	$8,445.4
India	CARE *	—	—	—	$6,000.0
	CRS	Bulgur, Vegetable Oil	422	8,200	$7,465.5
Sub-Total Asia/Near East			***968***	***84,810***	***$56,993.8***
		Latin America/Caribbean			
Guatemala	CRS	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil	85	4,310	$4,556.2
	MCI	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil	16	3,370	$7,614.7
	SCF	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil	12	5,540	$5,534.7
	SHARE	Corn Soy Blend, Pinto Beans, Rice, Vegetable Oil	17	4,110	$4,337.6
Haiti	ACDI/VOCA	Bulgur, Corn Soy Blend, Wheat, Vegetable Oil, Yellow Peas	44	17,710	$8,679.6
	CRS	Bulgur, Corn Soy Blend, Green Peas, Vegetable Oil, Wheat	91	13,930	$10,297.9
	WVUS	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil, Wheat,	107	31,490	$16,522.5
Honduras	ADRA	Corn Soy Blend, Red Beans, Rice, Vegetable Oil	36	330	$1,310.1
	SCF	Corn Soy Blend, Red Beans, Rice, Vegetable Oil	5	650	$2,451.9
	WVUS	Corn Soy Blend, Rice, Vegetable Oil	4	440	$2,008.8
Sub-Total Latin America			***418***	***81,880***	***$63,314.0***
Worldwide Total			**3,597**	**474,350**	**$377,537.2**

Source: Metric tonnage and total cost values derived from FFP Preliminary Final Budget Summary Report, November 24, 2009. Awardees listed as approved in cooperative agreements. Commodity types and recipients derived from Food for Peace Information System report, December 4, 2009. Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

* Some programs receive Section 202e and/or ITSH funds without receiving commodities in the same FY.

Appendix 6: USDA–CCC Funded—Food for Progress Grants—Fiscal Year 2009

Country	Grantee	Commodity	Beneficiaries * (000s)	Metric Tons	Total Cost (000s)
		Africa			
Ethiopia	WOCCU	Wheat	37	23,000	$13,750.0

Appendix 6: USDA–CCC Funded—Food for Progress Grants—Fiscal Year 2009—Continued

Country	Grantee	Commodity	Beneficiaries* (000s)	Metric Tons	Total Cost (000s)
Malawi	FINCA	Wheat	21	10,000	$8,520.0
	PAI	Wheat	325	30,000	$26,620.0
Mozambique	PAI	Wheat	145	20,000	$8,746.0
Niger	IRD*	—	—	—	$416.7
	CRS*	—	—	—	$255.7
Senegal	NCBA	Soybean Oil	9	4,200	$8,330.0
	Africare	Soybean Meal	15	16,500	$9,830.0
Uganda	FINCA	Wheat	25	15,000	$9,200.0
Sub-Total Africa			***577***	***118,700***	***$85,668.4***
		Asia/Near East			
Afghanistan	GIROA*	—	—	—	$73.7
	SFL	Wheat	30	25,000	$12,100.0
	ROP**	Wheat Flour	14	—	$4,472.8
	GIROA	Soybean Oil	70	10,600	$17,500.0
Bangladesh	CU	Soybean Oil	829	4,850	$10,490.0
Mongolia	MCI/CHOUF*	—	—	—	$1,703.5
Pakistan	WFP***	—	—	—$13,283.0	
	GoPk	Wheat	2,700	50,000	$30,800.0
		Soybean Oil	—	6,800	—
Philippines	CRS	Soybean Meal	10	9,000	$5,660.0
	ACDI/VOCA	Soybean Meal	23	13,200	$10,500.0
	LOL	Soybean Meal	22	9,730	$8,699.9
Sub-Total Asia/Near East			***3,698***	***129,180***	***$115,283.0***
		Europe			
Armenia	WFP*	—	—	—	$15.6
	UMCOR*	—	—	—	$143.2
Sub-Total Europe			***—***	***—***	***$158.8***
		Latin America/Caribbean			
Bolivia	PCI*	—	—	—	$1,216.5
Dominican Republic	BRA	Crude Vegetable Oil, Vegetable Oil	8	1,350	$1,990.0
	GDR	Wheat	—	25,000	$11,500.0
Sub-Total Latin America/Caribbean			***8***	***26,350***	***$14,706.5***
Worldwide Total			**4,283**	**274,230**	**$215,816.6**

* Represents prior year agreements with costs incurred in FY 2009.
** Represents part of an FY 2008 award billed in FY 2009.
*** Represents internal distribution costs only, no commodity costs.

Appendix 7: McGovern-Dole International Food for Education and Child Nutrition Program—Fiscal Year 2009 Donations by Country and Commodity

Country	Grantee	Commodity	Beneficiaries (000s)	Metric Tons	Total Cost (000s)
		Africa			
Angola	JAM	Corn Soy Blend	200	14,400	$29,500.0
Cameroon	CPI	Beans, Rice, Vegetable Oil	28	1,130	$2,850.0
Chad	WFP	Cornmeal, Vegetable Oil	104	4,440	$5,504.1
Ethiopia	WFP	Corn Soy Blend, Vegetable Oil	160	3,910	$5,343.2
Guinea-Bissau	IPHD	Beans, Dehydrated Potatoes, Rice, Vegetable Oil	105	9,020	$18,300.0
Kenya	WFP	Bulgur, Rice, Vegetable Oil, Yellow Split Peas	1,100	11,900	$9,488.7
Liberia	IRD	Soy Flour, Soy Protein Isolate, Wheat	135	7,260	$8,800.0
	WFP	Beans, Rice, Vegetable Oil	3	243	$170.4
Malawi	WFP	Corn Soy Blend	400	5,520	$6,084.8
Mozambique	JAM	Rice, Wheat Soy Blend	271	9,270	$7,800.0
Niger	RI	Corn Soy Blend, Rice, Vegetable Oil	25	9,600	$13,200.0
Rwanda	WFP	Beans, Cornmeal, Vegetable Oil	300	8,020	$8,832.3
Sierra Leone	CRS	Bulgur, Corn Soy Blend, Lentils, Vegetable Oil	55	1,330	$2,850.0
Uganda	WFP	Corn Soy Blend, Cornmeal, Vegetable Oil	245	5,680	$19,000.0
Sub-Total Africa			***3,131***	***91,723***	***$137,723.5***
		Asia/Near East			
Bangladesh	WFP	Wheat	350	14,490	$5,315.5
Cambodia	IRD	Beans, Canned Salmon, Corn Soy Blend, Soybean Oil	25	1,260	$1,230.0

Appendix 7: McGovern-Dole International Food for Education and Child Nutrition Program—Fiscal Year 2009 Donations by Country and Commodity—Continued

Country	Grantee	Commodity	Beneficiaries (000s)	Metric Tons	Total Cost (000s)
Laos	WFP	Canned Salmon, Corn Soy Blend, Rice, Vegetable Oil	100	2,010	$2,886.6
Pakistan	WFP	Vegetable Oil	300	5,410	$7,000.0
Sub-Total Asia/Near East			***775***	***23,170***	***$16,432.1***
		Latin America/Caribbean			
Guatemala	FFTP	Beans, Corn, Rice, Salmon, Soybean Oil	260	3,660	$6,000.0
	SHARE	Beans, Corn Soy Blend, Rice, Soybean Meal, Vegetable Oil	72	7,970	$8,259.2
Sub-Total Latin America/Caribbean			***332***	***11,630***	***$14,259.2***
Worldwide Total			**4,238**	**126,523**	**$168,414.8**

Appendix 8: Bill Emerson Humanitarian Trust: Summary Budget, Commodity, Recipient and Tonnage—Fiscal Year 2009

Country	Grantee	Commodity	Recipients (000s)	Metric Tons	Total Cost (000s)
		Asia/Near East			
North Korea	MCI	Corn	941.2	21,000	$5,638.40
Sub-Total Asia/Near East			***941.2***	***21,000***	***$5,638.40***
Worldwide Total			**941**	**21,000**	**$5,638.4**

Source: Metric tonnage and total cost values derived from FFP Preliminary Final Budget Summary Report, November 24, 2009. Awardees listed as approved in cooperative agreements. Commodity types and recipients derived from Food for Peace Information System report, December 4, 2009. Recipient values are reflective of commodity rations and are derived separately from program beneficiary totals.

Appendix 9: Local and Regional Procurement Pilot Program—Fiscal Year 2009

Country	Awardee	Total Cost (000s)
Malawi	WFP	$1,700
Mali	WFP	$1,050
Tanzania	WFP	$2,000
Sub-Total Africa		***$4,750***
Worldwide Total		**$4,750**

Appendix 10: Food for Peace Title II Congressional Mandates—Fiscal Year 2008

	Minimum	Subminimum	Monetization	Value-added	Bagged in United States
FY 2009 Target	2,500,000	1,875,000	15.0%	75.0%	50.0%
Status as of November 2009	2,824,033	535,195	58.1%	53.9%	25.9%

Minimum: Total approved metric tons programmed under Title II. Metric ton grain equivalent used to report against target.

Subminimum: Metric tons for approved nonemergency programs through PVOs and community development organizations and WFP. Metric ton grain equivalent used to report against target.

Monetization: Percentage of approved Title II programs that are monetization programs.

Value-added: Percentage of approved nonemergency programs that are processed, fortified, or bagged.

Bagged in U.S.: Percentage of approved nonemergency bagged commodities that are whole grain to be bagged in the United States.

Source: FFP Preliminary Final Budget Summary Report, November 24, 2009.

Appendix 11: Countries with U.S. International Food Assistance Programs under the FFP Act—Fiscal Year 2009

	Title I (0 countries)		
	Title I-Funded Food for Progress (2 countries)		
Burundi	Central African Republic		
	Title II (54 countries)		
Afghanistan	Algeria	Bangladesh	Bolivia*

Appendix 11: Countries with U.S. International Food Assistance Programs under the FFP Act—Fiscal Year 2009—Continued

Burkina Faso	Burma *	Burundi	Cameroon
Central African Republic	Chad	Colombia	Côte d'Ivoire
Democratic Republic of the Congo	Djibouti	Ecuador *	Ethiopia
Gambia *	Georgia	Ghana	Guatemala
Guinea	Haiti	Honduras	India
Indonesia *	Iraq *	Kenya	Lesotho *
Liberia	Madagascar	Malawi	Mali
Mauritania	Mozambique	Nepal	Nicaragua *
Niger	Pakistan	Peru *	Philippines
Rwanda	Senegal	Sierra Leone	Somalia
Sri Lanka	Sudan	Syria *	Tajikistan
Tanzania	Uganda	West Bank/Gaza	Yemen
Zambia	Zimbabwe		
Title II-Funded International Food Relief Partnership (23 countries)			
Bolivia *	Cambodia	Cameroon	Central African Rep.
Dominican Republic	El Salvador	Ethiopia	Georgia
Guatemala	Haiti	Honduras	Kenya
Kyrgyzstan	Laos	Lesotho	Malawi
Namibia	Nicaragua	Peru	Senegal
Tajikistan	Uganda	Uzbekistan	
Title III (0 countries)			
Title V—Farmer-to-Farmer (23 countries)			
Angola	Belarus	Bolivia	Dominican Republic
Egypt	Ethiopia	Georgia	Ghana
Guyana	Haiti	Jamaica	Kenya
Lebanon	Malawi	Mali	Moldova
Mozambique	Nicaragua	Nigeria	Peru
Tajikistan	Tanzania	Uganda	
CCC-Funded Food for Progress (14 countries)			
Afghanistan	Armenia	Bangladesh	Bolivia
Dominican Republic	Ethiopia	Malawi	Mongolia
Mozambique	Niger	Pakistan	Philippines
Senegal	Uganda		
Food for Education (18 countries)			
Angola	Bangladesh	Cambodia	Cameroon
Chad	Ethiopia	Guatemala	Guinea-Bissau
Kenya	Laos	Liberia	Malawi
Mozambique	Niger	Pakistan	Rwanda
Sierra Leone	Uganda		
Bill Emerson Humanitarian Trust (1 country)			
North Korea			
Procurement Pilot Project (3 countries)			
Malawi	Mali	Tanzania	

* Active program(s) funded in previous fiscal year(s).

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF USDA FARM LOAN PROGRAMS)

THURSDAY, JULY 14, 2011

SUBCOMMITTEE ON DEPARTMENT OPERATIONS,
OVERSIGHT, AND CREDIT,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 2:00 p.m., in Room 1300, Longworth House Office Building, Hon. Jeff Fortenberry [Chairman of the Subcommittee] presiding.

Members present: Representatives Fortenberry, Crawford, Fudge, McGovern, Baca, and Owens.

Staff present: Tamara Hinton, Brandon Lipps, Josh Maxwell, John Porter, Debbie Smith, Pelham Straughn, Heather Vaughan, Liz Friedlander, Anne Simmons, Suzanne Watson, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. JEFF FORTENBERRY, A REPRESENTATIVE IN CONGRESS FROM NEBRASKA

The CHAIRMAN. The Subcommittee on Department Operations, Oversight, and Credit hearing entitled, *Agricultural Program Audit: Examination of USDA Farm Loan Programs,* will come to order.

I would like to welcome our guests. Good afternoon. Thank you for joining us here at the fifth farm bill audit hearing. These audits help Members of the Agriculture Committee gather data on farm programs so that we can evaluate each of them for effectiveness and efficiency. Having accurate and comprehensive information on current farm policy will help us develop the next farm bill in an integrated fashion so we can best serve America's farmers and ranchers.

We are joined today by Bruce Nelson. Mr. Nelson is the Administrator of the Farm Service Agency. The Farm Service Agency administers several loan programs that ensure that farmers, ranchers and rural businesses have access to the credit they need to purchase and maintain their operations.

It is difficult to imagine an industry that is more reliant on credit and access to capital than farming and ranching. Farm equipment can run upwards of $½ million. Combines cost more than most homes, especially here on Capitol Hill. And the cost of land can be prohibitive in and of itself. For beginning farmers with no credit history, obtaining a loan can be impossible.

My district is home to a growing community of farmers who raise food specifically for local farmers markets and other emerging food retailers. With little historical data on farmers producing for new markets, commercial credit institutions are sometimes reluctant to offer them credit. Farm Service Agency loan programs ensure that new farmers have access to the credit they need to get started.

It isn't only the new farmers that need access, however. All farmers operate in a risky environment subject to volatile swings in both weather patterns as well as commodity prices. The swings and the effect on farm income can cause commercial credit markets to tighten. The Farm Service Agency loans ensure that farmers don't lose access to credit during such difficult times.

Today we will hear how the Farm Service Agency administers its loan programs and how these programs are received in the countryside.

I don't think I need to remind anyone here that we are operating in a challenging fiscal environment. Today's audit will help us prioritize the programs that are most valuable to America's farmers and ranchers while making the most efficient use of the taxpayer dollar.

Mr. Nelson, thank you for joining us today, and I look forward to hearing your testimony and learning how we may actually improve our loan programs.

[The prepared statement of Mr. Fortenberry follows:]

PREPARED STATEMENT OF HON. JEFF FORTENBERRY, A REPRESENTATIVE IN CONGRESS FROM NEBRASKA

Good afternoon. Thank you all for joining us here today at the fifth farm bill audit hearing.

These audits help Members of the Agriculture Committee gather data on current farm programs so that we can evaluate each of them for effectiveness and efficiency. Having accurate and comprehensive information on current farm policy will help us develop the next farm bill in an integrated fashion, so that we can better serve America's farmers and ranchers.

We are joined today by Bruce Nelson, the Administrator of the Farm Service Agency.

The Farm Service Agency administers several loan programs that ensure farmers, ranchers and rural businesses have access to the credit they need to purchase and maintain their operations.

It's difficult to imagine an industry more reliant on credit and access to capital than farming and ranching. Farm equipment can run upwards of $½ million. Combines cost more than most homes. It's cheaper to buy a house on Capitol Hill than it is to buy certain cotton pickers. And the cost of land can be prohibitive in and of itself.

For beginning farmers with no credit history, obtaining a loan can be impossible. My district is home to a growing community of farmers who raise food specifically for local farmers' markets and other emerging food retailers. With little historical data on farmers producing for new markets, commercial credit institutions are sometimes reluctant to offer them credit. Farm Service Agency loan programs ensure that new farmers have access to the credit they need to start farming.

It isn't only new farmers that need access to credit; however. All farmers operate in a risky environment, subject to volatile swings in both weather patterns and commodity prices. These volatile swings and the effect on farm income can cause commercial credit markets to tighten. The Farm Service Agency loans ensure that farmers don't lose access to credit during difficult times.

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I don't think I need to remind anyone here that we are operating in a challenging fiscal environment. Today's audit will help us prioritize the programs that are most valuable to America's farmers and ranchers, while making the most efficient use of taxpayer dollars.

Mr. Nelson, thank you for joining us today. I look forward to hearing your testimony and learning how we might improve our loan programs.

The CHAIRMAN. With that, I would also like to recognize our Ranking Member, Ms. Fudge, from Ohio, for any opening commentary she might have.

OPENING STATEMENT OF HON. MARCIA L. FUDGE, A REPRESENTATIVE IN CONGRESS FROM OHIO

Ms. FUDGE. Thank you very much, Mr. Chairman, and thank you for holding this hearing to review the Farm Service Agency credit programs. This hearing is a good complement to the information we gathered during the April hearing on national credit conditions. The testimony offered and questions asked today will help move us a step closer to understanding and addressing credit concerns for producers in the next farm bill.

So I am pleased to have the opportunity to both listen to and ask questions of Mr. Nelson again. Thank you, sir.

As I mentioned in April, I represent Cleveland and many of its eastern suburbs. So there are not a lot of farms in my district. However, the farmers who grow food close to my district are very important to me. Like many urban communities, Cleveland is one of the largest food deserts in the nation. Fresh fruits and vegetables are not plentiful or affordable in my district. Many of my constituents depend on food banks, and my food banks depend on locally grown produce.

Thankfully, farmers markets and urban gardening are becoming more prevalent. Many people are struggling to make ends meet during these hard economic times, so these outlets are vital considering the high cost of fruits and vegetables.

With that said, I am concerned about the soundness and adequacy of the credit extended to farmers by the FSA and how that affects the affordability and availability of food in urban areas like Cleveland.

Additionally, I look forward to learning how agricultural lenders are responding to some of the developments I see in our cities and suburban areas like the increased interest in locally produced foods and the real problem of food deserts. I want to ensure that FSA is meeting the needs of young and innovative producers who can fill these gaps.

Finally, I want to make sure that FSA is reaching out to minority farmers with adequate and equal credit. This has been a difficult and ongoing problem at USDA, and although progress appears to have been made, it is our responsibility to ensure that both the structure and the implementation of FSA programs is fair. Sufficient and unbiased access to credit is critical for successful farming and ranching operations of all sizes in all states and locales.

So again, welcome to our witness. I look forward to hearing your testimony.

Thank you very much, Mr. Chairman. I yield back.

The CHAIRMAN. We are also joined today by the gentleman from New York, Mr. Owens, who is not a Member of this Committee, but who in consultation with the Ranking Member, we are happy to have on the panel for questions later.

Mr. OWENS. Thank you very much. I appreciate it, Mr. Chairman.

The CHAIRMAN. We move now to our witness. Mr. Bruce Nelson is the Administrator of the Farm Service Agency, and he is accompanied by Mr. Jim Radintz, the Assistant Deputy Administrator of the Farm Service Agency.

Mr. Nelson, please begin.

STATEMENT OF BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY JIM RADINTZ, ASSISTANT DEPUTY ADMINISTRATOR, FSA, USDA

Mr. NELSON. Mr. Chairman and Members of the Committee, thank you for the opportunity to discuss credit conditions in rural America. I am Bruce Nelson, Administrator of the Farm Service Agency, and today I look forward to giving you an overview and an update of FSA's farm loan programs.

Farmers and ranchers who are unable to obtain commercial credit can turn to FSA's Farm Loan Program. While we have been known as the lender of last resort by some, we have really become the lender of first opportunity to many in rural America. FSA assists farmers through both direct and guaranteed loan programs. Direct loans are made and serviced by FSA employees, and direct loans are not intended to be a permanent source of credit; rather, they are intended to help borrowers transition to commercial credit. Guaranteed loans are made and funded by a commercial lender. FSA guarantees up to 95 percent of the loan principal and interest, and guaranteed lenders are then accountable for loan servicing under this guarantee.

FSA farm loan programs are discretionary programs funded through annual appropriations, and because the vast majority of these loans are repaid, FSA loans carry a low cost for the taxpayer. Last year, for example, $155 million in appropriations supported over $5.2 billion in loans, and as of June 30 of this year, $124.8 million in Fiscal Year 2011 appropriations have supported more than $3.9 billion in lending.

As in recent years, demand for loans has remained quite high. While higher commodity prices have benefited some producers, rising input costs such as feed, fuel, and fertilizer have remained high. In addition, as land prices continue to rise, commercial lenders in many regions are maintaining tight credit standards in general. All of these factors contribute to continuing demand for FSA loans.

Term limits on FSA loans have also affected credit availability. Federal statute presently limits borrowers with guaranteed operating loans to 15 years of eligibility. This has been suspended in the past, but the latest suspension expired on December 31 of last year, making about 4,500 guaranteed loan borrowers ineligible for further guaranteed loans as a result.

We at FSA are always working to improve the way we administer and service loans. In Fiscal Year 2010, I am proud to report that the loss rate in the Direct Loan Program fell to 1.2 percent, its second lowest level since 1986. The direct loan delinquency rate stood at 5.6 percent in Fiscal Year 2010, its lowest point in 2 decades. And the direct loan foreclosure rate stood at just 1⁄10 of 1 percent last year.

While working to keep trouble loan numbers low, we are also able to graduate more than 2,000 direct loan borrowers to a guaranteed loan last year. This is a very important progress because helping farmers build relationships with their community lenders is a key step in establishing their future success in agriculture.

We are also processing loans more quickly than ever before. This improvement is largely due to modernized IT systems which help our field office staff to deliver our programs more efficiently. Support in Congress for these critical infrastructure improvements has made these great strides and service possible, and I am grateful for that support.

Finally, I would like to speak on the issue of equal access to our loans.

Secretary Vilsack has been extremely clear that improper treatment of those that USDA and FSA serve will not be tolerated. Under this Secretary's leadership, FSA has improved processing of civil rights complaints, and we have requested an external analysis of our field office program delivery. Our team here in Washington and across the country shares my commitment and Secretary Vilsack's commitment to equal access and opportunity for all those customers that FSA serves.

Mr. Chairman and Members of the Subcommittee, again thank you for allowing me to share this snapshot of FSA loan activities with you, and I am available to answer your questions now or at anytime in the future.

Thank you very much.

[The prepared statement of Mr. Nelson follows:]

PREPARED STATEMENT OF BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear before you to provide an update on the credit conditions rural America now faces and the current status and operations of the farm loan programs at the Farm Service Agency (FSA).

Credit Conditions

The farm economy strengthened in 2010. However, farm income, especially net farm income, is very unevenly distributed. Much of the improvement in farm economic conditions is driven by higher commodity prices. While higher prices have been beneficial for some crop producers, they have also resulted in higher feed costs which are squeezing profits among livestock and dairy producers.

A combination of higher commodity and energy prices is significantly increasing the amount of capital required to finance agricultural production. Crop-related expenses grew 77 percent between 2002 and 2008, and are expected to rise by 9.5 percent in 2011. Livestock expenses increased by 64.4 percent between 2002 and 2008, and are forecast to increase by 6.8 percent in 2011. These higher production costs increase the demand for operating credit, increase financial leverage, and strain liquidity.

Recent Federal Reserve Surveys indicate commercial lenders in most regions are continuing to maintain stringent credit standards. Concerned that a combination of factors may be pushing farmland values quite high, the Federal Deposit Insurance Corporation has issued guidance to its examiners to scrutinize farm loans more rigorously, particularly in financial institutions with a concentration of farm lending. The combination of high feed and other input costs, increased operating capital needs, and a continued high level of loan scrutiny by lenders means some farmers are still being denied commercial credit.

FSA Farm Loan Programs. Family farmers who are denied commercial credit due to lender standards, but are otherwise creditworthy, can turn to the farm loan programs administered by FSA. The Agency assists farmers through direct and guaranteed farm loans. Direct loans are made and serviced by FSA; agency employees provide supervision and technical assistance to direct loan borrowers. Direct loans are not intended to be a permanent source of credit and borrowers agree to obtain commercial credit and refinance their FSA debts when they are able to do so.

Guaranteed loans are made, funded and serviced by a commercial lender. FSA typically guarantees up to 90 percent of the loan principal and interest. FSA employees must evaluate and make a credit decision on all guaranteed loans. Guaranteed lenders must retain at least the non-guaranteed portion of the loan in their portfolio and are accountable for loan servicing under the FSA guarantee.

Funding. FSA farm loan programs are discretionary programs funded through annual appropriations. In accordance with the Federal Credit Reform Act of 1990 (as amended), appropriations for FSA farm loans are based on the projected total cost of loans when they are made. Federal budget resources are able to be significantly leveraged through the loan programs. In Fiscal Year (FY) 2010, for example, $155.3 million in appropriations supported $5.29 billion in direct and guaranteed FSA loans.

Loan Demand. Activity in FSA's farm loan programs indicates that a significant number of farmers continue to be unable to obtain commercial credit under current conditions. Farm loan program demand is usually a reflection of financial conditions in the farm economy: when the over-all farm economy is strong, farm loan activity declines; during times of financial stress in the farm economy, demand for FSA's loans rises. This makes sense, since a basic requirement to qualify for the loan programs is to be unable to meet the criteria for commercial credit.

In early FY 2009, loan demand surged to levels that had not been seen since the early 1980s. Demand for farm loan program assistance in FY 2009 and FY 2010 reached its highest levels since FY 1985. Demand has continued at, and in some programs increased above, those near-record FY 2009 levels (*Chart 1*). Use of the guaranteed farm ownership program in FY 2010 reached an all-time high. FY 2010 direct operating and farm ownership obligations nearly doubled compared to FY 2008 levels. Application activity in FY 2011 reflects demand levels similar to the higher levels of FY 2009 and FY 2010. The demand for new loans in FY 2011 is in addition to the credit provided through the $7.97 billion in direct loans and $10.35 billion in guaranteed loans outstanding in the FSA portfolio at the beginning of the fiscal year To manage the increase demand, FSA has proposed shifting budget authority from the guaranteed operating loan interest assistance program, where demand is down, to the direct operating loan program and the guaranteed farm ownership loan program, where a shortfall is expected. On June 27, 2011 Secretary Vilsack signed letters to the Chairmen and Ranking Members of the appropriate Appropriations Subcommittees of the House and Senate, advising them of the proposed transfer. The planned transfer will fund the approved and pending applications for direct operating loans and provide adequate guaranteed ownership funding for the remainder of FY 2011. Some, but not all of the unfunded direct ownership loans will be funded from other transfers that are required by law in August and September.

Over the past 2 years, an unusually high number of direct operating loan applications have been received from new customers. Normally, about 20 percent of direct operating loan applications in any given year are from farmers who do not have FSA loans. Since 2009, over 40 percent of direct operating loan applications have been from farmers who are not FSA borrowers. As of July 7, 2011, 44 percent of the direct operating loans made in FY 2011 were to customers who did not have existing FSA operating loans.

Performance and Portfolio Conditions

Farm loan programs continue to emphasize the importance of processing applications in a timely manner. Between FY 2001 and FY 2011, farm loan programs reduced its direct loan application processing timeframes by 11.5 days (31 percent), and reduced guaranteed loan processing timeframes by 2 days (ten percent). As of March 30, 2011, the average time from application receipt to final decision for direct loans was 27.8 days, and for guaranteed loans, 9.4 days. It is remarkable that even though loan demand has surged, there has not been a noticeable deterioration in application processing time. This is a testament to the dedication of FSA field staff and the effectiveness of the Information Technology (IT) solutions farm loan programs has deployed.

As of June 30, 2011, the FSA direct loan portfolio consisted of $8.14 billion owed by 70, 937 borrowers, while the guaranteed portfolio consisted of $10.86 billion owed by 34,832 borrowers. The quality of our portfolio has continued to improve, with foreclosure and loss rates falling while borrower "graduation" to commercial loans has increased.

Loss Rates. In FY 2010, losses in the direct loan program fell to their second lowest level since 1986—just 1.2 percent (*Chart 2*). Losses for FY 20l0 in the guaranteed loan program were 0.6 percent, (*Chart 2*).

Delinquency Rates. As with losses, the direct loan delinquency rates have been at historic lows for the past 2 decades at 5.9 percent for FY 2010 (*Chart 3*). This is the result of steady and dramatic decreases, from a 23.8 percent delinquency rate in FY 1995. The decrease was facilitated by expanded authority, since 1996, to offset delinquent borrowers' loan obligations with their Federal payments, salaries and income tax refunds. In the guaranteed program, the FY 2010 delinquency rate was 1.69 percent, the second lowest since 1995 (*Chart 3*).

Foreclosures. Foreclosure rates continue to be very low in the direct loan program. In 2010, FSA completed 64 foreclosures. This represents less than 1⁄10 of 1 percent of the agency's direct loan caseload of 70,905 (as of September 30, 2010). The extremely low foreclosure rate is the result of the use of all available servicing tools and a structured review process to ensure that all options to assist the borrower have been exhausted before a foreclosure action is started.

Inventory Properties. Inventory farm properties those that have come into government ownership through voluntary conveyance or foreclosure are also at historic lows, with just 86 farms totaling 10,900 acres in FY 2010 (*Chart 4*). In 1995, FSA held nearly 1,800 farms totaling 598,000 acres. Many of those inventory properties were sold to established and beginning farmers, providing those individuals with prime opportunities to expand or create new operations.

Graduation Rates. Federal law requires FSA to "graduate" its borrowers to commercial credit when they have made sufficient progress to be able to qualify for loans from other lenders. They are assisted by the agency in refinancing their direct loans with FSA guaranteed loans from commercial lenders. Some 2,221 direct loan borrowers were able to graduate in FY 2010.

Equitable Treatment and Participation

Secretary Vilsack has been extremely clear that improper and inequitable treatment of individuals the United States Department of Agriculture (USDA) and FSA serve will not be tolerated. On April 21, 2009, the Secretary announced several actions in a comprehensive approach to ensure fair and equitable treatment of USDA employees and constituents. These actions included an initiation of several improvements in processing civil rights complaints, requesting an external analysis of program delivery by USDA service center agencies, and 90 day suspension of FSA farm foreclosures, which has provided us time to ensure that all producers have received their statutory protections. In FY 2010, while FSA received more than 48,000 loan applications, more than 4,000 loan servicing requests, and tens of thousands of applications for various farm commodity, support, and disaster programs, the Assistant Secretary for Civil Rights received only 37 civil rights complaints related to FSA programs. While this is the lowest number of FSA civil rights complaints received since records have been kept, it is our goal to further reduce this number.

I, along with all members of the FSA management team, remain fully committed to providing to equal access and opportunity for all those FSA serves. I will closely monitor the operations of farm loan programs and all other FSA programs to assure that our producers, program applicants, and employees receive fair and equitable treatment. I want to update you on a few key activities dealing with these important issues.

Program participation. An examination of the composition of FSA's loan portfolio indicates that FSA finances socially disadvantaged farmers at a much higher rate than that groups' proportion of the farm population (*Chart 5*). FSA has significantly increased the amount of loan funds provided to socially disadvantaged applicants. Between 1995 and 2010, the FSA direct loan caseload for socially disadvantaged borrowers increased from 3,260 to 14,840. Between 1997 and 2010, the FSA guaranteed loan caseload for socially disadvantaged borrowers increased from 1,730 to 2,998.

In the 2008 Farm Bill, Congress re-affirmed the focus for FSA programs on beginning farmers and ranchers. FSA continues to strive to reach more beginning farmers and ranchers and has increased the amount of loan funds provided to beginning farmers and ranchers. The FSA direct loan caseload for beginning farmers increased from 3,474 in 1995 to 27,111 borrowers in 2010. Guaranteed caseloads for beginning farmers and ranchers were first reported in 1997. The FSA guaranteed loan caseload for beginning farmers increased from 3,617 in 1997 to 9,477 borrowers in 2010.

IT Modernization. Farm loan programs has also implemented modern, Web-based systems to manage the loan application, approval and funding process. This system provides real-time management data on application activity and allows the Agency to better cope with funding problems and act quickly when necessary. For example, when the Agency received supplemental funding in the American Revitalization and Recovery Act, over 2,000 farmers were waiting for desperately needed direct operating loans to pay 2009 planting and other farming expenses. When funds were made available to FSA, the Agency was able to process obligations overnight, and funds began flowing into farmers' bank accounts only 3 days later. I am proud to say that FSA was one of the first agencies in the government to get recovery dollars flowing to those who desperately needed it. The modern, web-based IT systems in place for farm loan programs, such as the Direct Loan System (DLS) and the Program Funds Control System (PFCS), were a key factor in our ability to provide such timely service.

This past year we have completed the final phase of moving all automated farm loan systems to the Web. With the completion of this project, duplicate data collection is eliminated and farm loan services are being delivered even more efficiently This project allows our employees to conduct USDA business from any location where there is broadband, WiFi or dial-up Internet access. This allows us to conduct business with producers at locations and times convenient to them. Additionally, this information is stored on a centralized server allowing employees to quickly access portfolio information and provide real time management reports. FLP staff no longer relies on antiquated operating environments for program delivery.

In addition to the business plan and loan accounting systems, other IT systems have been developed and implemented which also enhance the efficiency of FSA employees. Agency appraisers have recently been provided state of the art agricultural software that allows collateral valuations to be done more expeditiously, which facilitates faster access to capital for loan applicants. Automated Web-based systems have been developed for program oversight, including Farm Loan Programs Risk Assessment (FLPRA) and the District Director Oversight System (DDORS), which help to ensure the integrity of FSA's farm loan programs.

Conclusion

Through modernization efforts, maintaining focus on program objectives, and the hard work and dedication of FSA employees, FSA farm loan program staff has made great strides in improving program performance. Loan failures and losses have declined which is a strong indication that the program mission of helping farmers become successful is being accomplished. At the same time, increased assistance to small, beginning, and socially disadvantaged farmers, reflects remarkable success as well.

However, we continue to face challenges. Government resources are increasingly limited and the agriculture production landscape is changing. It will require every bit of innovation, management expertise, and determination that we can muster to maintain the efficiency and efficacy of farm loan programs over the next several years.

We are experiencing a unique set of conditions in the credit and banking sectors, and to a large extent, in agriculture. These changes pose significant barriers and challenges to the groups that FSA farm loan programs are intended to assist. These issues create major challenges for the agency as well, since the success of the program depends on those whom the programs are intended to serve. To keep pace with these changes, we look forward to working with you to continue efforts to modernize our delivery systems, and to refine and adjust program requirements and operations to maximize the opportunities for our nation's small, beginning, and socially disadvantaged farmers and ranchers.

Because of our rural delivery system and experienced loan officers, FSA's farm loan programs staff is well positioned to continue providing high quality delivery of existing programs and new initiatives to assist small, beginning, and socially disadvantaged family farmers. We look forward to working with this Subcommittee to address the challenges we face in accomplishing this worthwhile mission to strengthen family farmers and rural America.

Thank you for allowing me to share our Department of Agriculture perspective as you seek to address this important issue. I am available to answer your questions now or at any time in the future.

CHARTS

Chart 1

Total All Loans

Comparison of Obligations

(in Billion Dollars)

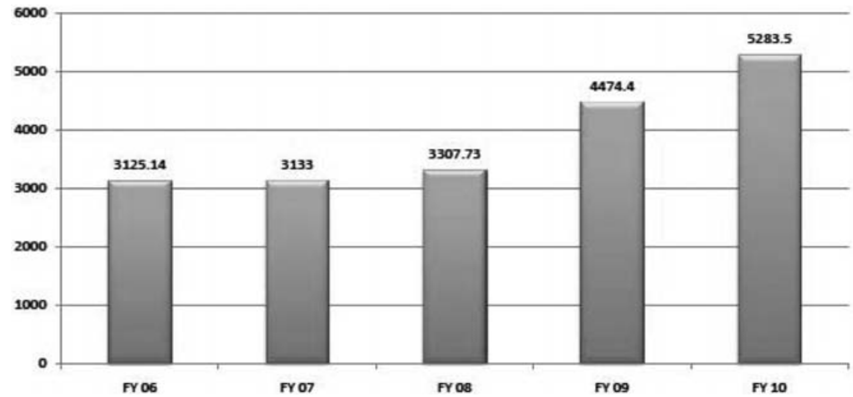


Chart 2

Farm Loan Programs Loss Rates

10 Year Trend

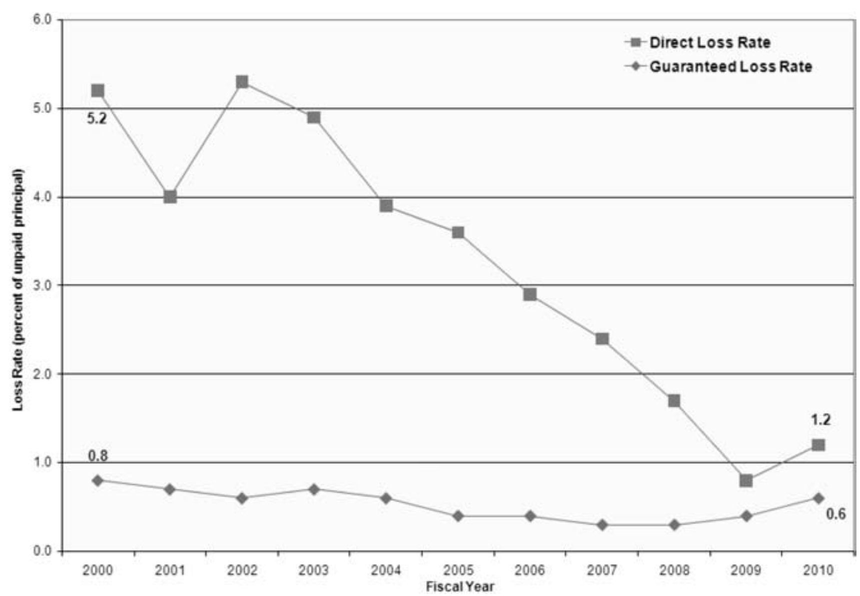


Chart 3
Farm Loan Programs Dollar Delinquency Rate
10 Year Trend

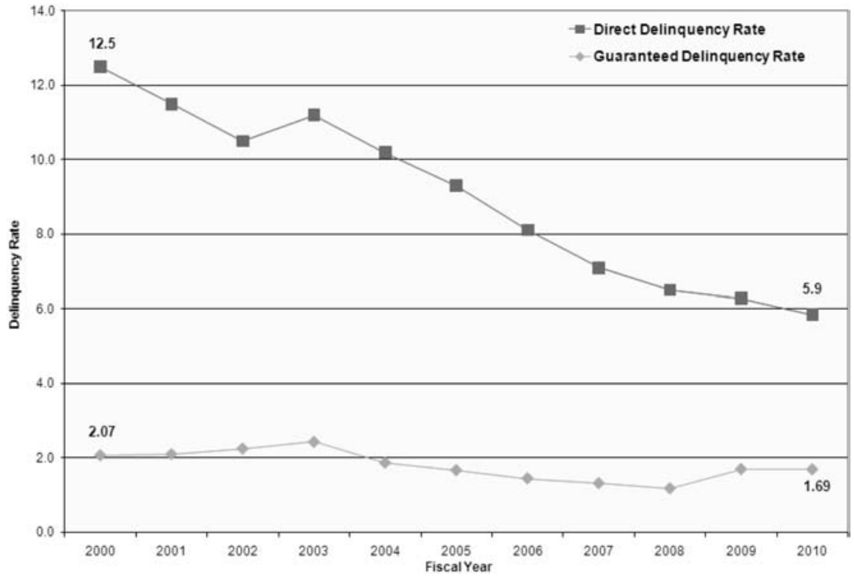


Chart 4
Farm Loan Programs Inventory Property

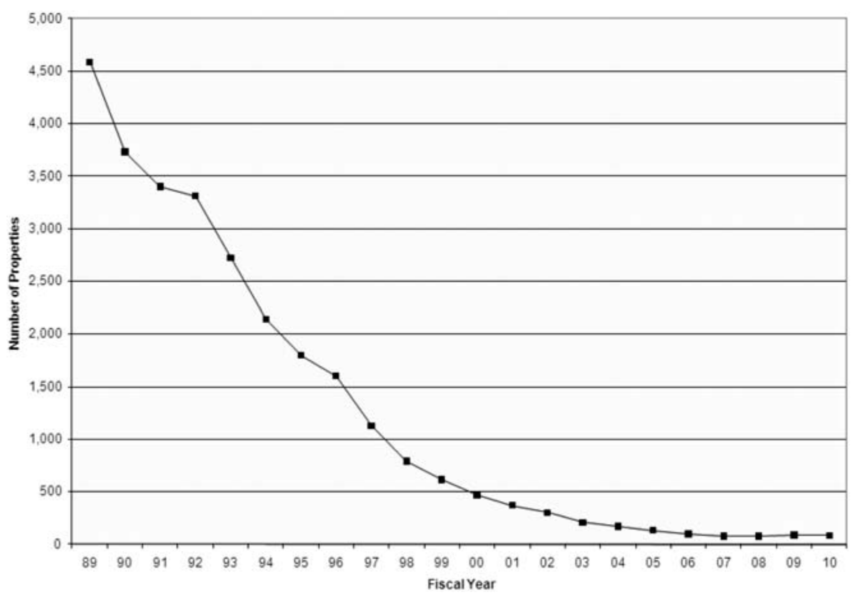


Chart 5

FY 2010 Borrower Case Load by Race

(As Compared to 2007 Ag Census Data)

	Percent of 2007 Ag Census Population	Percentage of FY 2010 Direct Caseload	Percent of Population being served by FSA Direct Farm Loans	Percentage of FY 2010 Guaranteed Caseload	Percent of Population being served by FSA Guaranteed Farm Loans
White	96.45	89.15	2.99	95.53	1.56
Black	1.40	3.10	7.18	0.53	0.60
Asian/Hawaiin	0.57	0.89	5.00	2.21	6.05
Amer Ind./AI Nat.	1.58	3.46	7.07	1.58	1.57
Hispanic*	N/A	3.31	N/A	0.11	N/A
Other	N/A	0.10	N/A	0.04	N/A

Hispanic Americans are not a separate category within the 2007 Census of Agriculture; therefore, no reliable comparison can be established.

The CHAIRMAN. Thank you, Mr. Nelson.

Let me begin with the questions, then I will turn to our Ranking Member.

Let's talk about this issue of the term of the guaranteed loan. There seems to be—let's just unpack that further as to the policies that led to the 15 year term, and suspension of the term so that it could be extended into much longer periods of time. Yet that has to be held in comparison with wanting people to move actually away from this type of product, this type of guarantee, particularly if they are in a successful situation.

So what do you anticipate emerging in this regard?

Mr. NELSON. Mr. Chairman, I really appreciate your question because it gives an opportunity not only to talk about the issue of possibly extending the term limits, but it gives me an opportunity to emphasize that the vast majority of FSA borrowers do stay within the term limits.

For example, for our operating loans, the average time of participation of our borrowers is between 5½ and 6 years. And for the farm ownership loans, it is about 12 years. So again, I think it is important to have on the record the fact that, again, the vast majority of the borrowers stay within the term limits.

But I am a farmer from out in Montana. My family has been there for about 100 years on the place that my grandparents homesteaded. And like a lot of families, most of the farmers and ranchers around the country are in business for 40 or 50 years, and it is likely that in that 40 to 50 year period that you are going to have 10 or 15 or 20 bad years because of, for example, low commodity prices or disaster situations that are beyond the control of the individual producer.

Now, we have recognized, as you mentioned in your opening statement, that there are inherent risks in agriculture that are beyond the control of individual producers, and it is why the ag safety net was created in the first place. And we have also realized that if you have enough hard years that affect enough producers, you can actually affect the food security of the nation.

So what I would ask you to consider on term limits is some flexibility so that we at FSA can look at the individual borrower on a case-by-case basis and determine whether or not the fact that that producer may need to have a term extension is because of factors beyond their control, again because of low commodity prices or disaster situations, or whether it was something that was within the producer's control. And in the case where it was something that happened to them because of situations beyond their control or factors beyond their control, we ought to have the flexibility to look at extending the term, but where it was something that was clearly within the producer's control, then we probably shouldn't.

The CHAIRMAN. How is this balanced with the dual responsibility the agency has to graduate farmers to the commercial loan market?

Mr. NELSON. Well, I believe that always ought to be our objective and, as I mentioned in my statement, we were proud to graduate over 2,000 borrowers last year, and that needs to become the intention and continue to be the intention.

The CHAIRMAN. What percent is that of the overall program?

Mr. NELSON. We have about 70,000, I believe, borrowers in the Direct Loan Program. So that was 2,000 of 70,000, and we will make sure that we clarify those numbers if I don't have it right, Mr. Chairman.

The CHAIRMAN. Okay. With that, I will turn to our Ranking Member for any questions she may have.

Ms. FUDGE. Thank you very much, Mr. Chairman. I have just a few quick questions.

Mr. Nelson, in the district I represent, instead of having the traditional farmers obviously, we have young innovators and creative entrepreneurs who are growing gardens on rooftops or on abandoned lots and turning them into thriving farms. And there are many who garden indoors because we have very harsh winters in Ohio, which I am sure you know. And we encourage this kind of gardening.

So while they aren't your garden variety farmers, they do consider themselves farmers and do need financial assistance. Under your rules, are these producers qualified for FSA loans?

Mr. NELSON. That is another good question because again, there is an impression out there that because our loan program is agricultural in nature that that means it is strictly rural in nature. That is not the case because our agricultural loans are available for producers whether they are in the middle of a city, or in the suburbs, or out in the rural countryside.

And so this is a good opportunity to help get the word out about that because we do have examples in the Farm Service Agency of having made loans around the country for just the type of roof-type gardens that you are talking about, for small apiaries that are in or near cities, and also for community-sponsored agriculture, CSA, so that we can help local producers create the food networks to supply food to food deserts like your hometown of Cleveland.

Now, the Department of Agriculture has started on a "Know Your Farmer—Know Your Food" Program and I like that, as a dryland wheat farmer from Montana, because that helps get the word out to the American people about the importance of agriculture. It is a program designed to make them understand and appreciate farmers and ranchers. But also in the situation you are talking about, it is a program designed to help link up those local producers with local markets.

Now, one thing I will say, though, is we are pretty new to urban areas, and so we could certainly use some help from you folks in terms of how better to serve the agricultural producers in our cities.

Ms. FUDGE. And I appreciate that because you are saying to me that you are trying to find ways to work with the very people that we are talking about. And I would like to at some point talk to you further about that because I think it is very important. And I am glad to see that you are taking the initiative to find ways to work with that particular population of farmers. So I thank you.

My last question is can you give us just a brief update on how the reduced funding in the Continuing Resolution will affect credit programs. And specifically, how has FSA been able to weather the cuts to the Agriculture Credit Insurance Fund of some $430 some odd million and to the Farm Assistance Fund of another $44 million.

Mr. NELSON. Under the 2011 Appropriations Act, and I am going to turn this over to Jim in a minute, we were given the authority to transfer funds. And so pursuant to that authority, back on June 27 Secretary Vilsack did notify the appropriators of our intention to transfer funds from the Guaranteed Interest Assist Program, where there wasn't as much demand, into the Direct Operating Loan Program. And we anticipate that if that transfer goes through, which we haven't heard any issues that the appropriators have had with it, that we will be able to cover our direct operating loan demand.

We also do have a backlog on the farm ownership side, and there are target designations that will come off some of our loans in August and September that will free up those funds to hopefully cover our farm ownership approved loans out there.

Jim, do you have anything to add to that.

Mr. RADINTZ. I just would clarify that while we will be able to use some of those transfers late in the year to address some of the backlog, there will be some folks with approved direct ownership loans that won't be funded until fiscal 2012 because even with the transfers we just have more demand than we will be able to have funding for.

Ms. FUDGE. Thank you so much. Mr. Chairman, I yield back.

The CHAIRMAN. I thank the Ranking Member. I should inform the Members of the Committee that votes have been called. I think if we can all aggressively manage time we might be able to get through, each Member will have a question if it is kept at about 2 minutes. So with that I will turn to Mr. Crawford.

Mr. CRAWFORD. Okay. Real quick. Mr. Nelson, I understand that by law emergency loans offered by the SBA are not available to farmers although they once were back in the 1980s and that change was made in 1986 because some viewed that as a degree of overlap. At this time, the loan structure of SBA loans is actually a lot more favorable than FSA, giving SBA borrowers lower interest rates, longer periods of maturity and higher loan amounts. I am wondering if there is any way we can model the FSA emergency loans after the SBA loans to get those more favorable rates and terms.

Mr. NELSON. Congressman Crawford, I am going to turn that over to Mr. Radintz because my experience in history with Farm Service Agency lending program is that we work together with the Small Business Administration. And so in emergency situations, if there is a Secretarial designation, FSA emergency loans are triggered for farmers and ranchers along with SBA assistance to the Main Street businesses that are also adversely affected by the natural disaster.

If you are suggesting modeling the Farm Service Agency Loan Program more after SBA, we would be happy to look at that and advise you, our technical experts, within FSA during your consideration of the farm bill debate and see where we may be able to improve things.

By the way, Congressman, I did appreciate the opportunity to come up and visit with you about the Farm Storage Facility Loan Program that day. Thank you again for the invitation.

Mr. CRAWFORD. You bet.

Mr. RADINTZ. Regarding the Emergency Loan Program and comparing it with Small Business Administration disaster recovery loans, there are a couple of factors. We could lower the interest rates. That is a decision that the Secretary would need to make. But of course any change in the interest rates of the loan programs would have some budgetary impact for us.

The other conditions, rates and terms and so forth, would require some statutory modification, and that is something that we could certainly work with the Committee on.

Mr. CRAWFORD. Gentlemen, thank you. I yield back.

The CHAIRMAN. Thank you.

Mr. McGovern is recognized.

Mr. MCGOVERN. Thank you, and I will be brief.

I am new to the Agriculture Committee, but I have a district similar to Ms. Fudge. I represent a primarily urban-suburban district. And I am particularly interested in, as I mentioned to your predecessor, who was here not too long ago, that I am particularly interested in reaching out to smaller and medium-sized farms and smaller producers as well as speciality crop producers.

And I assume that you think that in most regions of the country there continues to be a need for the FSA to provide credit.

And then my second question is how does participation in your programs vary across types of producers as well as in various areas of the country? Are there certain parts of the country where FSA plays a bigger role than commercial credit?

Where I am from, what I hear constantly from these farmers, who I didn't know existed until I got on the Agriculture Committee, is that it is a challenge for them to access credit because of their proximity to an urban area.

And I would just appreciate your comments on those.

Mr. NELSON. Well, Congressman, I appreciate that, again in response to Congressman Fudge's question earlier, we are challenged in the Farm Service Agency with going beyond our traditional customers out there. And we look forward to working with you to better reach folks in urban areas and around urban areas because, again, this is an agricultural program. It is not a rural program. It is supposed to serve agricultural producers everywhere in the country. And with respect to smaller producers, in fact most of our borrowers are on the small end of the spectrum. If you look at the gross sales and the equity positions and the net income positions of our borrowers, we loan primarily to folks on the small end of the producer spectrum. And that makes sense because those are with the emphasis on beginning farmers, for example, most people aren't going to start out big.

And so again we would look forward to working with you to try to develop ways to reach folks out there. And I look forward to those conversations and, during your consideration of the farm bill, what we can do in that to help.

Mr. McGOVERN. I appreciate it. Just my final point, are there certain parts of the country where FSA plays a bigger role than commercial credit?

Mr. NELSON. If your question is do we play a bigger role than commercial credit, I will have to get back to you on that. I can answer the question about where we historically have our most loans, and that is we have our most loans in the most intensely agricultural parts of the country, which is the Midwest primarily over to the Missouri River. And again, our challenge is to reach out beyond those traditional constituencies.

So I would turn it over to Mr. Radinitz to see if he has anything to add. And we would look forward to providing you with more detailed information.

[The information referred to is located on p. 459.]

Mr. McGOVERN. I appreciate your offer to work with us and I look forward to working with you. It sounds like the issue is that we just need to get to know each other better rather than there is any kind of barrier from getting help.

Mr. NELSON. No barriers. Looking forward to it.

Mr. McGOVERN. Thank you.

The CHAIRMAN. Mr. Owens, you are recognized.

Mr. OWENS. Mr. Nelson, first I want to thank you obviously for being here today, but you also were a great deal of help to me in a conversation we had about 2 weeks ago regarding the potential for SBA loans for people in my district affected by dramatic flooding.

I want to ask, in your testimony there was appended several graphs and one is entitled, *Farm Loan Programs Loss Rates 10 Year Trend*. Very interesting to me because we are looking at direct loan loss rates and guaranteed loan loss rates. When they blend together they are about .9 percent.

Would it be fair to say that you compare quite favorably with commercial bank loan loss rates?

Mr. NELSON. I am going to have to defer that question to Mr. Radintz because I don't know of the commercial loss rates, Congressman.

Mr. OWENS. Thank you.

Mr. RADINTZ. In our Guaranteed Loan Program, the loss rates are somewhat marginally higher than commercial rates but again these are loans made by commercial lenders with an FSA guarantee, so the rates are somewhat close. The loss rates in the Direct Loan Program are somewhat higher. I would say probably maybe double. But again we are talking about the difference between maybe ¾ of a percent for commercial lender *versus* 1½ to 2 for a direct loan, and remember these are borrowers that direct lenders won't even take the risk. So they are very high-risk borrowers, and we are still able to keep our loss rates fairly comparable, at least tracking with commercial lenders.

Mr. OWENS. Thank you very much. I yield back.

The CHAIRMAN. Mr. Baca of California.

Mr. BACA. Thank you very much, Mr. Chairman.

Let me ask this question. I am pleased that Secretary Vilsack and President Obama are committed to turning the page when it comes to civil rights at USDA. Unfortunately, the loan discriminations of the past are still often associated with USDA today. Can you please speak to the Subcommittee a little bit more regarding the Farm Service Agency's effort to eliminate discrimination once and for all in all U.S. loan programs?

And I am going to ask a second question. Given the discrimination suits of various groups such as the African Americans, Latinos, Native Americans, and female farmers, is there more that Congress can do when we look at the next farm bill to ensure equitable access to credit for everyone in rural America?

Mr. NELSON. Well, I appreciate that comment and question, Congressman, because it gives me the opportunity to reemphasize not only——

The CHAIRMAN. Mr. Nelson, if you could suspend for one moment. There are 2 minutes left in the vote, just to inform you all. I will continue the hearing for another moment or two, and then we may proceed afterward but if you need to leave it is okay.

Mr. NELSON.—to the President and Secretary's commitment to making sure that we are serving everyone, and I believe that the Farm Loan Program numbers of Farm Service Agency since 1995 to 2010 bear out with, for example, we are—in the Direct Loan Program since 1995, we have increased the number of direct loan SDA borrowers from 3,260 to almost 15,000. That is a 4½-fold increase. In the Guaranteed Program, we have more than doubled them.

And I want to emphasize that overall those are good loans because those folks are keeping up their end of the bargain and in that period of time——

Mr. BACA. I don't think I am questioning the good loans. I just wanted to make sure there is no discrimination, that there is an equitable distribution.

Mr. NELSON. I appreciate that, Congressman. And that is absolutely what we are committed to. Absolutely.

Mr. BACA. Thank you.

The CHAIRMAN. Mr. Baca, do you think you need to proceed with further questioning after the vote?

Mr. BACA. No, Mr. Chairman. Thank you.

The CHAIRMAN. Well, gentlemen, you have come at an awkward time, but it is always awkward up here. I apologize.

Under the rules of the Committee the record of today's hearing will remain open for 10 calendar days to receive any additional supplementary material and written responses from you from any questions posed by the Members.

The hearing of the Subcommittee on Department Operations, Oversight, and Credit is adjourned.

[Whereupon, at 2:35 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE

During the July 14, 2011 hearing entitled, *Agricultural Program Audit: Examination of USDA Farm Loan Programs,* a request for information was made to Bruce Nelson. The following is the information submission for the record.

Insert

> Mr. MCGOVERN. . . . Just my final point, are there certain parts of the country where FSA plays a bigger role than commercial credit?
>
> Mr. NELSON. If your question is do we play a bigger role than commercial credit, I will have to get back to you on that. I can answer the question about where we historically have our most loans, and that is we have our most loans in the most intensely agricultural parts of the country, which is the Midwest primarily over to the Missouri River. And again, our challenge is to reach out beyond those traditional constituencies.
>
> So I would turn it over to Mr. Radinitz to see if he has anything to add. And we would look forward to providing you with more detailed information.

While overall the total share of debt provided through direct and guaranteed programs is less than 10%, there are localized regions where farmers are more dependent on FSA loan programs.

Specifically, regions where FSA loan programs are more important include the Mississippi Delta, Southeastern Coastal Plains, New England, Southern & Northern High Plains, and the Inter-mountain west (see *Attachment 1*).

In many of the counties within these regions, FSA appears to serve over half of the indebted farmers through either the direct or guaranteed credit programs.

Since FSA tends not to be the primary credit source in most situations (*i.e.,* Provides <50% of an individual farmer's credit), the share of farmers served provides a better picture of FSA's market presence than the market share of total debt.

The share of farmers served can be examined by comparing the number of FSA borrowers with the number of indebted farmers. The Census of Agriculture provides data on the number of farmers with interest expense by county. In developing this measure, farmers with less than $500 of interest expense per year were excluded, as it was judged that these observations likely represented interest expense on accounts payable and not loans. The number of FSA borrowers was determined based on year-end 2010 to reflect the most recent data.

Thus, market penetration by county was estimated as:

$$\frac{\text{No. of farmers with } \textit{either} \text{ a direct or Guaranteed FSA loan in 2010}}{\text{No. of farmers with over \$500 of interest expense in 2007 (}\textit{Census of Ag}\text{)}}$$

Since the numerator and denominator represent two different time periods, this is a proxy rather than a measure for market penetration. The Census of Agriculture is collected only once every 5 years and is the only county-level data available on farm indebtedness. Still, debt levels do not change dramatically from year-to-year, and counties with high numbers of indebted farmers in 2007 are likely to have high numbers of indebted farmers in 2010. Note that if a farmer held both a direct and guaranteed loan, they were counted only once.

There were 222 counties with over 100 borrowers through either the direct or guaranteed loan programs. Most were in Wisconsin (19), Oklahoma (18), Minnesota (17), Louisiana (15), Nebraska (14), Iowa (13), Texas (12), and North Dakota (12) (see *Attachment 2*).

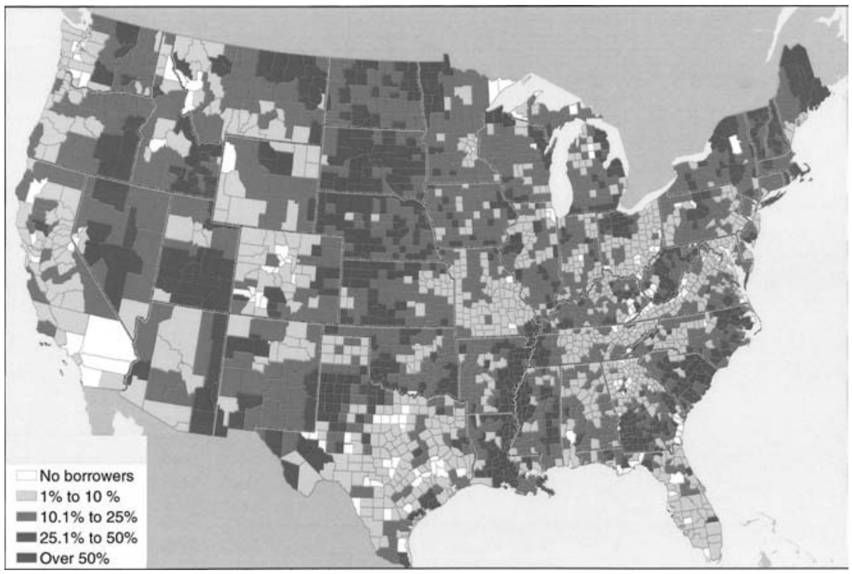
There were 147 counties where the number of Farm Loan Program (FLP) borrowers in 2010 was over half the number of indebted farmers in 2007. Many of the borrowers were either in Texas or the Mississippi Delta, with Louisiana holding the highest (21) number of borrowers, followed by Arkansas (14), Texas (14) and Tennessee (5) (see *Attachment 3*).

There are also areas with few farmers, but FSA tends to be a relatively important source of credit. This includes West Virginia, northern Michigan, northern Wisconsin, Long Island, and areas of New England.

ATTACHMENTS

Attachment 1

Total FSA Loan Program Borrowers (2010)/Total No. of Farms With >$500 of Int. Exp (2007)



Attachment 2

Counties With 100 or More FSA Farm Loan Borrowers

County, State	FSA Financed Farmers *	County, State	FSA Financed Farmers *
Lafayette, Wisconsin	504	Merced, California	126
Grant, Wisconsin	406	Morehouse, Louisiana	126
LeFlore, Oklahoma	316	Washita, Oklahoma	126
Yakima, Washington	285	Tripp, South Dakota	126
Seneca, Ohio	276	Dodge, Wisconsin	126
Marshall, Minnesota	263	Nemaha, Kansas	125
Green, Wisconsin	261	Avoyelles, Louisiana	125
Hale, Texas	260	Pointe Coupee, Louisiana	125
Polk, Minnesota	252	Cedar, Nebraska	125
Franklin, Louisiana	250	Cuming, Nebraska	125
Conway, Arkansas	247	Ward, North Dakota	125
Washington, Arkansas	234	Jackson, Oklahoma	125
Wood, Ohio	234	Dunklin, Missouri	124
Delaware, Iowa	229	Bottineau, North Dakota	124
Hancock, Ohio	224	Crawford, Ohio	124
Richland, Louisiana	221	Haywood, Tennessee	124
West Carroll, Louisiana	219	Shawano, Wisconsin	124
Otter Tail, Minnesota	217	Clay, Minnesota	123
Vernon, Wisconsin	217	Brookings, South Dakota	123
Sanilac, Michigan	214	Vermilion, Illinois	122
Clinton, Iowa	212	Renville, Minnesota	122
Vermilion, Louisiana	212	Custer, Oklahoma	122
McCurtain, Oklahoma	212	Day, South Dakota	121
Dubuque, Iowa	209	Desha, Arkansas	120
Manitowoc, Wisconsin	209	Pondera, Montana	120
Lancaster, Pennsylvania	208	Crockett, Tennessee	120

Counties With 100 or More FSA Farm Loan Borrowers—Continued

County, State	FSA Financed Farmers*	County, State	FSA Financed Farmers*
La Salle, Illinois	203	Wharton, Texas	120
Clark, Wisconsin	202	Graves, Kentucky	119
Lincoln, Nebraska	201	Sibley, Minnesota	119
Clayton, Iowa	195	Holt, Nebraska	119
Buchanan, Iowa	195	Chautauqua, New York	119
Huron, Michigan	193	Okanogan, Washington	119
Malheur, Oregon	189	Faribault, Minnesota	117
Aroostook, Maine	183	Beadle, South Dakota	117
Gage, Nebraska	182	Swisher, Texas	117
Putnam, Ohio	179	Emery, Utah	117
Caddo, Oklahoma	178	Colusa, California	116
Monroe, Wisconsin	177	Morrow, Ohio	116
Sutter, California	175	Cross, Arkansas	115
St. Landry, Louisiana	175	Labette, Kansas	115
Walsh, North Dakota	174	Duplin, North Carolina	115
Lonoke, Arkansas	173	Craig, Oklahoma	115
Tuscola, Michigan	173	Hockley, Texas	115
Stearns, Minnesota	171	Terry, Texas	115
Addison, Vermont	168	Acadia, Louisiana	114
Kittson, Minnesota	165	Shiawassee, Michigan	114
Traill, North Dakota	163	Thayer, Nebraska	114
Jackson, Iowa	162	Washington, New York	114
Phillips, Arkansas	161	Sanpete, Utah	114
Pembina, North Dakota	161	Grady, Oklahoma	113
Grant, North Dakota	159	Rockingham, Virginia	113
Carroll, Iowa	158	Marion, Oregon	112
Charles Mix, South Dakota	158	Matagorda, Texas	112
Sandusky, Ohio	157	Weld, Colorado	111
Marathon, Wisconsin	155	Warren, Illinois	111
Fond Du Lac, Wisconsin	154	Fayette, Iowa	111
Hancock, Illinois	153	Catahoula, Louisiana	111
Hillsdale, Michigan	151	Sheridan, Nebraska	111
Grant, Washington	151	Shelby, Illinois	110
Bingham, Idaho	150	Pulaski, Kentucky	110
Murray, Minnesota	150	Richland, Illinois	109
Cavalier, North Dakota	150	Stephenson, Illinois	109
Parmer, Texas	150	Kiowa, Oklahoma	109
Lubbock, Texas	150	Meade, South Dakota	109
Jefferson Davis, Louisiana	149	Polk, Wisconsin	109
Roseau, Minnesota	149	Sumner, Kansas	108
Lyon, Iowa	148	Nowata, Oklahoma	108
Hopkins, Texas	148	Lamb, Texas	108
Franklin, Vermont	148	Mississippi, Arkansas	107
Knox, Nebraska	147	Grant, Indiana	107
Dodge, Nebraska	147	Richland, Montana	107
Minidoka, Idaho	146	Cass, North Dakota	107
Harmon, Oklahoma	146	Umatilla, Oregon	107
Iowa, Wisconsin	146	Union, South Dakota	107
Hutchinson, South Dakota	145	Orleans, Vermont	107
Sauk, Wisconsin	145	Trempealeau, Wisconsin	107
Sioux, Iowa	144	Lee, Arkansas	106
Garfield, Oklahoma	143	Meeker, Minnesota	106
Dawson, Nebraska	142	Stoddard, Missouri	106
Oconto, Wisconsin	142	Kay, Oklahoma	106
Buena Vista, Iowa	141	Dane, Wisconsin	106
Reno, Kansas	139	Colquitt, Georgia	105
Haskell, Oklahoma	139	Carroll, Arkansas	104
East Carroll, Louisiana	138	Poinsett, Arkansas	104
Madison, Louisiana	138	Knox, Illinois	103
Chicot, Arkansas	137	Adams, Illinois	103
Stanislaus, California	137	Harrison, Kentucky	103
Okmulgee, Oklahoma	136	Barry, Missouri	103

Counties With 100 or More FSA Farm Loan Borrowers—Continued

County, State	FSA Financed Farmers *	County, State	FSA Financed Farmers *
Saluda, South Carolina	136	Otoe, Nebraska	103
Mitchell, Georgia	134	Stutsman, North Dakota	103
Greene, Illinois	134	Hawaii, Hawaii	102
Concordia, Louisiana	134	Winneshiek, Iowa	102
Spink, South Dakota	134	Ottawa, Ohio	102
Washington, Kansas	133	Beckham, Oklahoma	102
Grand Forks, North Dakota	133	Bryan, Oklahoma	102
Douglas, South Dakota	133	Nacogdoches, Texas	102
Franklin, Washington	132	Falls, Texas	102
Tensas, Louisiana	131	Twin Falls, Idaho	101
Gratiot, Michigan	131	Lyon, Minnesota	101
San Joaquin, California	130	Nobles, Minnesota	101
Hardin, Ohio	130	Scotts Bluff, Nebraska	101
Barron, Wisconsin	130	Butler, Nebraska	101
Iowa, Iowa	129	Herkimer, New York	101
Lenawee, Michigan	129	Emmons, North Dakota	101
Lac Qui Parle, Minnesota	129	Fulton, Illinois	100
St. Lawrence, New York	129	Christian, Kentucky	100
Cassia, Idaho	128	Plymouth, Massachusetts	100
Breckinridge, Kentucky	128	Norman, Minnesota	100
Redwood, Minnesota	128	Custer, Nebraska	100
Fresno, California	127	Choctaw, Oklahoma	100
Morton, North Dakota	127	Outagamie, Wisconsin	100

*Total Number of Farmers With Either a Direct or Guaranteed FSA Loan in FY 2010.

Attachment 3

Counties Highly Dependent on FSA Lending
(50%+ of all farmers using FSA financing)

County, State	FSA Financed Farmers *	Percent of all Farmers Financed by FSA **	County, State	FSA Financed Farmers *	Percent of all Farmers Financed by FSA **
Graham, Arizona	29	54.72%	Daniels, Montana	76	50.00%
Phillips, Arkansas	161	100.00%	Nance, Nebraska	90	53.89%
Chicot, Arkansas	137	100.00%	Dawes, Nebraska	97	53.01%
Lee, Arkansas	106	100.00%	Frontier, Nebraska	76	51.70%
Desha, Arkansas	120	94.49%	Hayes, Nebraska	63	51.22%
Conway, Arkansas	247	88.21%	Hidalgo, New Mexico	32	50.00%
St. Francis, Arkansas	83	72.81%	Martin, North Carolina	71	78.02%
Lonoke, Arkansas	173	72.69%	Bertie, North Carolina	66	67.35%
Cross, Arkansas	115	72.33%	Tyrrell, North Carolina	17	65.38%
Monroe, Arkansas	64	70.33%	Northampton, North Carolina	74	60.66%
Prairie, Arkansas	99	69.72%	Sioux, North Dakota	80	78.43%
Ashley, Arkansas	77	62.60%	Traill, North Dakota	163	66.80%
Woodruff, Arkansas	63	58.88%	Pembina, North Dakota	161	64.14%
Mississippi, Arkansas	107	54.87%	Grant, North Dakota	159	63.60%
Poinsett, Arkansas	104	54.45%	Steele, North Dakota	86	56.95%
Martin, Florida	84	88.42%	Seneca, Ohio	276	62.73%
Baker, Georgia	54	96.43%	Hancock, Ohio	224	59.89%
Mitchell, Georgia	134	79.76%	Wood, Ohio	234	57.07%
Pulaski, Georgia	33	70.21%	Sandusky, Ohio	157	55.67%
Terrell, Georgia	44	65.67%	Ottawa, Ohio	102	54.55%
Lee, Georgia	42	63.64%	Harmon, Oklahoma	146	100.00%
Calhoun, Georgia	36	54.55%	Greer, Oklahoma	87	50.58%
Colquitt, Georgia	105	53.57%	Haskell, Oklahoma	139	50.18%
Marion, Georgia	25	52.08%	Saluda, South Carolina	136	100.00%
Miller, Georgia	48	50.00%	Barnwell, South Carolina	67	94.37%
Butte, Idaho	64	68.09%	Marlboro, South Carolina	59	92.19%
Minidoka, Idaho	146	59.35%	Dillon, South Carolina	59	88.06%
Cassia, Idaho	128	51.00%	Clarendon, South Carolina	93	75.00%
Greene, Illinois	134	63.21%	Williamsburg, South Carolina	82	72.57%
Saline, Illinois	59	51.75%	Lee, South Carolina	58	63.74%
Grant, Indiana	107	53.77%	Darlington, South Carolina	58	50.43%
Logan, Kansas	60	54.55%	Douglas, South Dakota	133	70.00%
Pratt, Kansas	86	51.19%	Bennett, South Dakota	83	60.14%
Fulton, Kentucky	41	65.08%	Jackson, South Dakota	86	59.31%
Hickman, Kentucky	65	56.52%	Shannon, South Dakota	53	58.89%

Counties Highly Dependent on FSA Lending—Continued
(50%+ of all farmers using FSA financing)

County, State	FSA Financed Farmers*	Percent of all Farmers Financed by FSA**	County, State	FSA Financed Farmers*	Percent of all Farmers Financed by FSA**
Richland, Louisiana	221	100.00%	Custer, South Dakota	53	56.99%
Vermilion, Louisiana	212	100.00%	Potter, South Dakota	57	55.34%
West Carroll, Louisiana	219	100.00%	Jones, South Dakota	39	54.17%
Concordia, Louisiana	134	100.00%	Haakon, South Dakota	76	51.35%
Madison, Louisiana	138	100.00%	Crockett, Tennessee	120	100.00%
Pointe Coupee, Louisiana	125	100.00%	Haywood, Tennessee	124	90.51%
East Carroll, Louisiana	138	100.00%	Tipton, Tennessee	97	70.80%
Tensas, Louisiana	131	100.00%	Dyer, Tennessee	80	50.63%
St. Martin, Louisiana	47	95.92%	Lake, Tennessee	13	50.00%
St. Landry, Louisiana	175	88.83%	Hale, Texas	260	95.94%
Morehouse, Louisiana	126	88.73%	Baylor, Texas	58	75.32%
Acadia, Louisiana	114	86.36%	Parmer, Texas	150	73.17%
Jefferson Davis, Louisiana	149	86.13%	Swisher, Texas	117	73.13%
Iberia, Louisiana	55	82.09%	Wilbarger, Texas	95	67.38%
Franklin, Louisiana	250	78.86%	Terry, Texas	115	64.25%
Caldwell, Louisiana	44	74.58%	Reeves, Texas	29	61.70%
Catahoula, Louisiana	111	70.25%	Refugio, Texas	29	61.70%
Avoyelles, Louisiana	125	63.78%	Briscoe, Texas	46	54.12%
Evangeline, Louisiana	70	61.95%	Hockley, Texas	115	53.49%
lberville, Louisiana	26	57.78%	Crosby, Texas	68	51.91%
St. Mary, Louisiana	18	56.25%	Matagorda, Texas	112	50.91%
Aroostook, Maine	183	72.33%	Dawson, Texas	86	50.00%
Hancock, Maine	18	64.29%	Cottle, Texas	36	50.00%
Presque Isle, Michigan	33	52.38%	Garfield, Utah	37	94.87%
Kittson, Minnesota	165	70.51%	Piute, Utah	52	83.87%
Mahnomen, Minnesota	76	57.14%	Emery, Utah	117	82.39%
Humphreys, Mississippi	77	90.59%	San Juan, Utah	53	79.10%
Jasper, Mississippi	95	84.07%	Wayne, Utah	46	64.79%
Calhoun, Mississippi	90	66.67%	Beaver, Utah	50	59.52%
Sunflower, Mississippi	86	61.43%	Carbon, Utah	27	50.94%
Quitman, Mississippi	49	59.76%	Addison, Vermont	168	63.88%
Tallahatchie, Mississippi	76	58.02%	Franklin, Vermont	148	58.73%
Webster, Mississippi	30	56.60%	Nicholas, West Virginia	29	63.04%
Washington, Mississippi	76	56.30%	Monroe, West Virginia	94	57.67%
Newton, Mississippi	76	51.01%	Roane, West Virginia	64	50.79%
Dunklin, Missouri	124	59.05%	Lafayette, Wisconsin	504	77.90%
Pemiscot, Missouri	67	53.17%	Ashland, Wisconsin	35	66.04%
Richland, Montana	107	54.04%	Bayfield, Wisconsin	60	57.69%
Pondera, Montana	120	51.50%			

* Total Number of Farmers Indebted for Either a Direct or Guaranteed FSA Loan in 2010.
** As share of farmers in the county with >$500 int. in 2007 Census.

States with FSA Dependent Counties

State	Counties
Louisiana	21
Texas	14
Arkansas	14
Mississippi	9
Georgia	9
South Dakota	8
South Carolina	8
Utah	7
Tennessee	5
Ohio	5
North Dakota	5
North Carolina	4
Nebraska	4
Wisconsin	3
West Virginia	3
Oklahoma	3
Montana	3
Idaho	3
Vermont	2
Missouri	2
Minnesota	2

States with FSA Dependent Counties—Continued

State	Counties
Maine	2
Kentucky	2
Kansas	2
Illinois	2
New Mexico	1
Michigan	1
Indiana	1
Florida	1

For additional explanation of rationale behind development of these tables, please refer to document *fsaconcentration.docx*.

SUBMITTED QUESTIONS

Response from Bruce Nelson, Administrator, Farm Service Agency, U.S. Department of Agriculture

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

Question 1. On the term limits for guaranteed borrowers issue, can you provide us a breakdown of how many producers have been using the program for more than 15 years and how many borrowers for each year beyond the 15th?

Answer. FSA currently has 4,558 borrowers who have received loans through the guaranteed operating loan program or a combination of the direct and guaranteed operating loan programs for more than 15 years. An additional 1,503 borrowers will only be able to utilize the program for one more year and another 2,189 borrowers will only be able to utilize the program for two more years.

Question 2. The 2008 Farm Bill reestablished a separate conservation loan program at FSA. Can you tell us how much interest there was in the program before the funding for FY11 got cut in the continuing resolutions? Did you get any money out the door?

Answer. Since the implementation of the Conservation Loan program in August 2010, FSA has approved and funded 231 direct conservation loans totaling \$16,351,101 and three guaranteed loan requests totaling \$703,500.

Question Submitted By Hon. William L. Owens, a Representative in Congress from New York

Question. As you may know, two types of business structures that are increasingly common among family farms do not qualify for loans through FSA. Today many family farms have both a farm ownership LLC and farm operating LLC to facilitate ownership of multiple family members. This may be done for liability protection and to facilitate the transfer of a farm business between generations. However, because the operator of the farm does not own the farm, the farm is not eligible for a loan. Farms operating with an embedded entity structure to facilitate estate planning are also currently ineligible for an FSA guarantee. In your view, is access to credit through FSA for family farms with these business structures an issue that needs to be addressed?

Answer. Current statute prevents operators with multiple or embedded entities from receiving a loan guarantee through FSA. Removing this statutory restriction would allow FSA to assist family farms using more complex organizational structures, such as multiple or embedded entities. USDA is available to provide technical assistance to Members on this or any other statutory matter.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE

1. Program Name

Farm Ownership Loan (FO).

Prepared by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

2. Subprograms/Department Initiatives

Through its nationwide network of service centers, often in geographically isolated areas with few private or commercial lenders, FSA provides agricultural financing to small and family size farmers and ranchers for farm ownership purposes, including costs associated with acquiring or enlarging a farm or ranch or to make a down payment of a farm or ranch; make capital improvements to a farm owned by the applicant, for construction, purchase or improvement of farm dwellings, service buildings or other facilities and improvements essential to the farming operation; promote soil and water conservation and protection; pay loan closing costs; and to refinance a bridge loan under specific and limited conditions.

FO loans are sub-categorized by targeted funding type, *i.e.,* regular interest rate eligible; limited resource rate; Socially Disadvantaged Applicant; and Beginning Farmer and/or Beginning Farmer Socially Disadvantaged Applicant. There is no limited resource Guaranteed FO loan.

In addition to the aforementioned FO loan types, FSA offers two other subprograms under the main FO umbrella: Participation FO and Beginning Farmer Down Payment loans. Each of these sub-categories are further identified by targeting Socially Disadvantaged FO loan applicants by ethnicity and gender to broaden and ensure availability of limited appropriations for all members of the agricultural community. For example, an FO loan application can be funded as "Direct FO—Beginning Farmer Down Payment—Socially Disadvantaged—Gender."

Direct FO—Participation

A Direct FO Participation loan is made as part of a joint financing arrangement and the amount of FSA's loan does not exceed 50 percent of the total amount financed. In such arrangements, an applicant may obtain financing from a commercial lender, a state program, or the seller of a farm. The other lender's portion of the loan may be guaranteed by FSA. Utilization of this program allows FSA to extend credit to more farmers than the Agency would be able to finance if the farmer relied solely on FSA Direct or Guaranteed loan funding.

Direct FO—Beginning Farmer Down Payment

Down Payment FO loans are used to partially finance the purchase of a family farm by an eligible Beginning Farmer or Socially Disadvantaged Applicant. This is the only FSA loan program that requires the loan applicant to provide a minimum downpayment of five percent of the purchase price of the farm. Additional limitations specific to the Beginning Farmer Down Payment FO loan is that the maximum FSA loan amount is not tied to the statutory limitations. Rather, Down Payment loans may not exceed 45 percent of the lessor of: (1) the purchase price; (2) the appraised value of the farm to be acquired; or (3) $500,000. Financing provided by FSA and all other creditors must not exceed 95 percent of the purchase price. Any financing provided by eligible lenders may be guaranteed by FSA.

Direct FO—Socially Disadvantaged Applicant (SDA)

A Socially Disadvantaged loan applicant is not a program type; rather it distinguishes a specific funding source. Therefore, the loan process and all loan requirements are identical for SDA applicants to those for non-SDA applicants. To be eligible for SDA loan consideration, the applicant must belong to a socially disadvantaged group whose members have been subject to racial, ethnic or gender prejudice, which includes American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women. Loan applicants must voluntarily provide his or her ethnicity, race and gender on the loan application. If an applicant does not voluntarily provide this information, targeted funding will not be available. Direct FO assistance for SDA applicants is available for all FO purposes and authorities.

Guaranteed FO

An FSA Guaranteed FO loan is a contract between the loan applicant and commercial lender that allows for the extension of financial credit for a period not to exceed 40 years. FSA guarantees the loan against possible loss up to 95 percent principal and interest.

Guaranteed—Beginning Farmer/Rancher

Beginning farmer loans are targeted to loan applicants who have not operated a farm or ranch for more than 10 years and do not own real farm property, directly or indirectly, which does not exceed 30 percent of the median acreage of the farms in the county where the property is located. FSA guarantees the loan against possible loss up to 95 percent of principal and interest.

Guaranteed—Socially Disadvantaged Applicant

A Socially Disadvantaged loan applicant is not a program type; rather it distinguishes a specific funding source. To be eligible for SDA loan consideration, the applicant must belong to a socially disadvantaged group whose members have been subject to racial, ethnic or gender prejudice, which includes American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women. FSA issues a guarantee that protects the lender against possible loss up to 95 percent of principal and interest.

3. Brief History

The Farm and Rural Development Act, as amended, Subtitle B, Sections 311–317, Public Law 92–419, 7 U.S.C. 1942 enabled operators of not larger than family farms, through the extension of credit and supervisory assistance, to make efficient use of their land, labor, and other resources, and to establish and maintain financially viable farming and ranching operations.

Title III of the Agricultural Act of 1961, The Consolidated Farm and Rural Development Act (CONACT), as amended, through Public Law 109–171, Feb. 8, 2006, provided a major overhaul and expansion of farm lending authorities.

The 1978 Agriculture Credit Act changed existing programs by authorizing farm loans to family corporations, cooperatives, and partnerships as well as to individuals; changed the interest rate for farm ownership loans so that the rate is now based on the cost of borrowing to the government; and limited resource farmers and limited resource rates were identified and established.

The Food Security Act of 1985 (December 23, 1985) made major changes in farm loan eligibility and provided protections for borrowers undergoing serious financial difficulty. Loan eligibility was expanded to include "joint operators" and persons related by blood or marriage.

Targeted participation rates for Direct and Guaranteed FO loans are found in the Agricultural Credit Act of 1987 (January 6, 1988), Section 355 of the CONACT.

FO Down Payment loans were authorized through the Agricultural Credit Improvement Act of 1992 (October 29, 1992), Section 310E of the CONACT. Section 246(b)(2) of this same Act contains the authorities for targeted funds to beginning farmers. This Act also provided for the inclusion of women in the definition of Socially Disadvantaged Applicants.

Through the Federal Agriculture Improvement and Reform (FAIR) Act of 1995 (April 4, 1996), Public Law 104–127, farm lending programs were reauthorized, placing new restrictions on loan purposes and the length of time borrowers are eligible for new credit assistance. This law also established the targeted funding for beginning farmers.

In Fiscal Year 1988, FSA was given authority to offer FO–SDA loans.

4. Purpose/Goals

The basic objective of the FO loan program is to provide credit and management assistance to eligible farmers and ranchers to become owner-operators of family-sized farms or to continue such operations when credit is not available elsewhere. FSA's farm ownership loan assistance enables family-farm operators to procure land and to improve their living and financial conditions so that they can graduate fully to commercial credit.

FSA direct loans facilitate the provision of credit, which can help support low farm family incomes, assist minority and beginning farmers, or help farmers adopt new technology that will make their farming operations more economical. FSA has the responsibility of providing credit counseling and supervision to its direct borrowers by making a thorough assessment of the farming operation. The Agency helps applicants evaluate the adequacy of the real estate and facilities, machinery and equipment, financial and production management, and the farmer's goals. FSA assists the applicant in identifying and prioritizing areas needing improvement in all phases of the operation. An FSA official then works one-on-one with the farmer to develop and to help strengthen the identified areas that ultimately result in the farmer's graduation to commercial credit.

Because special skills may be needed to evaluate farm loans, and because much farm production occurs in geographically isolated areas that have few lenders, some farmers may face less competitive markets for their loans that can result in higher rates, less favorable terms, and/or no access to loan funds. Farmers may have trouble demonstrating their credit worthiness to lenders because of the economic uncertainties of production agriculture as well. This can be particularly true for beginning farmers, women, and minorities, as they typically operate smaller farms, have less equity, or lack a sufficient credit or production histories. To address these issues, each year FSA allocates a share of loan funding for use by beginning farmers and socially disadvantaged, including racial, ethnic minorities, and women farmers, who by statute are deemed more likely to have problems accessing needed credit than other high-risk family-sized farm borrowers.

The Guaranteed Loan Program plays an important role in facilitating the extension of credit to farmers, not only through collaboration with partner lenders but also with FSA's Direct Loan Program. Often times a borrower's credit needs are met through a combination of a Guaranteed loan and an FSA direct loan. For example, a Farm Ownership loan will be made by a commercial lender with an FSA guarantee to purchase farmland and the borrower will also obtain a direct operating loan from FSA to cover annual operating expenses.

The "credit gaps" which farm loan guarantees are designed to fill are associated with farm businesses that usually have debt burdens and/or repayment capacities that do not meet private sector lending standards. These high-risk farms might fail to meet industry standards due to a lack of production or credit history, limited equity, being a start-up business, defined as 10 or less years of farming experience, or by being able to offer only single purpose collateral. Another factor limiting access to capital is that some farm production occurs in geographically isolated areas that tend to have fewer lenders specializing in agricultural lending. As a result, farmers may face limited competition loans in these areas, which can result in higher interest rates, unfavorable loan terms, and/or a shortage of loan funds. By reducing the lenders' exposure to risk, the 90 to 95 percent guarantee provided lenders on eligible farm loans allows farmers to obtain loans to finance annual operating expenses, equipment, livestock, and farmland purchases and improvements.

5. Success in Meeting Programmatic Purpose/Goals

FSA has been very successful in accomplishing its long-term performance goals for the Farm Ownership Loan Program. Loss rates, delinquency rates, and lending to beginning farmers, minorities, and women have all shown significant long-term progress.

Reduce First Year Delinquency Rates on New Loans: The 1st year delinquency rate is calculated based on the number of new loans issued in the previous calendar year and is primarily and indicator of credit quality. The formula is the total number of delinquent first year loans plus any first year loans restructured divided by the total number of loans issued in the previous calendar year. Note: Data reported is for all Direct FO and Operating Loans (OL) loans, Guaranteed loans are not included.

Fiscal Year	Actual Performance
2007	7.4%
2008	6.2%
2009	10.5%
2010	9.2%
2011	

Increase Lending to Minorities, Woman, and Beginning Farmers and Ranchers: FSA establishes annual performance goals to increase its lending to beginning and socially disadvantaged farmers. Performance is measured by calculating the percentage of total loan obligations in a given fiscal year that are issued to farmers in the targeted groups. Note: Data reported is for all Direct and Guaranteed FO and OLs.

Fiscal Year	Actual Performance
2007	40.7%
2008	43.2%
2009	41.0%
2010	37.7%
2011	

Reduce the Average Processing Time for Direct and Guaranteed Loan Applications: A core component of FSA's mission is to provide an economic safety net for America's farmers and ranchers. Therefore, it is important that financial assistance is provided timely when the need arises. The average processing time is calculated from the date of application receipt until the date a loan decision is made. Note: Data reported includes the average processing time for FO and OL loans.

Program Category	Fiscal Year	Actual Performance
Direct FO	2007 2008 2009 2010 2011	27.0 days 27.8 days 29.9 days 30.8 days
Guaranteed FO	2007 2008 2009 2010 2011	12.6 days 8.6 days 8.75 days 10.24 days

Decrease Delinquency Rates for Direct and Guaranteed Loans: A low delinquency rate indicates that borrowers are experiencing greater success in meeting their financial obligations, which is an indicator of greater financial strength and viability. The Direct Delinquency rate is calculated by dividing the amount delinquent by the unpaid principal plus unpaid interest held by all Direct loan borrowers. The loan delinquency rate performance measure for FSA Guaranteed loans is calculated by taking the total amount past due, as reported by lenders nationwide on form FSA–2248, "Guaranteed Farm Loan Default Status Report", divided by the total amount outstanding on all guaranteed loans nationwide.

Program Category	Fiscal Year	Actual Performance
Direct FO	2007 2008 2009 2010 2011	7.1% 6.5% 6.3% 5.9%
Guaranteed FO	2007 2008 2009 2010 2011	1.32% 1.18% 1.69% 1.69%

Decrease the Loss Rate for Direct and Guaranteed Loans: Low loss rates indicate that borrowers are experiencing greater success in meeting their financial obligations, which is an indicator of financial strength and economic viability. The Direct Loss rate is calculated by dividing the amount of losses processed during the fiscal year by the amount of unpaid principal at the beginning of the fiscal year. The Guaranteed Loss rate is calculated by dividing the amount of losses processed during the fiscal year by the amount unpaid principal at the beginning of the fiscal year.

Program Category	Fiscal Year	Actual Performance
Direct FO	2007 2008 2009 2010 2011	2.3% 1.6% 0.8% 1.1%

Program Category	Fiscal Year	Actual Performance
Guaranteed FO	2007	0.30%
	2008	0.33%
	2009	0.39%
	2010	0.58%
	2011	

6. Annual Budget Authority (FY 2002–FY 2011)

See *Attachment 1.*

7. Annual Outlays (FY 2002–FY 2011)

See *Attachment 2.*

8. Annual Delivery Cost (FY 2002–FY 2011)

See *Attachment 3.*

9. Eligibility Criteria

The eligibility criteria for all FO loan applicants include the following:

- Have no disqualifying convictions for controlled substances, including drug trafficking and possession;
- Possess the legal capacity to incur the obligation of the loan
- Be a citizen of the United States, a United States non-citizen national, or a qualified alien under applicable Federal immigration laws;
- Have an acceptable credit history demonstrated by debt repayment;
- Have not caused the Agency a loss by receiving debt forgiveness;
- Have not received debt forgiveness or incurred a loss to the government relating to a guaranteed loan loss;
- Have the inability to obtain credit elsewhere, with or without an FSA guarantee;
- Not be in delinquent status on any Federal debt, excluding debt under the Internal Revenue Code of 1986 at the time of loan closing;
- Have no outstanding unpaid judgments obtained by the United States in any court, excluding those filed as a result of action in the United States Tax Courts;
- May not be ineligible due to disqualification resulting from Federal Crop Insurance violation(s) according to 7 CFR 718;
- Have sufficient farm managerial ability as demonstrated by a combination of education, on-the-job training, and farming experience;
- Must agree to meet borrower training requirements, if FSA determines the training to be necessary for success; and
- Be the owner-operator or tenant-operator of a family farm or ranch.

The loan eligibility criterion for an FO loan to a Socially Disadvantaged Applicant, including women, includes all general eligibility requirements outlined above. As stated previously, a Socially Disadvantaged loan only specifies a funding source. Therefore, the loan process and all loan requirements are identical for SDA applicants to those for non-SDA applicants. Loan applicants must voluntarily provide his or her ethnicity, race, and gender on the loan application to qualify for the targeted funding.

Specific to the Direct FO loan program is the requirement that the applicant, or one or more members constituting a majority interest of an entity applicant, must have participated in the business operations of a farm or ranch for at least 3 years out of the 10 years prior to the date the application is submitted. The factors to determine participation in the business operations of a farm are similar to those for determining adequate farming experience necessary to ensure a reasonable prospect of success.

The Direct FO program also has term limits attached to it. To meet the program-specific eligibility requirement, the loan applicant must: (1) meet the definition of a beginning farmer; (2) have not had a Direct FO loan outstanding for more than a total of 10 years prior to the date the new FO loan is closed; or (3) have never received a Direct FO loan.

10. Utilization (Participation) Data

Program Loan Funds Use (dollars in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 *
Direct FO	303	382	560	702	425
Guaranteed FO	949	1,170	1,272	1,605	1,456

* As of June 30, 2011.

11. Duplication or Overlap with Other Programs

FSA Guaranteed Farm Loan Program serve separate purposes and are generally not duplicative with other Federal and state credit programs. While other Federal or state credit programs are available to family farm businesses, these programs lack national scope, are focused on narrow market segments, and are not specifically designed to serve high-risk farm businesses. FSA's Direct Farm Loan Program serves high-risk farmers with similar purposes, but this program is designed to assist even less creditworthy borrowers; those unable to obtain credit, even with a Federal loan guarantee. Studies of the economic profiles of both Direct and Guaranteed program participants indicate the two delivery systems serve different high-risk borrower segments. In addition, the FSA Direct Loan Program is narrower in scope because of the more limited funding and is more highly targeted to underserved market segments of beginning start-up farm operations and socially disadvantaged borrowers.

Across other Federal agencies, the Small Business Administration (SBA), and USDA's Rural Business Service (RBS) provide loan guarantee programs that may serve agriculture. The RBS loan guarantee programs do not duplicate those of FSA because they serve agribusiness and value-added farm enterprises. The SBA programs are not designed to meet specialized agricultural needs and participating SBA lenders' program delivery is geographically limited. In FY 2007, SBA accounted for only 3.5 percent of all federally guaranteed loans made to farmers, with FSA accounting for the remainder. Many SBA agricultural loan guarantees are made to farms that would not meet FSA eligibility requirements. Overlap between FSA and SBA was mostly limited to poultry and nursery farms.

Some state governments also provide farm loan guarantees, but funding and geographic coverage for such programs is limited. The National Council of State Agricultural Finance Programs indicates that only 18 states have an established loan guarantee program. However, only four states have programs that are actively providing loan guarantees to farmers. State programs typically target specific purposes, such as value-added or single-purpose livestock facilities, have limited or sporadic funding, or limited geographical availability, hence seldom duplicating FSA loan objectives. Again, eligibility criteria and intended purposes differ significantly from FSA Direct and Guaranteed Loan Programs, and funding can be sporadic. A more common type of state financing assistance is provided through "Aggie Bonds," which are tax exempt bonds, issued by states under specific eligibility requirements.

12. Waste, Fraud and Abuse

FSA has a robust internal controls program for its farm loan programs, which consists of OMB Circular A–123 reviews, Farm Loan Program Risk Assessments, the County Operations Review program, Lender Reviews, and National Office Loan Origination File Reviews. Additionally, farm loan programs are subject to periodic audit and review by the Office of Inspector General and the Government Accountability Office. No material weaknesses related to fraud, waste, and abuse have been identified through these processes for many years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Emergency Loan (EM).

Prepared by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

2. Subprograms/Department Initiatives

Emergency loans may be categorized as being a: (1) real estate physical loss; (2) chattel physical loss; or (3) a production loss.

Real Estate Physical Loss

EM loan funds for real estate physical losses may only be used to repair or replace essential property damaged or destroyed as a result of a disaster for purchasing real estate, if authorized; establishing a new site for a farm dwelling and service buildings outside of a flood or mudslide area; soil and water conservation, land and water resource placement and land and water development when existing structures are damaged or destroyed during the disaster.

Chattel Physical Loss

EM loan funds may be used for chattel physical losses only to repair or replace essential property damaged or destroyed as a result of a disaster to purchase livestock or farm equipment; repair or replace household contents damaged by the disaster; pay the costs to restore perennials which produce an agricultural commodity; pay family living expenses and farm operating expenses for farmers and ranchers suffering from livestock losses or losses to stored crops held for sale; or for refinancing farm-related debts caused by the designated or declared disaster.

Production Loss

Production losses to agricultural commodities are eligible for FSA EM loan assistance to pay costs associated with reorganizing the farm or ranch; to pay annual operating expenses; pay costs associated with Federal or state-approved standards under the Occupational Safety and Health Act of 1970 (19 U.S.C. 655 and 667); pay essential family living expenses; or refinance farm debt which resulted from the designated or declared disaster.

3. Brief History

Federal Farm Loan Act of 1916—Emergency crop and seed loans.

Disaster Loan Act of 1949—Emergency farm loans.

Rural Development Act of 1972, Section 321 of the CONACT—Emergency Loan Program.

Title III of the Agricultural Act of 1961, The Consolidated Farm and Rural Development Act (CONACT), as amended, through Public Law 109–171, Feb. 8, 2006.

4. Purpose/Goals

EM loans are made to eligible loan applicants who have incurred substantial financial losses from a natural disaster or quarantine. These disasters may be either Presidential declarations or declared by the Secretary of Agriculture.

5. Success in Meeting Programmatic Purpose/Goals

Performance in the EM program is consistent with other farm loan programs in terms of loan processing timeliness, delinquency rates, and losses. These results are especially noteworthy considering the very high risk nature of these loans, as they are issued to borrowers who have suffered financial losses resulting from natural disaster.

6. Annual Budget Authority (FY 2002–FY 2011)

See *Attachment 1.*

7. Annual Outlays (FY 2002–FY 2011)

See *Attachment 2.*

8. Annual Delivery Cost (FY 2002–FY 2011)

See *Attachment 3.*

9. Eligibility Criteria

Emergency loans may be made to farmers and ranchers who:

- Own or operate land located in a county declared by the President or designated by the Secretary of Agriculture as a primary disaster area or quarantine area. All counties contiguous to the declared, designated, or quarantined primary counties also are eligible for emergency loans. A disaster designation by the FSA administrator authorizes emergency loan assistance for physical losses only in the designated and contiguous counties;
- Are established family farm operators and have sufficient farming or ranching experience;
- Are citizens or permanent residents of the United States;
- Have suffered at least a 30 percent loss in crop production or a physical loss to livestock, livestock products, real estate or chattel property;
- Have an acceptable credit history;
- Are unable to receive credit from commercial sources;

- Can provide collateral to secure the loan;
- Have repayment ability; and
- Submit applications within 8 months of the county's disaster or quarantine designation date.

In addition to eligibility criteria, FSA loan requirements are different from those of other lenders. Some of the more significant differences are borrowers must keep acceptable farm records, must operate in accordance with a farm plan developed with the local FSA staff, may be required to participate in a financial management training program, and may be required to obtain crop insurance.

All emergency loans must be fully collateralized. The specific type of collateral may vary depending on the loan purpose, repayment ability and the individual circumstances of the applicant. If applicants cannot provide adequate collateral, their repayment ability may be considered as collateral to secure the loan. A first lien is required on property or products acquired, produced or refinanced with loan funds.

Loans for crop, livestock, and non-real estate losses are normally repaid within one to 7 years, depending on the loan purpose, repayment ability and collateral available as loan security. In special circumstances, terms of up to 20 years may be authorized. Loans for physical losses to real estate are normally repaid within 30 years but, in certain circumstances, may be extended up to a maximum of 40 years.

10. Utilization (Participation) Data

Program Loan Funds Use (dollars in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 *
Emergency	75	44.9	30.4	35.5	29

* As of June 30, 2011.

11. Duplication or Overlap with Other Programs

The FSA Farm Loan Programs serves separate purposes and is generally not duplicative with other Federal and state credit programs. While other Federal or state credit programs are available to family farm businesses, these programs lack national scope, are focused on narrow market segments, and are not specifically designed to serve high-risk farm businesses. FSA's EM program serves an even higher-risk farmer who have suffered financial setback resulting from natural disasters.

Some state governments also provide farm loan assistance but funding and geographic coverage is limited. Emergency assistance, if available, would be only available on an *ad hoc* basis.

12. Waste, Fraud and Abuse

FSA has a robust internal controls program for its farm loan programs, which consists of OMB Circular A–123 reviews, Farm Loan Program Risk Assessments, the County Operations Review program, Lender Reviews, and National Office Loan Origination File Reviews. Additionally, farm loan programs are subject to periodic audit and review by the Office of Inspector General and the Government Accountability Office. No material weaknesses related to fraud, waste, and abuse have been identified through these processes for many years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Operating Loan (OL).

Prepared by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

2. Subprograms/Department Initiatives

Through its nationwide network of service centers, often in geographically isolated areas with few private or commercial lenders, FSA provides agricultural financing to small and family size farmers and ranchers for farm operating costs, including costs associated with reorganizing a farm to improve its profitability; farm equipment and other chattel purchases; family and annual farm operating expenses; refinancing farm related debts; land and water development, and other farm needs. Federally regulated lenders with experience in agricultural lending are eligible to participate in the FSA Guaranteed Farm Loan Program as Standard, Certified, or Preferred Lenders, depending upon their experience and level of participation.

Direct OL

An annual OL is designed to finance farm operating expenses, family living expenses, or small purchase costs that are repayable within one year or a maximum of 18 months. The maximum number of years a farmer may receive annual direct OL assistance is 7 years, which may be consecutive or non-consecutive. There is no limit on the number of loans closed in a single year. On a case-by-case basis, it is possible for farmers and ranchers to be granted a one-time waiver for an additional 2 years of direct loan assistance. This limitation is not applicable if the farm or ranch is subject to the jurisdiction of an Indian tribe.

A term OL is designed to finance costs associated with reorganizing a farm, such as changing enterprises, production practices, marketing methods or purchasing shares in value-added processing and marketing cooperatives; land and water development; and other similarly related farm expenses. Term Operating loans allow for an extended repayment period not to exceed 7 years. The maximum number of years a farmer may receive term direct OL assistance is 7 years, which may be consecutive or non-consecutive. There is no limit on the number of loans closed in a single year. On a case-by-case basis, it is possible for farmers and ranchers to be granted a one-time waiver for an additional 2 years of direct loan assistance. This limitation is not applicable if the farm or ranch is subject to the jurisdiction of an Indian tribe.

Direct OL—Limited Resource

A limited resource Direct OL is designed to assist family farmers and ranchers unable to develop a farm business plan with a positive cash flow and reasonable prospects for loan repayment using FSA's regular interest rates. A limited resource interest rate is intended to reflect an interest rate below FSA's regular interest rate during periods of otherwise high interest rates. Limited resource loans are available for all OL loan purposes and authorities with repayment periods from one to 7 years depending upon the loan purpose, type of security and repayment ability. Limited resource farmers and ranchers are expected to graduate to FSA's regular rates and terms upon achieving stronger financial solvency. The maximum number of years a farmer may receive term Direct OL limited resource assistance is 7 years, which may be consecutive or non-consecutive. There is no limit on the number of loans closed in a single year. On a case-by-case basis, it is possible for farmers and ranchers to be granted a one-time waiver for an additional 2 years of direct loan assistance. This limitation is not applicable if the farm or ranch is subject to the jurisdiction of an Indian tribe.

Direct OL—Rural Youth

Rural Youth loans are utilized to finance modest, income-generating, agriculture-related educational projects while participating in 4–H Clubs, Future Farmers of America, or similar organizations. Applicants must be between the ages of 10 to 20 years. Youth loan funds may be used only to pay the expenses associated with the approved project. A 4–H club advisor, vocational teacher, county extension agent or other organizational sponsor is required for supervision and technical assistance, and parental consent must be obtained.

Direct OL—Beginning Farmer/Rancher

Beginning farmer loans are targeted to loan applicants who have not operated a farm or ranch for more than 10 years and do not own real farm property, directly or indirectly, which does not exceed 30 percent of the median acreage of the farms in the county where the property is located. Beginning farmer loan recipients are often required to participate in production and financial management training in an effort to ensure success of the operation by providing the guidance and technical support necessary. Beginning farmer loans are available for all OL purposes and authorities with repayment periods from one to 7 years depending upon the loan purpose, type of security and repayment ability. The maximum number of years a beginning farmer may receive Direct OL assistance is 10 years. This limitation is not applicable if the farm or ranch is subject to the jurisdiction of an Indian tribe.

Direct OL—Socially Disadvantaged Applicant (SDA)

A Socially Disadvantaged loan applicant is not a program type; rather it distinguishes a specific funding source. Therefore, the loan process and all loan requirements are identical for SDA applicants to those for non-SDA applicants. To be eligible for SDA loan consideration, the applicant must belong to a socially disadvantaged group whose members have been subject to racial, ethnic or gender prejudice, which includes American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women.

Loan applicants must voluntarily provide his or her ethnicity, race and gender on the loan application. If an applicant does not voluntarily provide this information, targeted funding will not be available. Direct OL assistance for SDA applicants is available for all OL purposes and authorities with repayment periods from one to 7 years depending upon the loan purpose, type of security and repayment ability. The maximum number of years a farmer may receive term Direct OL limited resource assistance is 7 years, which may be consecutive or non-consecutive. There is no limit on the number of loans closed in a single year. On a case-by-case basis, it is possible for farmers and ranchers to be granted a one-time waiver for an additional 2 years of Direct loan assistance. This limitation is not applicable if the farm or ranch is subject to the jurisdiction of an Indian tribe.

Guaranteed OL

An FSA Guaranteed Line of Credit is a contract between the loan applicant and commercial lender that allows for the extension of financial credit where the loan principal may fluctuate throughout the term of the contract. The term of the contract may not extend beyond 5 years. FSA issues a guarantee that protects the lender against possible loss up to 95 percent principal and interest.

An FSA Guaranteed Operating term loan is a contract between the loan applicant and commercial lender that allows for the extension of financial credit for a period not to exceed 7 years. FSA guarantees the loan against possible loss up to 95 percent principal and interest.

Guaranteed OL—Beginning Farmer/Rancher

Beginning farmer loans are targeted to loan applicants who have not operated a farm or ranch for more than 10 years and do not own real farm property, directly or indirectly, which does not exceed 30 percent of the median acreage of the farms in the county where the property is located. FSA guarantees the loan against possible loss up to 95 percent of principal and interest.

Guaranteed OL—Socially Disadvantaged Applicant

A Socially Disadvantaged loan applicant is not a program type; rather it distinguishes a specific funding source. To be eligible for SDA loan consideration, the applicant must belong to a socially disadvantaged group whose members have been subject to racial, ethnic or gender prejudice, which includes American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women. FSA issues a guarantee that protects the lender against possible loss up to 95 percent of principal and interest.

Guaranteed OL—Interest Assistance

FSA's Interest Assistance program is intended to assist family farmers and ranchers who have low production or who are suffering the effects of a natural disaster or adverse economic conditions. This is helpful to beginning farmers who traditionally face difficulties in obtaining access to private credit programs. In exchange for reimbursing a commercial lender four percentage points on the Guaranteed OL, the commercial lender reduces the interest rate charged to the farmer by that amount, thus allowing the farmer a greater opportunity to accrue farm assets and become financially viable. FSA also issues a guarantee that protects the lender against possible loss up to 95 percent of principal and interest.

3. Brief History

The Farm and Rural Development Act, as amended, Subtitle B, Sections 311–317, Public Law 92–419, 7 U.S.C. 1942 enabled operators of not larger than family farms through the extension of credit and supervisory assistance, to make efficient use of their land, labor, and other resources, and to establish and maintain financially viable farming and ranching operations.

Title III of the Agricultural Act of 1961, The Consolidated Farm and Rural Development Act (CONACT), as amended, through Public Law 109–171, Feb. 8, 2006, provided a major overhaul and expansion of farm lending authorities.

Congressional appropriations are the sole source of funding for FSA's Direct loan program. Funding for this program was initially authorized through Title III of the Consolidated Farm and Rural Development Act of 1961 (CONACT), as amended, and amended by every subsequent farm bill.

The Rural Development Act of 1972 (August 20, 1972), Section 311(b)(1) of the CONACT, established the use of the guarantee provisions for commercial lenders and authorized the Rural Youth loan program, and has been amended in every subsequent farm bill. Loan authorities provided within this Act initially authorized FSA's Guaranteed loan program, which also has been amended by each subsequent farm bill.

The 1978 Agriculture Credit Act changed existing programs by authorizing farm loans to family corporations, cooperatives, and partnerships as well as to individuals; changed the interest rate for farm ownership loans so that the rate is now based on the cost of borrowing to the government; and limited resource farmers and limited resource rates were identified and established.

The Emergency Agricultural Credit Act of 1984 (April 10, 1984) increased the maximum repayment period for rescheduled or consolidated loans and allowed for borrowers to have their loan changed to a limited resource loan, if qualified. This Act also permitted interest rates on operating loans that are deferred, consolidated, rescheduled or re-amortized to be set at the original rate or current rate, whichever is lower and required a target of 20 percent of operating funds to be targeted to limited resource borrowers.

The Food Security Act of 1985 (December 23, 1985) made major changes in farm loan eligibility and provided protections for borrowers undergoing serious financial difficulty. Loan eligibility was expanded to include "joint operators" and persons related by blood or marriage.

The targeting of direct and guaranteed Operating Loan funds to Socially Disadvantaged Applicants was initially authorized in the Food, Agriculture, Conservation and Trade Act of 1990 (November 28, 1990), Section 355 of the CONACT. The inclusion of women as Socially Disadvantaged farmers occurred in the Agricultural Act of 1992, Section 355 of the CONACT.

Targeted direct and guaranteed Operating Loan funds to Beginning Farmers and Ranchers were authorized through the Agricultural Credit Improvement Act of 1992, Section 346(b)(2) of the CONACT, and as amended in every subsequent farm bill.

Through the Federal Agriculture Improvement and Reform (FAIR) Act of 1995 (April 4, 1996), Public Law 104–127, farm lending programs were reauthorized, placing new restrictions on the purposes for which loans can be used and the length of time borrowers are eligible for new credit assistance. This law also established the targeted funding for beginning farmers.

Section 806 of the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999 (Public Law 106–277), amended the maximum Guaranteed loan limits for farm operating loans in Section 305 and 313 of the CONACT. Beginning in Fiscal Year 2000, this cap is adjusted annually if the "Prices Paid by Farmers Index", as compiled by the National Agricultural Statistics Service for the 12 month period ending in August of year exceeds the value for the 12 month period ending August 31, 1996.

4. Purpose/Goals

FSA direct loans facilitate the provision of credit, which can help support low farm family incomes, assist minority and beginning farmers, or help farmers adopt new technology that will make their farming operations more economical. FSA has the responsibility of providing credit counseling and supervision to its direct borrowers by making a thorough assessment of the farming operation. The Agency helps applicants evaluate the adequacy of the real estate and facilities, machinery and equipment, financial and production management, and the farmer's goals. FSA assists the applicant in identifying and prioritizing areas needing improvement in all phases of the operation. An FSA official then works one-on-one with the farmer to develop and to help strengthen the identified areas that ultimately result in the farmer's graduation to commercial credit.

Because special skills may be needed to evaluate farm loans, and because much farm production occurs in geographically isolated areas that have few lenders, some farmers may face less competitive markets for their loans that can result in higher rates, less favorable terms, and/or no access to loan funds. Consequently, farmers may face a competitively limited market for their loans that can result in higher rates, unfavorable terms, and a shortage of loan funds. Farmers may have trouble demonstrating their credit worthiness to lenders because of the economic uncertainties of production agriculture as well. This can be particularly true for beginning farmers, women, and minorities, as they typically operate smaller farms, have less equity, or lack a sufficient credit or production histories. To address these issues, each year FSA allocates a share of loan funding for use by beginning farmers and socially disadvantaged, including racial, ethnic minorities, and women farmers, who by statute are deemed more likely to have problems accessing needed credit than other high-risk family-sized farm borrowers.

The Guaranteed Loan Program plays an important role in facilitating the extension of credit to farmers, not only through collaboration with partner lenders but also with FSA's Direct Loan Program. Often times a borrower's credit needs are met through a combination of a Guaranteed loan and an FSA direct loan. For example, a Farm Ownership loan will be made by a commercial lender with an FSA guarantee to purchase farmland and the borrower will also obtain a direct operating loan from FSA to cover annual operating expenses.

The "credit gaps" which farm loan guarantees are designed to fill are associated with farm businesses that usually have debt burdens and/or repayment capacities that do not meet private sector lending standards. These high-risk farms might fail to meet industry standards due to a lack of production or credit history, limited equity, being a start-up business, defined as 10 or less years of farming experience, or by being able to offer only single purpose collateral. Another factor limiting access to capital is that some farm production occurs in geographically isolated areas that tend to have fewer lenders specializing in agricultural lending. As a result, farmers may face limited competition loans in these areas, which can result in higher interest rates, unfavorable loan terms, and/or a shortage of loan funds. By reducing the lenders' exposure to risk, the 90 to 95 percent guarantee provided lenders on eligible farm loans allows farmers to obtain loans to finance annual operating expenses, equipment, livestock, and farmland purchases and improvements.

Current program measures and targets, which cover FY 2007–2011, were established in FY 2006 by the Farm Loan Programs Goal Working Group. The group, which was comprised of FSA senior managers and stakeholders, considered numerous factors when developing the performance targets, including past program performance and economic forecast for the agricultural sector. Out-year targets for the loss and delinquency goals may not seem overly ambitious, on the surface, given the current performance levels. However, it is important to note that both losses and delinquencies are at historically low levels. The historical loss rate covers a long-term period and reflects the high-risk nature of agricultural operations, where success often depends upon circumstances beyond the control of lenders and borrowers. The historic loss rate is a more accurate gauge of the cyclical nature of agriculture and is a more relevant comparison than measuring against the extremely low losses attained in recent years.

It must be understood that FSA's loan program was designed to provide access to capital for those farmers who cannot obtain credit with or without a guarantee, equating to an extremely high probability of loss. The long-term measures focus on an outcome of keeping losses and delinquency low but not so low as to no longer meaningfully reflect the purpose of the program. FSA's goals for Fiscal Years 2007 through 2011 are as follow:

Loan Making: (1) reduce first year delinquency rates on new loans; (2) increase lending to minorities, women and beginning farmers and ranchers; (3) reduce the average processing time for direct loans; and (4) reduce the average processing time for Guaranteed loans.

Loan Servicing: (1) decrease the delinquency rate on direct loans; (2) decrease the loss rate for direct loans; (3) decrease the loss rate on guaranteed loans and (4) decrease the delinquency rate of Guaranteed loans.

Measures for loss and delinquency rates are valuable in two respects. First, they are indicators of the financial well being of borrowers. Second, they are indicators of the overall quality of the FSA underwriting standards and loan servicing.

Regarding the measure to "increase the percentage of beginning farmers, minorities, and women financed by FSA," FSA continues to provide increased levels of assistance to these targeted groups. Measurement of this goal was revised in 2002 to be a more outcome-oriented indicator of FSA success in providing credit assistance to these historically underserved groups. This performance is noteworthy, given the relatively low numbers of farmers in the targeted groups in the U.S. farm sector.

An external factor that could impact progress and accomplishment of these measures includes widespread or prolonged natural disasters that can significantly reduce farm production and, therefore, reduce net income. Also, substantial inflation in farm expenses or depressed commodity prices could have a similar effect. If economic conditions deteriorate in the agricultural sector, rural lending institutions contract their delivery of capital, which increases demand for FSA Farm Loan Programs. Such conditions reduce borrower repayment ability, increase delinquencies and losses, and reduce the ability of direct borrowers to obtain guaranteed credit. Such an event would also dramatically increase workload of Service Center employees, hindering the ability to provide needed assistance to producers in a timely manner. To mitigate these factors, FSA encourages farmers to use various risk management practices such as crop insurance, and marketing tools, such as forward contracting.

5. Success in Meeting Programmatic Purpose/Goals

FSA has been very successful in accomplishing its long-term performance goals for the Operating Loan Program. Loss rates, delinquency rates, and lending to beginning farmers, minorities, and women have all shown significant long-term progress. (See specifications on page 467.)

6. Annual Budget Authority (FY 2002–FY 2011)

See *Attachment 1.*

7. Annual Outlays (FY 2002–FY 2011)

See *Attachment 2.*

8. Annual Delivery Cost (FY 2002–FY 2011)

See *Attachment 3.*

9. Eligibility Criteria

The eligibility criteria for the *Operating Loan—Annual, Operating Loan—Term, Operating Loan—Limited Resource* applicants and *Beginning Farmers* is as follows:

- Have no disqualifying convictions for controlled substances, including drug trafficking and possession;
- Possess the legal capacity to incur the obligation of the loan;
- Be a citizen of the United States, a United States non-citizen national, or a qualified alien under applicable Federal immigration laws;
- Have an acceptable credit history demonstrated by debt repayment;
- Have not caused the Agency a loss by receiving debt forgiveness;
- Have not received debt forgiveness or incurred a loss to the government relating to a guaranteed loan loss; and
- Have the inability to obtain credit elsewhere, with or without an FSA guarantee;
- Not be in delinquent status on any Federal debt, excluding debt under the Internal Revenue code of 1986 at the time of loan closing;
- Have no outstanding unpaid judgments obtained by the United States in any court, excluding those filed as a result of action in the United States Tax Courts;
- May not be ineligible due to disqualification resulting from Federal Crop Insurance violation(s) according to 7 CFR 718;
- Have sufficient farm managerial ability as demonstrated by a combination of education, on-the-job training and farming experience;
- Must agree to meet borrower training requirements, if FSA determines the training to be necessary for success; and
- Be the owner-operator or tenant-operator of a family farm or ranch.

The loan eligibility criterion for an *Operating Loan to a Socially Disadvantaged Applicant,* including women, includes all general eligibility requirements outlined above. As stated previously, a Socially Disadvantaged loan only specifies a funding source. Therefore, the loan process and all loan requirements are identical for SDA applicants to those for non-SDA applicants. Loan applicants must voluntarily provide his or her ethnicity, race and gender on the loan application to qualify for the targeted funding.

Rural Youth loan eligibility criteria include all general eligibility requirements **except** a youth loan applicant does not need to demonstrate managerial ability, is not subject to borrower training requirements, does not need to operate a farm, and is not subject to OL term limits for loan assistance.

10. Utilization (Participation) Data

Program Loan Funds Use (dollars in millions)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 *
Direct OL	600	629.1	1,226.4	1,242.3	917
Guaranteed OL (unsubsidized)	917	1,032	1,235	1,510.1	1,015.2
Guaranteed OL (interest assistance)	271	175	149.7	181.5	52.1

* As of June 30, 2011.

11. Duplication or Overlap with Other Programs

The FSA Guaranteed Farm Loan Program serves separate purposes and is generally not duplicative with other Federal and state credit programs. While other Federal or state credit programs are available to family farm businesses, these programs lack national scope, are focused on narrow market segments, and are not specifically designed to serve high-risk farm businesses. FSA's Direct Farm Loan Program serves high-risk farmers with similar purposes, but this program is designed to assist even less creditworthy borrowers; those unable to obtain credit, even with a Federal loan guarantee. Studies of the economic profiles of both Direct and Guaranteed program participants indicate the two delivery systems serve different high-risk borrower segments. In addition, the FSA Direct Loan Program is narrower in scope because of the more limited funding and is more highly targeted to underserved market segments of beginning start-up farm operations and socially disadvantaged borrowers.

Across other Federal agencies, the Small Business Administration (SBA), and USDA's Rural Business Service (RBS) provide loan guarantee programs that may serve agriculture. The RBS loan guarantee programs do not duplicate those of FSA because they serve agribusiness and value-added farm enterprises. The SBA programs are not designed to meet specialized agricultural needs and delivery by participating SBA lenders' program delivery is geographically limited. In FY 2007, SBA accounted for only 3.5 percent of all federally guaranteed loans made to farmers, with FSA accounting for the remainder. Many of SBA agricultural loan guarantees are made to farms that would not meet FSA eligibility requirements. Overlap between FSA and SBA was mostly limited to poultry and nursery farms.

Some state governments also provide farm loan guarantees, but funding and geographic coverage for such programs is limited. The National Council of State Agricultural Finance Programs indicates that only 18 states have an established loan guarantee program. However, only four states have programs that are actively providing loan guarantees to farmers. State programs typically target specific purposes, such as value-added or single-purpose livestock facilities, have limited or sporadic funding, or limited geographical availability, hence seldom duplicating FSA loan objectives. Again, eligibility criteria and intended purposes differ significantly from FSA Direct and Guaranteed Loan Programs, and funding can be sporadic. A more common type of state financing assistance is provided through "Aggie Bonds," which are tax exempt bonds, issued by states under specific eligibility requirements.

12. Waste, Fraud and Abuse

FSA has a robust internal controls program for its farm loan programs, which consists of OMB Circular A–123 reviews, Farm Loan Program Risk Assessments, the County Operations Review program, Lender Reviews, and National Office Loan Origination File Reviews. Additionally, farm loan programs are subject to periodic audit and review by the Office of Inspector General and the Government Accountability Office. No material weaknesses related to fraud, waste, and abuse have been identified through these processes for many years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Indian Tribal Land Acquisition Program (ITLAP).

Prepared by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

2. Subprograms/Department Initiatives

None.

3. Brief History

ITLAP was authorized by 5 U.S.C. 301 and 25 U.S.C.

4. Purpose/Goals

Some Indian reservation allotments are co-owned by hundreds of people. This is because with the passing of each generation, there are an increasing number of heirs who have inherited undivided interests in the same allotments. This increase in co-ownership, or fractionation, often renders the consolidation of title into one owner nearly impossible. There are limited sources of funding to consolidate fractionated interest. FSA's ITLAP extends credit to Indian Tribes or Tribal corporations which do not qualify for standard commercial loans to purchase land within their own reservation or Alaskan community.

5. Success in Meeting Programmatic Purpose/Goals

The ITLAP program has been successful in meeting the programmatic purpose. The amount appropriated each year limits the program benefits because the funding available is insufficient to meet the needs of the Tribes interested in participating in the program.

6. Annual Budget Authority (FY 2002–FY 2011)

See *Attachment 1.*

7. Annual Outlays (FY 2002–FY 2011)

See *Attachment 2.*

8. Annual Delivery Cost (FY 2002–FY 2011)

See *Attachment 3.*

9. Eligibility Criteria

Native American Tribes must meet the following eligibility requirements to be eligible for an ITLAP loan:

- The Tribe must show credit from other sources is not available to purchase the real estate.
- The land must be located within the Tribe's reservation for use by the members of the Native American tribe or Tribal Corporation.
- A feasibility plan for the use of lands and a method of repayment of the loan funds must be provided.
- The Tribe must be in good standing with all Federal Agencies and not subject to a judgment lien against the Tribe's property due to a debt to the United States.
- The Tribe must not have received a write-down on any other loans within the past 5 years.
- The amount of the loan funds must not exceed the market value of the land determined by the current appraisal.

10. Utilization (Participation) Data

Since 2000, seven loans valued at a total of $2.88 million have been made through ITLAP.

11. Duplication or Overlap with Other Programs

The Bureau of Indian Affairs' Indian Land Consolidation Pilot Program, which began in 1999, is a result of Congressional Acts and Supreme Court decisions that sought to remedy problems associated with fractional land.

12. Waste, Fraud and Abuse

There has been no known instance of waste, fraud or abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Boll Weevil Eradication Loan Program.

Prepared by the U.S. Department of Agriculture's (USDA) Farm Service Agency (FSA).

2. Subprograms/Department Initiatives

There are no subprograms or department initiatives for the Boll Weevil Eradication Loan program.

3. Brief History

USDA has been involved with Boll Weevil Eradication since the 1970's through the USDA Animal and Plant Health Inspection Service (APHIS), the Agency that initially funded the program along with the member states. The Boll Weevil Eradication Loan Program was authorized by 5 U.S.C. 301; 7 U.S.C. 1989 and Public Law 104–180, 110 Stat. 1569, to essentially provide the full funding needed to complete the eradication of the boll weevil. The first Boll Weevil Eradication Loan was made by FSA in 1997, and since that time the boll weevil has been successfully eradicated from most states.

4. Purpose/Goals

Through the use of FSA's loan authorities, this loan program serves two primary objectives: reducing pesticide requirements of cotton producers and increasing overall cotton production in the United States. The FSA Boll Weevil Eradication Loan program is a supplemental program to the USDA/APHIS Boll Weevil Eradication program and differs only in that FSA administers a Boll Weevil Eradication Loan program and APHIS offers Federal grants as well as provides technical assistance and program oversight.

The goal of the Boll Weevil Eradication Loan Program is to support APHIS and farmer eradication efforts at minimal cost.

5. Success in Meeting Programmatic Purpose/Goals

The Boll Weevil Eradication Loan program has been very successful in meeting its programmatic purpose. The reduction in the number of boll weevils has greatly reduced the amount of pesticides used by cotton producers. At one time, cotton growers applied more than 41 percent of all insecticides in agricultural use, regularly spraying their cotton as many as 15 times a season. In contrast, since the establishment of the Boll Weevil Eradication Loan Program, annual pesticide applications have been reduced to nearly zero. The program has no delinquent accounts and no losses with minimal administrative program cost.

6. Annual Budget Authority (FY 2002–FY 2011)

See *Attachment 1.*

7. Annual Outlays (FY 2002–FY 2011)

See *Attachment 2.*

8. Annual Delivery Cost (FY 2002–FY 2011)

See *Attachment 3.*

9. Eligibility Criteria

An eligible applicant must:

- Meet all requirements prescribed by APHIS to qualify for cost-share grants;
- Have the appropriate charter and legal authority as a nonprofit corporation or state organization specifically organized to operate the boll weevil eradication program in any state or region (Individual producers are not eligible for loans);
- Possess the legal authority to enter into contracts, including debt instruments;
- Operate in an area in which producers have approved a referendum authorizing producer assessments and in which an active eradication or post-eradication program is underway or scheduled to begin; and
- Have the legal authority to pledge producer assessments as security for loans from FSA.

10. Utilization (Participation) Data

Ten states have benefited from the Boll Weevil Eradication Loan program; obtaining a total of 49 loans for a total of $992,412,496. At present, only two states remain active in this program with a total outstanding debt of slightly more than $61,000,000.

11. Duplication or Overlap with Other Programs

There is no known duplication with other programs beyond the APHIS grant program for Boll Weevil Eradication. As stated earlier the APHIS program was supplemented by the FSA loan program in order to provide full funding to the eradication initiative.

12. Waste, Fraud and Abuse

FSA has a robust internal controls program for its farm loan programs, which consists of OMB Circular A–123 reviews, Farm Loan Program Risk Assessments, the County Operations Review program, Lender Reviews, and National Office Loan Origination File Reviews. Additionally, farm loan programs are subject to periodic audit and review by the Office of Inspector General and the Government Accountability Office. No material weakness related to fraud, waste, and abuse have been identified through these processes for many years.

13. Effect of Administrative PAYGO

None.

Attachment 1

Appendix I: ACIF Historical Program Subsidy Budget Authority and Loan Levels
($ in Millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ACIF										
Annual Subsidy Budget Authority	190	248	198	144	151	148	153	241	156	155
Direct Loan Level										
Farm ownership	147	169	142	272	275	303	382	560	702	474
Farm operating	611	690	610	556	641	600	629	1,056	1,220	1,049
Emergency disaster	25	96	30	24	51	75	46	30	36	66
Indian tribe land acquisition	2	0	2	0	0	0	0	0	0	4
Boll weevil eradication	100	99	98	83	22	6	100	100	0	100
Indian Highly Fractionated Land	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Conservation	N/A	N/A	N/A	N/A	N/A	N/A	0	0	5	11
Farm Operating ARRA	N/A	N/A	N/A	N/A	N/A	N/A	0	170	22	0
Total Direct Loan Levels	885	1,054	882	935	989	984	1,157	1,916	1,985	1,704
Direct Loan Appropriated Subsidy										
Farm ownership	4	20	31	15	14	13	17	36	29	33
Farm operating	55	119	88	56	64	70	80	125	58	64
Emergency disaster	3	19	4	3	6	9	5	4	1	7
Indian tribe land acquisition	0	0	0	0	0	0	0	0	0	0
Boll weevil eradication	0	0	0	0	0	0	0	0	0	0
Seed cotton	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Indian Highly Fractionated Land	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Conservation	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Farm Operating ARRA	N/A	N/A	N/A	N/A	N/A	N/A	0	20	1	0
Total Direct Loan Subsidy	62	158	123	74	84	92	102	185	89	104
Guaranteed Loan Level										
Farm ownership	1,161	1,231	1,103	1,027	949	965	1,171	1,273	1,606	1,906

Attachment 1—Continued
Appendix I: ACIF Historical Program Subsidy Budget Authority and Loan Levels
($ in Millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Farm operating, unsubsidized	1,548	1,013	951	885	937	918	946	1,235	1,510	1,498
Farm operating, subsidized	511	418	278	283	272	272	135	150	182	65
Conservation	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	1
	3,220	2,662	2,332	2,195	2,158	2,155	2,252	2,658	3,298	3,470
Guaranteed Loan Appropriated Subsidy										
Farm ownership	5	9	6	5	5	6	5	4	6	7
Farm operating, unsubsidized	54	32	34	27	28	23	23	31	35	35
Farm operating, subsidized	69	49	35	38	34	27	23	21	26	9
Conservation	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
	128	90	75	70	67	56	51	56	67	51

Attachment 2
ACIF Historical Program Outlays
($Millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ACIF										
Direct Loan Subsidy Outlays										
Farm ownership	5	17	30	15	13	9	19	30	28	33
Farm operating	56	109	87	56	61	70	77	107	67	64
Emergency disaster	28	18	4	3	5	7	5	4	1	7
Indian tribe land acquisition	0	0	0	0	0	1	0	0	0	0
Boll weevil eradication	0	0	0	0	0	0	0	0	0	0
Indian Highly Fractionated Land	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0

Conservation	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Farm Operating ARRA	N/A	N/A	N/A	N/A	N/A	N/A	0	18	2	0
Total Direct	89	144	121	74	79	87	101	159	98	104
Guaranteed Loan Subsidy Outlays										
Farm ownership	5	9	6	5	4	5	4	4	5	7
Farm operating, unsubsidized	48	32	33	28	28	35	23	30	35	9
Farm operating, subsidized	63	49	31	37	34	15	18	21	25	35
Conservation	N/A	N/A	N/A	N/A	N/A	N/A	0	0	0	0
Total Guaranteed	116	90	70	70	66	55	45	55	65	51

Attachment 3

Department Strategic Goal: Assist rural communities to create prosperityso they are self-sustaining, repopulating, and economically thriving.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Farm Loans						
	Direct Farm Ownership Loans	12,712	16,990	35,560	28,675	26,520
	Direct Farm Operating Loans	70,147	79,959	124,545	58,889	47,500
	Guaranteed Farm Ownership Loans	5,599	4,955	4,200	5,942	5,559
	Guaranteed Farm Operating Loans	27,379	23,341	20,645	25,529	23,902
	Guaranteed Farm Operating Loans, unsub.	22,666	22,908	30,754	35,338	35,126
	Emergency Disaster Loans	8,891	5,135	4,323	1,314	6,000
	Indian Tribe Land Acquisition Loans	0	0	0	0	0
	Boll Weevil Eradication Loans	114	0	0	0	0
	Indian Fractionated Land Loans	0	0	0	0	793
	Direct Conservation Loans	0	0	0	0	0
	Guaranteed Conservation Loans	0	0	0	0	0

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Program Loan Cost Expenses	7,920	7,920	7,920	7,920	7,920
Individual Development Account Grants	0	0	0	0	0
Administrative costs (direct)	243,993	277,206	305,903	309,848	304,655
Indirect costs [2]	146,791	23,979	4,214	4,273	8,518
Total Costs [1]	**546,212**	**462,393**	**538,064**	**477,728**	**466,493**
FTEs	*2,809*	*2,752*	*2,923*	*2,804*	*2,804*
Performance Measure: Maintain or reduce avg processing time for direct and guaranteed loans.					
Direct Loans (# of days):	27.00	27.80	33.50	30.80	32.50
Guaranteed Loans (# of days):	12.60	8.50	13.50	13.25	13.00
Performance Measure: Increase % of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA.					
Percent:	15.90%	16.22%	17.40%	19.90%	18.00%

[1] For loan programs reflects subsidy budget authority to support loan levels.
[2] Indirect costs include a small amount related to State Mediation Grants.

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF USDA ENERGY AND FORESTRY PROGRAMS)

WEDNESDAY, JULY 20, 2011

SUBCOMMITTEE ON CONSERVATION, ENERGY, AND FORESTRY,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. Glenn Thompson [Chairman of the Subcommittee] presiding.

Members present: Representatives Thompson, Goodlatte, Gibbs, Southerland, Roby, Huelskamp, Hultgren, Ribble, Holden, Schrader, Owens, McIntyre, Costa, Walz, Pingree, and Sablan.

Staff present: Patricia Barr, Brent Blevins, Tamara Hinton, Josh Maxwell, Mary Nowak, Debbie Smith, Lauren Sturgeon, Heather Vaughan, John Konya, Nona Darrell, Liz Friedlander, Anne Simmons, and Jamie Mitchell.

OPENING STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

The CHAIRMAN. Good morning, everyone, this hearing of the Subcommittee on Conservation, Energy, and Forestry, entitled, *Agricultural Program Audit: Examination of USDA Energy and Forestry Programs,* will come to order.

We will start with opening statements. I want to welcome everyone to today's hearing to audit the USDA energy and forestry programs.

Today we will hear from USDA about the farm bill programs administered under the energy and forestry titles. As with each farm audit we are holding, we will learn basic information about programs as well as whether any programs are duplicative. The first energy title was created in the 2002 Farm Bill, and it was designed to help develop feedstock for renewables fuels and to assist farmers and ranchers with energy efficiency.

The 2008 Farm Bill expanded the energy title and committed more than a billion dollars in mandatory funding to help foster the development of advanced biofuels.

Many of these programs, such as the Biomass Crop Assistance Program, were created with the purpose of fostering the creation of the next generation of advanced biofuels by developing dedicated energy crops. Other programs, like the Rural Energy for America

Program, were expanded to better assist rural America's producers and small businesses to implement energy efficiency measures and renewable energy systems.

As we consider these programs and to what extent they have fulfilled their purpose, we must be aware that we face a significant challenge in the next farm bill. Thirty-seven programs in the farm bill do not have a budget baseline beyond the expiration of the current farm bill, including every program in the energy title.

For those of you who are not familiar with the Congressional budgeting process, this means that none of the energy title programs have mandatory funding beyond the expiration of the 2012 Farm Bill. Therefore, if we wish to see any of these programs continue into the future in their current form, we will be faced with the challenge of finding funding elsewhere.

Now that will be challenging in these fiscal times as we are looking for ways to cut spending and make government more efficient. It is not as simple as reallocating funds from one title to another when the 37 programs I mentioned previously are spread through 12 titles of the farm bill.

In addition to energy, we will also examine USDA forestry programs today. The Committee shares jurisdiction of forestry matters with the Natural Resources Committee.

Our Committee's jurisdictions over forestry is focused on state and private forestry and landowner assistance programs, forestry research as well as oversight of the Forest Service. The forestry title is one of the smaller titles of the farm bill but no less important.

Several Members of the Subcommittee, including me, have forestlands in their districts and appreciate the important relationship the Forest Service maintains with rural America. Though most of the forestry programs have a permanent authorization, it is important for us to review these programs to ensure that they are being carried out in a manner consistent with their purpose.

I want to welcome our panel of witnesses from USDA. The Subcommittee looks forward to hearing your testimony and your thoughts on the programs we are examining today, and I look forward to working with you all in the future as we craft the next farm bill.

[The prepared statement of Mr. Thompson follows:]

PREPARED STATEMENT OF HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

Good morning. I want to welcome everyone to today's hearing to audit USDA energy and forestry programs.

Today, we will hear from USDA about the farm bill programs they administer under the energy and forestry titles.

As with each farm audit we are holding, we will learn basic information about the programs, as well as whether any programs are duplicative.

The first energy title was created in the 2002 Farm Bill. It was designed to help develop feedstocks for renewable fuels and to assist farmers and ranchers with energy efficiency.

The 2008 Farm Bill expanded the energy title and committed more than $1 billion in mandatory funding to help foster the development of advanced biofuels.

Many of these programs, such as the Biomass Crop Assistance Program, were created with the purpose of fostering the creation of the next generation advanced biofuels by developing dedicated energy crops.

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I look forward to working with you all in the future as we craft the next farm bill.

I now yield to the gentleman from Pennsylvania, Mr. Holden, for his opening statement.

The CHAIRMAN. I now yield to the gentleman from Pennsylvania, Mr. Holden, for his opening statement.

OPENING STATEMENT OF HON. TIM HOLDEN, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

Mr. HOLDEN. Thank you, Mr. Chairman.

I would like to thank our witnesses and guests for being here this morning. This hearing presents an important opportunity for Members of the Subcommittee to review the state of USDA energy and forestry programs. The Farm Service Agency, Rural Development and U.S. Forest Service, through the authority of this Committee, currently administer the energy and forestry titles and programs contained in the 2008 Farm Bill.

This bill expanded many of the renewable energy programs originally authorized in the 2002 bill and introduced many new provisions intended to ensure that agriculture played an important role in moving this country towards energy independence.

This Committee crafted a bill to encourage a move toward advanced biofuels by promoting research, development and demonstration of biomass-based renewable energy and by providing over $1 billion in investments needed to show a promising but fragile industry that we are committed to renewable energy production.

Implementation of many of these energy title programs, however, has been slow, leading to uncertainty in an industry we intended to strengthen and support. In addition, the energy title does not have mandatory money for these programs after the 2008 Farm Bill expires. This leaves this Committee and the agencies before us today in a difficult situation during a difficult fiscal environment.

Similarly the forestry title, which impacts forestland management in the 155 National Forests and 20 grasslands in the National Forest System does not have any mandatory funding. To ensure the Forest Service continues to meet the needs of present and future generations, we must ensure that forestry title policies are efficient and accessible.

It is important for us to find out today which programs have been implemented and are accomplishing our goal of a well-managed agency dedicated to forest stewardship. We must all work together to make certain taxpayer dollars are being spent wisely and as intended if we are to sustain healthy, diverse and productive forests and expand domestic production of renewable energy to decrease our dependence on foreign oil.

I look forward to hearing from our witnesses today and yield back my time, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The chair would request that other Members submit their opening statements for the record so that the witnesses may begin their testimony and to ensure there is ample time for questions.

[The prepared statement of Ms. Fudge follows:]

PREPARED STATEMENT OF HON. MARCIA L. FUDGE, A REPRESENTATIVE IN CONGRESS FROM OHIO

Thank you Chairman Thompson and Ranking Member Holden, for convening today's hearing and thank you Mr. Tidwell, Ms. Canales, and Mr. Garcia for educating us on energy and forestry provisions of the farm bill. As a new Member of this Committee, I appreciate these opportunities to learn some substance about the issues that will be relevant for the next iteration of the farm bill.

I am particularly interested in the USDA's renewable energy research programs, and specifically, the Biodiesel Fuel Education Program. On one hand, the price of commodities like petroleum and oil have shot up over the past decade, so it is important for the U.S. as a nation to explore cheaper, cleaner, renewable fuel sources. There are institutions and organizations in my district that are blazing the path for new energy technology and this program represents a great funding opportunity for them and similar institutions across the country. Moreover, being able to use biomass to produce cleaner, renewable fuel will have a positive effect on the economy and make it less expensive for food producers to provide the fresh and nutritious foods that people depend on both here and abroad.

I am also interested in the Urban and Community Forestry Program as I represent an urban district. Scientific evidence of green spaces has been mounting for some time now. For example, One tree can remove 26 pounds of carbon dioxide from the atmosphere annually, equaling 11,000 miles of car emissions. Plants have been shown to reduce the urban heat island effect, *i.e.,* where buildings, asphalt, and concrete absorb solar radiation and then reemit it as heat, causing the air temperature of the city to rise, directly by shading heat absorbing surfaces, and indirectly through evaporative cooling. Green spaces can also reduce noise pollution, by dense screens of trees and shrubs, and can even cleanse partially-treated wastewater. I have worked on awareness around childhood obesity and youth fitness, so programs that make the outdoors safer and more inviting are certainly of interest to me.

Again, I thank the Chairman for holding today's hearing and I look forward to hearing from our witness.

The CHAIRMAN. I am pleased to welcome our panel of witnesses to the table today. First, we have Mr. Tom Tidwell, Chief of the U.S. Forest Service, U.S. Department of Agriculture; Ms. Judy Canales, Administrator of the Rural Business Cooperative Service, USDA; and Mr. Juan Garcia, Deputy Administrator of the Farm Service Agency.

Chief Tidwell, begin when you are ready.

STATEMENT OF THOMAS TIDWELL, CHIEF, U.S. FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. TIDWELL. Thank you.

Mr. Chairman, Members of the Subcommittee, I want to thank you for the opportunity to be here in front of you today to discuss the forestry title of the farm bill.

The Forest Service not only manages 193 million acres of National Forest, but we also work with our partners across the country to help manage over 750 million acres of our nation's forests. Two-thirds of our nation's forests, over 500 million acres, are in non-Federal ownership. Over ten million families own forests.

Our nation's forests are a primary source of clean water, clean air, wildlife habitat and recreational settings. They are also the key component of America's rural landscape, supporting our healthy rural communities and economies and supporting well-paying jobs.

Forests are a key part of our rural economies. In fact, roughly 75 million acres of forests belong to working farms with over 900,000 jobs nationwide that rely on our private forests. The programs we will talk about today help keep America's forests working, keeps them productive, rather than having our forests go to some other use, like some form of development.

The Forest Service, primarily through our state and private forestry programs, we provide technical assistance and cost-share financial assistance to landowners to help conserve and enhance the benefits from our nation's forests.

These programs are delivered by our expanding network of partners centered around the state forestry agencies. These efforts are a key part of Secretary Vilsack's "All Lands" vision for the nation's forests.

This Federal investment, it leverages the capacity of our state foresters and their partners to manage the state and private lands to continue to produce the ecological, social and economic benefits that the American people rely on.

In the 2008 Farm Bill, it placed an increased emphasis on forestry and forest landowners. For the first time, the farm bill set priorities for private forest conservation to conserve and manage our working forest landscapes for multiple values and uses, to protect forests from threats and to enhance the public benefits from our private forests.

Furthermore, the 2008 Farm Bill requires each state and territory to develop an assessment of the forest resource conditions and develop a long-term forest research strategy to address the threats and identify the resources that are needed.

The resulting forest action plans, really a nationwide strategy, are a long-term plan for how we should prioritize our limited resources to achieve our national conservation goals. These action plans address the primary threats facing the nation's forests, including changing ownership of private forestlands, forest fragmentation, water quality and quantity issues, increasing urbanization and increasing amounts of the wildland/urban interface that we have to deal with during fire seasons, and also addresses the effects from the changing climate, wildfire, and invasive species.

I don't have to have point out what we have been seeing in this country this year, as far as the devastating natural disasters that have been occurring with the floods, the tornadoes and the wildfires and in the drought that this country has been experiencing across the entire southern tier of this country.

There are about 325 million acres of private forests that are currently at risk from a catastrophic wildfire; 58 million acres are at risk of being overtaken by insect and disease and invasive species; and urban development could swallow another 57 million acres of forests by 2030.

It is essential that we work together, the various agencies, our state partners, so that we can help to address these issues across not only the public lands but also our private forested lands, so that we can ensure that the generations to come will have the same benefits that we have enjoyed from our nation's forests.

The Forest Service, we administer a number of programs that are authorized by the farm bill. These programs are not mandated funding programs, but they do receive discretionary appropriations each year. The first is our Forest Health Management Program. This is a program that helps to identify and project where we are going to see the next insect, disease and invasive outbreaks that are going to occur.

It provides the information that not only we rely on the public lands, but also our private landowners rely on this information so that they know where we need to be moving forward to be able to address the next threat.

Some of the invasives that we are dealing with are the emerald ash borer, the Asian longhorn beetle, dealing with sudden oak death and hemlock wooly adelgid.

Our next program is our Cooperative Fire Assistance, and there are two parts of this. The State Fire Assistance, this program provides matching Federal assistance for our fire management activities with our states, including to help make sure that the states are prepared; they have their plans in place; they are able to provide the training, not only to their personnel but also to our rural volunteer fire departments; and then also it provides funding for hazardous fuel treatments.

The second part is with our Volunteer Fire Assistance Program, which is focused on our volunteer fire departments across this country, to be able to make sure they have the technology and equipment that they need to be able to respond.

Volunteer rural fire departments, they represent really the first line in dealing with wildland fire. They provide nearly 80 percent of initial attack on wildland fires in the United States since almost ⅔ of all wildland fires in this country are on non-Federal lands.

Our next program is the Forest Stewardship Program. This program delivers forestry technical assistance to individual forest landowners to help them to be able to develop a management plan for their lands. This is focused on the individual landowners that not always will have the access to the technology, the access to the expertise, to really understand what they should be doing, what they need to be doing on their lands to make sure that we can sustain the forests that are on their lands.

Since the authorization of this in 1990, the Forest Stewardship Program has provided funding for more than 330,000 forest management plans, covering 38 million acres nationwide and has reached more than five million private forest landowners.

Our next program is the Urban and Community Forestry Program. With 80 percent of Americans now living in our cities and our towns, this program has really made a difference to help the communities understand the benefits of having tree cover in our urban settings. Some of the things that we are doing is with our i-Tree program, which is a Web-based program that allows not only cities and communities but also individuals to be able to use that program to actually see where planting trees on their property, where to place trees on their property, will significantly reduce the amount of energy that they are using. And also with our communities, we have had some great success with the cities using this program to actually be able to reduce the costs of having to deal with storm water runoff because of an increase in their forest cover within their cities.

Our next program is the Forest Legacy Program. This is a program that helps us to protect environmentally important private forest areas that are threatened by conversion to non-forest or to development. We work with willing landowners to provide a conservation easement to ensure that that private landowner can stay on their land and that we can continue to have productive working forestlands.

In addition to these programs, the 2008 Farm Bill authorized four new programs that are administered by the Forest Service. The first is the Community Forest and Open Space Conservation Program that allows us to work with our tribal governments, local governments and qualified nonprofit entities so that they can acquire private forestland that is threatened by conversion and non-forest uses and establish community forests that provide access and community benefits.

The next is the Pest and Disease Revolving Loan Fund that provides loans to local government to finance the purchase of equipment that is needed for management to address disease or pest-infested trees.

Our Community Wood Energy Program provides the states and local governments with grants to develop community wood energy plans to either acquire or to upgrade community wood energy systems. But this is primarily focused on universities, medical service areas, that we are trying to encourage expansion of biomass plants that deal with much larger areas instead of just individual offices or individual schools.

And then the last is our Forest Biomass for Energy Program that directs the Forest Service to conduct a competitive research and development program to encourage the use of forest biomass for energy.

In conclusion, sound management of our nation's forestlands is important to all Americans. Once again, there are over 500 million acres of non-Federal forestland in the United States. Our recent research has shown that every year, large areas are lost to development sprawl. The majority of the acres at risk, more than 430 million acres, are owned by individual families. And some of these private forest owners, they just lack the financial and technical resources to be able to hold on to their lands and manage their forests effectively. The farm bill programs offer the opportunity for those folks to be able to stay on their land, to be able to continue to have productive, working forested farms and ranches.

I want to thank you for the opportunity to be here to discuss the Forest Service's farm bill programs, and I am happy to answer any questions that you may have today.

[The prepared statement of Mr. Tidwell follows:]

PREPARED STATEMENT OF THOMAS TIDWELL, CHIEF, U.S. FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Forestry Title of the farm bill.

The Forest Service not only manages the 193 million acres of National Forests, but also works with partners across the country to help manage all 750 million acres of our nation's forests. Two thirds of our nation's forests, over 500 million acres, are in non-Federal ownership. These state, private and tribal forests comprise about 20 percent of our nation's land base. Management practices on these lands impact everyone, both socially and economically, as well as affecting the natural environment. The nation's private forests are a key component of America's rural landscapes, stimulating healthy rural communities and economies, and supporting well-paying jobs.

The Forest Service, primarily through its State and Private Forestry Programs, provides both technical assistance and cost-share financial assistance to landowners and resource managers to help conserve and enhance the benefits from our nation's forests and protect them from harm. These State and Private Forestry Programs are delivered by an ever expanding network of partners centered around the State Forestry agencies. As a result, we work where Federal, state, and local interests intersect. We also work closely with a variety of Federal agencies helping them deliver their programs to benefit America's forests and the American people. These efforts are a key part of Secretary Vilsack's "All Lands" vision for our nation's forests. This Federal investment leverages the capacity of State Foresters and their partners to manage state and private lands and produce ecological, social and economic benefits for the American people.

2008 Farm Bill: State-Wide Assessments and Strategies for Forest Resources

The 2008 Farm Bill contained an increased focus on forestry and forest landowners. For the first time, the farm bill set priorities for private forest conservation: (1) conserving and managing working forest landscapes for multiple values and uses; (2) protecting forests from threats; and (3) enhancing public benefits from private forests (section 8001). To help ensure success in focusing on these priorities, section 8002 of the 2008 Farm Bill required each state and territory, by June 2010, to develop an assessment of the forest resource conditions within its boundaries and develop a long-term forest resource strategy to address threats and describe necessary resources. All states and territories submitted these Assessments to the Forest Service by the deadline and they now represent the first-ever "strategic plan" for the nation's forests. The resulting Statewide Assessments and Strategies, or Forest Action Plans, provide an analysis of forest conditions and trends and delineate priority landscape areas in each state and territory. They offer practical, long-term plans for focusing state, Federal and other resources on priorities that will be most effective in achieving national conservation goals.

The approach for developing these plans varied widely among states and territories, reflecting differences in the way that national, state, and local priorities came together, the differing challenges each faced, and the resources available to tackle those challenges. Many states engaged in wide-ranging stakeholder involvement processes and involved a variety of partners in establishing their priorities. They used an "All Lands" approach that considered all forestland within their boundaries, regardless of ownership. The primary trends and threats facing the nation's forests, as revealed in the Forest Action Plans, include changing ownerships of private forestlands, forest fragmentation, water quality and quantity issues, increasing urbanization, increasing amounts of Wildland Urban Interface areas, and the effects of climate change, wildfire, and invasive species. Each of these issues intertwines with the others. Cooperation and coordination across jurisdictional boundaries are clearly needed to address these issues, most of which can only be addressed meaningfully at a landscape level. By focusing on priority outcomes that address landscape-scale issues, the Forest Action Plans provide a tool to guide investments that will conserve, protect, and enhance our forests.

2008 Farm Bill: Forestry Programs

To achieve the priorities of conserving, protecting and enhancing the nation's forests, the Forest Service administers a number of programs through its State and Private Forestry Deputy Area that are authorized by the farm bill. Many of these programs stem from older laws, like the 1911 Weeks Act, the 1924 Clarke-McNary Act, and the Cooperative Forestry Assistance Act of 1978. However, in recent years, these laws have most often been amended in the farm bill and new private forestland programs administered by the Forest Service have been authorized. Also, Forest Service programs authorized by the farm bill are funded through discretionary appropriations each year.

This testimony provides an overview and status for six of the Forest Service programs, as well as the forestry programs housed in the Natural Resources Conservation Service and Farm Service Agency.

Forest Health Management—Federal and Cooperative Lands: The Forest Health Management (FHM) program is truly all-lands. It is made up of two components: Forest Health Protection on Federal lands and Forest Health Protection on Non-Federal lands. Funding for these components come in both the State and Private and Wildland Fire Management appropriations. The FHM program provides insect, disease, and invasive plant survey and monitoring information and technical and financial assistance to prevent, suppress, and control outbreaks threatening forest resources. FHM utilizes science, active land management, and technology transfer expertise to restore and sustain forest landscapes—across urban, private, state, Tribal, and Federal forests. Recently completed Forest Action Plans have, in many cases, identified forest health as a key state priority. These Plans are being used to help guide priorities at the national and regional levels. The technical and financial assistance that FHM provides help to ensure that forests remain healthy and resilient by minimizing impacts of native and invasive insects and diseases, and invasive plants.

The FHM program works collaboratively with other agencies, especially the Animal and Plant Health Inspection Service (APHIS), to combat several damaging invasive pests, such as emerald ash borer, Asian long horned beetle, sudden oak death, and hemlock woolly adelgid. FHM also plays an active role in international activities. Many of the current forest health issues regarding invasive and exotic insects and diseases are directly related to the international arena. During Fiscal Year (FY) 2010, FHM specialists were involved in approximately 50 international-related activities in 17 countries, including biological control of invasive insects, providing training in bark beetle management and identification, and technology transfer for aerial survey detection.

In FY 2010, FHM received $78 million in funding for this work on Federal lands and $60 million in funding for this work on non-Federal lands. Over the last 3 years, FHM has protected almost 4 million acres of Federal and non-Federal lands from invasive and native pests.

The President's FY 2012 Budget proposes $118.9 million for Forest Health Management.

Cooperative Fire Assistance—State Fire Assistance: The State Fire Assistance (SFA) program provides matching financial assistance through partnership agreements to State Foresters for all fire management activities including preparedness activities, planning, training, hazardous fuel treatments, and the purchase and maintenance of equipment. Funds provide financial assistance, technical training, and equipment to ensure that Federal, state, and local fire agencies can deliver a coordinated response to wildfire. The emphasis is on improving fire planning, initial attack capabilities, and use of the Incident Command System and wildland fire techniques training for local fire agencies. This program also supports programs such as the Smokey Bear fire prevention campaign, Firewise, and Ready, Set, Go! Funds are provided in both the State and Private and Wildland Fire Management appropriations. We emphasize funding in areas that have developed or are developing Community Wildfire Protection Plans (CWPPs), FEMA hazard mitigation plans, or other collaboratively developed hazard mitigation plans. Recipients of SFA funds are required to provide a 50 percent cost-share match, which leverages the amount of work that is completed with SFA funds.

In FY 2010, the agency received $110 million in SFA funds for this work, which were used, in part, to train almost 15,000 firefighters across the county and conduct over 19,000 prevention and education programs. In the past 3 years, this program has assisted over 13,000 communities at risk from wildland fire in developing management plans and provided funding for over 660,000 acres of hazardous fuels treatments near communities.

The President's FY 2012 Budget proposes $78.8 million for State Fire Assistance.

Cooperative Fire Assistance—Volunteer Fire Assistance: Originally authorized in Title IV of Public Law 921–419, "The Rural Development Act of 1972," the Volunteer Fire Assistance (VFA) program provides Federal financial, technical, and other assistance to State Foresters and other appropriate officials to organize, train and equip fire departments in rural communities (population of 10,000 or less) to suppress fires. A department may buy fire equipment, pay for training or training materials, or cover the cost of department incorporation, as long as the funds are matched. Volunteer fire departments receiving VFA funds are required to provide a 50 percent cost-share match. Funds are provided in both the State and Private and Wildland Fire Management appropriations.

Volunteer fire departments play a major role in suppressing wildfires on Federal lands. Rural Fire Departments represent the first line of defense in coping with fires and other emergencies in rural areas and rural communities. They provide nearly 80% of initial attack on wildland fires in the United States. These departments are charged with the protection of lives, homes and business investments in rural America. Their presence enhances rural development opportunities and economic vitality, thereby improving standards of living in rural areas.

The Forest Service and the Department of the Interior land management agencies have entered into cooperative agreements with many rural volunteer fire departments for the purpose of protection of both communities and natural resources. A level of fire protection is attained that would be impossible without such cooperation. Interagency agreements provide a cost-effective means of enhancing fire protection.

In FY 2010, the agency received $15.7 million in VFA funds. These funds were used to train over 9,000 firefighters in rural areas and helped to expand or create 18 fire departments in rural communities. In the past 3 years, the program has assisted almost 38,000 volunteer fire departments.

The President's FY 2012 Budget proposes $13.4 million for Volunteer Fire Assistance.

Forest Stewardship Program: The Forest Stewardship Program is the only Forest Service program focused on private forestland management. The program delivers assistance by leveraging a national network of forestry technical assistance providers and programs. Because of this unique role—and since most of America's forests are privately owned—the Forest Stewardship Program is central to addressing forest resource management issues. Individual forest landowners are assisted within the context of forest resource management issues that cross boundaries and encompass multiple ownerships and jurisdictions. The Forest Stewardship Program plays a fundamental role in keeping forests as forests, preparing forest landowners for forest products and ecosystem services markets, qualifying them for incentive programs, and maintaining jobs and diverse forest products markets in rural communities. Since its authorization in 1990, the Forest Stewardship Program has provided funding for more than 330,000 comprehensive forest management plans covering 38 million acres nationwide and has reached more than five million private forest landowners through a variety of technical and educational assistance programs.

In FY 2010, the agency received $29.4 million in Forest Stewardship funds. These funds were used to conduct landowner education programs for almost 230,000 landowners and fund almost 15,000 new or revised Forest Stewardship Plans. In FY 2010, over 1.8 million acres of nonindustrial private forestland was being managed sustainably under Forest Stewardship Management Plans.

The President's FY 2012 Budget proposes $29.4 million for the Forest Stewardship program.

Urban and Community Forestry Program: The Urban and Community Forestry Program (U&CF) fosters the creation of healthier, more livable urban environments across the nation by promoting benefits of tree cover in urban areas and communities, encouraging maintenance of trees and community forests, and expanding research and education efforts intended to improve the understanding of trees' economic, environmental, social and psychological, and energy conservation benefits. With 80% of Americans living in cities, suburbs and towns, there are strong environmental, social, and economic cases to be made for the conservation of green spaces to guide growth and revitalize city centers and older suburbs. The Urban and

Community Forestry Program is helping to improve the condition and extent of the 100 million acres of community trees and forests in cities, suburbs, and towns where people live, work and play.

All Americans benefit from the multitude of services that the urban tree canopy provides, including improved human health and wellbeing, green jobs, energy conservation, improved air and water quality, carbon sequestration, recreation, and wildlife habitat. Urban and Community Forestry also provides support and funding for cutting-edge technologies and information, such as the "i-Tree" suite of local decision support tools that include urban forest benefits assessment, pest detection and storm response protocols.

In FY 2010, the Forest Service received $30.4 million in Urban and Community Forestry funds. These funds were used to assist over 7,000 communities reaching a total of 177 million people. In the past 3 years, the program has helped over 21,000 communities.

In FY 2012 the President's Budget includes $32.4 million for the Urban and Community Forestry program.

Forest Legacy Program: The Forest Legacy Program (FLP) protects environmentally important private forest areas that are threatened by conversion to non-forest uses. In partnership with participating states, private landowners, and other conservation partners the FLP works to identify important forestlands and protect them for future generations. The FLP provides the opportunity for the continuation of traditional forest uses, including forest management activities and outdoor recreation. Using conservation easements and fee-simple purchases, FLP gives priority to lands that have important scenic or recreational values, riparian areas, fish and wildlife values, and other ecological values. Family forest owners and timber companies currently face increasing pressure to sell, subdivide, and develop their land. This program provides financial incentives to help private landowners stay on their land to conserve their forests, thereby protecting outdoor recreation opportunities, fish and wildlife habitat, water quality and resource-based economies. The program operates on a "willing buyer-willing seller" basis and is a non-regulatory, incentive-based land conservation program.

Funds for the FLP program are provided through the Land and Water Conservation Fund. In FY 2010, the agency received $78.96 million in FLP funding. Since its inception, the program has protected over 2 million acres of important forest from conversion.

In FY 2012, the President's Budget includes $135 million for the Forest Legacy program.

In addition to these programs, the 2008 Farm Bill authorized four new programs administered by the Forest Service, which are in various stages of implementation.

1. **Community Forest and Open Space Conservation Program:** This program, authorized under Section 8003 of the 2008 Farm Bill, directs the Forest Service to provide grants to Tribal governments, local governments, and qualified nonprofit entities to acquire private forestland that is threatened by conversion to non-forest uses, and establish community forests that provide accessible community benefits. The benefits include public recreation, improvement of environmental health, economic activity, and forest-based educational programs. This program received $500,000 in funding in FY 2010 and $1 million in FY 2011. The Forest Service is still in the process of finalizing the regulations for this program. The agency engaged in government-to-government consultation with tribes during a 145 day period, and conducted a 60 day public comment period, which ended on March 7, 2011. The Forest Service analyzed comments received during both processes and prepared final regulations for the program. The final regulation is planned for publication in the *Federal Register* later this year.

2. **Pest and Disease Revolving Loan Fund:** The Pest and Disease Revolving Loan program was authorized in section 10205 of the 2008 Farm Bill. The program is authorized to provide loans to local governments to finance the purchase of equipment needed for the management of diseased or pest-infested trees. The agency has implemented an interim procedure to help address pest and disease issues, using its existing grant authorities to make grants to the states, which in turn, make grants available to local governments.

3. **Community Wood Energy Program:** Section 9013 of the 2008 Farm Bill directs the Forest Service to establish the Community Wood Energy Program. This program authorizes appropriations of $5 million per year for fiscal years from 2009 through 2012 for a grant program to provide state and local governments up to $50,000 to develop community wood energy plans. Competitive grants could also be available to acquire or upgrade community wood energy

systems that primarily service public facilities owned or operated by the governmental entity and that use woody biomass as the primary fuel. To date, this program has not been funded.

4. **Forest Biomass for Energy Program:** Section 9012 of the 1008 Farm Bill directs the Forest Service to conduct a competitive research and development program to encourage use of forest biomass for energy. The agency's Research and Development Deputy Area would administer this program. To date, this program has not been funded.

Biomass Commercial Utilization Grant Program: The agency also implements a program, the Biomass Commercial Utilization Grant Program, that authorizes grants to an owner or operator of a facility that uses biomass for wood-based products or other commercial purposes, to offset the costs incurred to purchase biomass. Section 203 of the Health Forests Restoration Act provided an authorization of appropriations for this program through Fiscal Year 2008. Through appropriations acts, the agency has provided $5 million of hazardous fuels funds for the biomass utilization grants each year since 2005. From 2005 to 2010, the grants have focused on assisting businesses and communities with the production, delivery, and utilization of wood residues. The Forest Service has provided grants for equipment such as grinders, harvesters, new trucking methods, energy production facilities, roundwood manufacturing, and production of wood shavings for animal bedding markets. In FY 2010, 13 biomass grant awards were made to small businesses and community groups in six states. In 2011, the emphasis was changed to focus on engineering design, permitting, and other preconstruction work for wood energy facilities. Grants for biomass utilization have totaled over $30 million to 123 grant recipients in 21 states since 2005.

2008 Farm Bill: Cultural and Heritage Cooperation

Subtitle B, Cultural and Heritage Cooperation Authority applies specifically to the Forest Service's interactions and capacity for cooperation with federally recognized Indian tribes. Section 8106, "Prohibition on Disclosure," exempts certain information received by the agency from the Tribes from disclosure under the Freedom of Information Act. Other provisions in Subtitle B relate to reburial of human remains and cultural items, temporary closures for traditional and cultural purposes, and gathering of forest products by Tribes.

In addition to the Forest Service, USDA's Natural Resource Conservation Service (NRCS) and Farm Service Agency (FSA) also have forestry programs authorized in the 2008 Farm Bill.

Natural Resources Conservation Service—Forestry Activities

USDA's NRCS assists private forest owners in managing the nation's nonindustrial private forests through technical and financial assistance. NRCS has a long-term combined objective for forestland with an expected outcome of healthy forestlands that are productive, diverse, resilient, and provide a wide range of ecosystem services. During the past 3 years, about 4.7 million acres of private forestland have received conservation treatment through NRCS assistance.

In 2010, the Environmental Quality Incentives Program (EQIP) authorized under the Conservation Title of the farm bill, provided about $51 million (about six percent of total EQIP funding) to private forest owners to improve forest health. This level of assistance has steadily increased since enactment of the 2008 Farm Bill. Conservation practices funded by EQIP include forest health treatments, tree planting and reforestation activities, and plan development to help guide the stewardship of forestlands into the future. So far in FY 2011, EQIP has funded 1,443 new forest management plans. Additionally, over 20 percent of the FY 2010 funds under the Wildlife Habitat Incentive Program (WHIP) have supported wildlife habitat improvement on private forestlands with special emphasis in the Longleaf Pine Ecosystem Restoration Initiative in the southeast and the New England/New York Forestry Initiative.

The Conservation Stewardship Program (CSP) takes a different approach than other programs by encouraging existing good stewards to continue and expand their forest management. In the past 2 years, about 2.1 million acres of nonindustrial private forestland were enrolled in CSP. The most popular CSP forest practices include prescribed burning, forest stand improvement, and building shelters and structures for wildlife. Additionally the Cooperative Conservation Partnership Initiative (CCPI) component of EQIP, WHIP, and CSP program funds were leveraged with resources from state and local governments and conservation organizations in seven focused forested landscapes with projects ranging from restoring salmon spawning grounds to reducing sediment loss from timber harvesting operations.

Through the Healthy Forests Reserve Program (HFRP), NRCS assists landowners in restoring, enhancing, and protecting forest ecosystems to: (1) promote the recovery of threatened and endangered species; (2) improve biodiversity; and (3) enhance carbon sequestration. Participants may enroll in HFRP through restoration agreements, contracts, and easements depending on their objectives. An FY 2010 HFRP project in Oregon is working to increase Northern Spotted Owl habitat while maintaining a working forest. The effort is a partnership between NRCS, the U.S. Fish and Wildlife Service, the Oregon Department of Forestry and 11 private landowners. The project includes long-term plans for stand management and provides the landowners with assurances that if they manage their property in accordance with the plan, they will avoid future regulatory restrictions on the use of that land under the Endangered Species Act. In FY 2010, over 5,600 acres were enrolled in 13 states for about $6.5 million in financial assistance.

Farm Service Agency—Forestry Activities

USDA's Farm Service Agency (FSA) implements the Emergency Forest Restoration Program (EFRP), a program that provides payments for nonindustrial private forestland to carry out emergency measures to restore land damaged by a natural disaster. Funding for EFRP is by appropriations. For FY 2010, $18 million was made available by supplemental appropriations.

To be eligible for EFRP, nonindustrial private forestland must have existing tree cover (or had tree cover immediately before the natural disaster occurred and is suitable for growing trees). EFRP program participants may receive financial assistance of up to 75 percent of the cost to implement approved emergency forest restoration practices. A payment limitation of $500,000 per person or legal entity applies per disaster.

EFRP program participants may implement emergency forest restoration practices including emergency measures necessary to repair damage caused by a natural disaster to natural resources on nonindustrial private forestland and to restore forest health and forest related resources on the land.

Conclusion

In conclusion, sound management of our nation's forestlands is important to all Americans. There are over 500 million acres of non-Federal forestland in the United States and recent research has shown that every year, large areas are lost to development and sprawl. The majority of the acres at risk, more than 430 million acres, are owned by families and individuals. Some of these private forest owners lack the financial and technical resources to hold on to and manage their forests effectively. Farm bill programs offer protection for forests and support for these working landscapes by directing technical support and resources to these forest landowners—helping to keep working forests intact, providing quality jobs in rural America, and keeping privately-owned forestlands together for future generations.

The Forest Service's State and Private Forestry Deputy Area administers these programs through robust partnerships with states, private landowners, and other partners. These programs and partnerships help private landowners and rural communities care for their forests, strengthen local economies, and maintain a high quality of life.

Thank you for the opportunity to be here today to discuss the Forest Service's farm bill programs. I am happy to answer any questions from the Subcommittee Members.

The CHAIRMAN. Thank you, Chief.

Administrator Canales, go ahead and proceed whenever you are ready. Thank you.

STATEMENT OF JUDY CANALES, ADMINISTRATOR, RURAL BUSINESS COOPERATIVE SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. CANALES. Chairman Thompson, Ranking Member Holden, and Members of the Subcommittee, thank you for the opportunity to review Rural Development's energy programs, accomplishments in creating jobs and building a cleaner, more secure, more sustainable and domestically produced energy sector for future generations.

The mission of Rural Development's Rural Business Service programs is to enhance the quality of life for rural Americans by providing leadership in building competitive businesses. We provide funding opportunities for the development and commercialization of renewable energy sources to change the way people power their homes, businesses and industries.

We meet these goals by providing financial and technical assistance to businesses and cooperatives located in rural communities and establishing strategic alliances and partnerships that leverage public, private and cooperative resources to create jobs and stimulate rural economies.

Through USDA's Rural Business Service, four title IX programs are implemented to assist the agriculture sector in finding energy solutions and helping rural residents and communities access renewable energy systems and to use energy more efficiently. These four programs are section 9003, the Biorefinery Assistance Program; section 9004, the Repowering Assistance Program; section 9005, the Advanced Biofuel Payment Program; and section 9007, the Rural Energy for America Program, REAP.

The section 9003 Biorefinery Assistance Program provides much-needed assistance in the development of new and emerging technologies to develop advanced biofuels.

My agency, Rural Business Service, is currently reviewing ten applications totaling over $1 billion in funding requests. Through the section 9004 Repowering Assistance Program, we will provide payments to biorefineries who switch from using fossil fuels to using renewable biomass to produce heat or power for their facilities. We are currently reviewing applications at this moment.

The section 9005 Advanced Biofuels Payment Program provides payments to eligible producers to support and expand the production of advanced biofuels. To date, almost $30 million in assistance payments have been provided to 141 advanced biofuel producers. The section 9007 Rural Energy for America Program, REAP, is the longest running renewable energy program that Rural Business operates. In Fiscal Year 2010, we provided 2,400 grants and loan guarantees, totaling $159 million in support of energy audits and energy efficiency and renewable energy projects, including projects, such as windmills, methane digesters and geothermal systems.

REAP provides an immediate impact and engages all types of communities.

For example, the Menard family, a farming couple located in New York, received a $31,000 grant for a solar electric generating system. The system has already saved this farm and this family over $11,000 in electric costs.

Since the signing of the 2008 Farm Bill, our renewable energy programs have invested over $460 million in biorefineries and renewable energy and energy efficiency systems.

Through Fiscal Year 2010, over 6,100 awards were made, saving or generating enough energy to support 2.3 million households for a year. These programs are distinct and unique in the Federal Government. There are no other programs that solely support cellulosic and advanced biofuel production or the conversion of biorefinery power systems to renewable energy.

REAP is also unique, creating a multitude of methods to support the energy sector.

The USDA Rural Business Service, my agency, is the only Federal agency that is focused and dedicated to promoting rural communities and businesses in rural communities. Our field office structure reaches out to the poorest, most rural counties in America, providing Federal support to businesses who will not receive financial aid from any other source.

We are the leader in promoting the creation and expansion of renewable energy in rural areas.

Advancing biomass and biofuel production, which has the potential to create jobs, is one of the many ways we are looking to rebuild and revitalize rural America. By producing renewable energy, especially biofuels, America's farmers, ranchers and rural communities have the ability to be help ensure our nation's energy security, environmental security and economic security.

In conclusion, thank you for your time, Mr. Chairman, and Members of the Subcommittee. We at the USDA Rural Business Service are committed to promoting renewable energy in rural communities through our grants, our loan guarantees and payment programs.

I will be happy to respond to questions from the Committee. Thank you.

The CHAIRMAN. Thank you, Administrator.

Deputy Administrator Garcia, go ahead and proceed whenever you are ready.

STATEMENT OF JUAN GARCIA, DEPUTY ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. GARCIA. Chairman Thompson, Ranking Member Holden, Members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Juan Garcia, Acting Deputy Administrator for Farm Programs at the Farm Service Agency. My remarks will focus on FSA's energy programs.

As part of the Energy Policy Act of 2005, Congress created the first renewable fuel standard calling for 7.5 billion gallons of corn starch ethanol in our national fuel supply by 2012. When Congress modified the renewable fuel standard in 2007, it increased the biofuel targets to 36 billion gallons by 2022.

It has taken more than 20 years to introduce just over 10 billion gallons of biofuels, but now the nation must achieve 20 billion gallons more biofuels in half the time.

Meeting this goal means growing new crops in greater quantities. Some of these crops will take several years from establishment to maturity before they can be harvested and will be used in facilities that may not yet be completed.

Producers growing these new crops are subject to greater risks in the establishment, production and marketing of the biomass crops, as compared to the production of conventional crops.

The 2008 Farm Bill created a program designed to jump start the establishment of bioenergy crops and reduce the risk to producers. This is a Biomass Crop Assistance Program, BCAP, which offers incentives to farmers, ranchers and forest landowners to establish, maintain and harvest a dedicated energy crop for heat, power, biobased products and fuels.

Two types of assistance are available under BCAP. First, establishment costs and annual payments may be available to producers who enter into contracts with FSA to produce eligible crops within approved project areas. Participants may receive up to 75 percent of the establishment costs for perennial crops and annual payments for up to 5 years for non-woody crops or up to 15 years for woody crops.

Second, matching payments may be available to producers for the collection, harvest, storage and transport of eligible biomass to qualified facilities that produce heat, power, biobased products or advanced biofuels from that biomass.

In July 2009, FSA issued a notice of funds availability for the matching payments portion of the BCAP program, issuing the first payment in August of 2009. FSA published a proposed rule in February of 2010 to implement the full program. After review of over 24,000 comments, the final rule for BCAP was published on October 27, 2010, and FSA began accepting applications for BCAP project areas.

Earlier this year, FSA began the sign up for Iowa farmers seeking matching payments for the delivery of crop residues to a qualified biomass conversion facility located in South Dakota. FSA also announced the first BCAP project area, comprising of 39 contiguous counties in Missouri and Kansas that proposed the enrollment of up to 50,000 acres of native grasses, including switchgrass from manufacturing into pellet fuels. And, last month, FSA announced four more BCAP project areas, in Arkansas, Missouri, Ohio and Pennsylvania, designated to grow giant Miscanthus, a sterile hybrid warm-season grass intended for bioenergy conversion.

On April 14 of this year, funding for BCAP was legislatively reduced from $432 million to $112 million that must be obligated by the end of this fiscal year. In order to meet this timeframe, FSA announced that BCAP project area proposals must be submitted no later than May 27 of this year.

Interest in BCAP has been significant. FSA received 41 project proposals from 21 states where project area sponsors requested an estimated $1 billion to enroll more than 1.5 million acres in dedicated energy crops over 5 to 15 years. FSA soon will announce a final project area selection for Fiscal Year 2011.

In addition to BCAP, the 2008 Farm Bill also authorizes the establishment of the Feedstock Flexibility Program. This program was authorized to prevent the accumulation of government-held sugar stocks that otherwise can impede price recovery, by allowing USDA to sell the surplus sugar to bioenergy producers as a fuel feedstock.

Domestic sugar demand has increased significantly and is expected to remain strong relative to supplies in Fiscal Years 2011 and 2012. USDA does not anticipate an immediate need for the Feedstock Flexibility Program.

Mr. Chairman and Members of the Subcommittee, this concludes my remarks. I will be prepared to answer any questions that you may have. Thank you.

[The joint prepared statement of Ms. Canales and Mr. Garcia follows:]

JOINT PREPARED STATEMENT OF JUDY CANALES, ADMINISTRATOR, RURAL BUSINESS COOPERATIVE SERVICE; JUAN GARCIA, DEPUTY ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Thompson, Ranking Member Holden, and Members of the Subcommittee, our nation today faces pressing challenges to increase our energy security, decrease our dependence on imported oil, protect and improve our environment, and create new jobs and new opportunities that will strengthen our economy. In the face of these challenges, renewable energy offers an enormous opportunity for all Americans but especially for agriculture and rural America to help build a cleaner, more secure, more sustainable, and domestically-produced energy sector for future generations. Advancing the development and deployment of renewable energy is a high priority for the Obama Administration, as it has been for bipartisan champions in Congress for many years. USDA has been and remains a proud partner in these efforts. We appreciate the opportunity to appear before you today to discuss USDA's energy programs which contribute to an energy policy that reduces our dependence on imported oil, protects our environment, and promotes jobs and economic growth in the United States.

This testimony will review the Title IX (Energy Title) programs from the 2008 Farm Bill and will also provide additional information on some of the ways in which other agencies and programs contribute to the overall USDA energy portfolio.

Renewable Energy at USDA

USDA has a longstanding commitment to supporting the research and development and commercialization of renewable energy resources. While there are urban and suburban sources of renewable energy, renewable energy is largely rural energy—produced in rural areas and moved to more urban areas where the majority of the energy users live.

USDA support for biofuels and bioenergy is an important part of a much broader commitment to a cleaner and greener future which has included investment in biofuels, biomass to energy, wind, solar, geothermal, hydroelectric power and energy efficiency, as well as basic scientific research into second and third generation biofuels and biomass to power. USDA recognizes that environmentally responsible renewable energy and energy conservation provide opportunities for economic growth and prosperity across rural America and the nation as a whole. We are working to ensure that our programs meet and exceed the challenge of promoting sustainable economic growth and prosperity.

USDA programs support the entire supply chain of renewable energy production, from feedstock research and development through to the consumer, drawing on the established expertise, funding, and staff from a dozen USDA agencies and offices as follows:

- Rural Development
- Farm Service Agency
- National Institute of Food and Agriculture
- Agricultural Research Service
- National Agricultural Statistics Service
- Economic Research Service
- Office of the Chief Economist
- Departmental Management
- Natural Resources Conservation Service
- Forest Service
- Foreign Agricultural Service
- Agricultural Marketing Service

USDA is working within the Department and with other Federal departments and organizations on furthering renewable energy and energy efficiency; efforts include but are not limited to, the following intra/intergovernmental agreements, councils, working groups, and boards. USDA organizes all energy-related efforts internally through the USDA Energy Council to lead the Department in policy development, and the USDA Energy Council Coordinating Committee to coordinate activities and perform duties assigned by the Secretary and the Energy Council. USDA along with the Department of Energy (DOE) co-chairs the Biomass Research and Development Board (BR&D Board) which coordinates the government-wide research initiative and activities for the purpose of promoting the use of biobased products, power and biofuels. Members of the board also include the National Science Foundation, Environmental Protection Agency (EPA), Department of the Interior, Department of Defense, Department of Transportation and the Office of Science and Technology Policy. The BR&D Technical Advisory Committee is a group of approximately 30 individuals from industry, academia, and state government, and is responsible for providing guidance to the BR&D Board on the technical focus of the Biomass Research and Development Imitative. Additionally, President Obama established the Biofuels Interagency Working Group (BIWG) co-chaired by the Secretaries of Agriculture and Energy, and the Administrator of the EPA, which works closely with the BR&D Board in undertaking its work. The BIWG will develop the nation's first comprehensive biofuel market development program.

Farm Bill Energy Programs

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) provided over $1 billion of mandatory funding during a 5 year period to support a comprehensive approach to energy efficiency and renewable energy development in rural America. The 2008 Farm Bill reauthorized, expanded, and/or modified existing programs, and created new programs and initiatives to promote advanced biofuels production. The bill supports farm, small rural business, and community renewable energy systems; promotes production, marketing, and processing of biofuel feedstocks other than those using corn starch; and expands research, education, and demonstration programs for advanced biofuels. It also expanded programs for Federal procurement of biofuels and bio-refinery repowering projects and established USDA as the lead agency for coordination of Federal biobased energy efforts. The Title IX (Energy Title) programs were designed to increase America's energy security, improve the environment, and strengthen rural economies through development and production of renewable energy and the creation of sustainable green jobs. The Obama Administration and USDA are committed to these objectives.

Additional USDA Energy Programs and Efforts

Outside of the Energy Title programs, USDA has made significant progress in assisting farmers, forest landowners, rural businesses and communities, rural residents, agricultural producers and the nation responding to energy related issues and opportunities. These range from fundamental scientific research to the development and commercialization of new technologies. They include outreach and education, technical assistance programs, financial support for infrastructure, and the adoption of biobased and energy-saving products and volunteer biobased product labeling by USDA itself. We support more energy efficient farming and sustainable feedstock production and management techniques; geothermal facilities; solar and wind farms; current and advanced bioenergy production supply chains; and biochemical and genomics research crucial to furthering the advancement of these technologies in the future. USDA also supports modernization of the rural electric grid through smart grid technologies, renewable energy development, as well as renewable energy transmission to move renewable electricity to markets.

Rural Development

Rural Development consists of three agencies, the Rural Business Service (RBS), the Rural Utility Service (RUS), and the Rural Housing Service, with RBS and the RUS managing renewable energy programs. Within Rural Development, only RBS operates programs created under the Energy Title of the farm bill.

The mission of Rural Development's Rural Business Service (RBS) programs is to enhance the quality of life for rural Americans by providing leadership in building competitive businesses including sustainable cooperatives that can prosper in the global marketplace. We meet these goals by investing financial resources and providing technical assistance to businesses and cooperatives located in rural communities and establishing strategic alliances and partnerships that leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity.

The RBS mission is unique in the Federal Government. There is no other Federal agency that focuses only on promoting rural communities and businesses. Our field offices reach out to the poorest, most rural counties in America, providing Federal support to businesses who might otherwise not receive financial aid from any other source.

Energy Programs

RBS implements four Energy Title programs to assist the agriculture and energy sectors in finding energy solutions and helping rural residents, rural small businesses, and communities to access renewable energy systems and to use energy more efficiently. We provide funding opportunities in the form of payments, grants, and loan guarantees for the development and commercialization of renewable energy sources including wind, solar, geothermal, hydrogen, ocean waves, hydroelectric, biomass, and advanced biofuel (ethanol, biodiesel, methane gas, *etc.*) to change the way people power their homes, businesses, and industries. By making renewable energy sources commercially viable, we are also helping to create sustainable opportunities for wealth, new jobs, and increased economic activity in rural America.

RBS has been a leader in promoting the creation and expansion of renewable energy in rural areas. Since the enactment of the 2008 Farm Bill, the renewable energy programs authorized under the Energy Title have invested over $460 million in biorefineries and renewable energy and energy efficiency systems through mandatory funding for grants, loan guarantees, and assistance payments. Through 2010, over 6,100 awards were made, saving/generating close to 28 billion kWh of energy or supporting approximately 2.3 million households for a year. These programs provide an immediate impact and affect all walks of life. Take for example, Gary and Connie Menard, a dairy farming couple in Mooers, New York. They received a $31,162 grant from USDA which covered 25 percent of the cost of a 12.6 kilowatt solar electric generating system that featured a system to track the sun for maximum output. The system has generated over 85,000 kilowatt-hours of electricity to date and has already saved the farm over $11,000 in electric costs.

The three Energy Title programs that RBS administers for the sole purpose of promoting biofuels are distinct and unique in the Federal Government. There are no other programs that's sole purpose is to support the processing of advanced biofuel production, as is the case for the Biorefinery Assistance program and the Advanced Biofuel Payment Program respectively. The Repowering Assistance Program is the only program of its kind, providing support to biorefineries to convert their power systems to renewable energy.

Rural Energy for America Program (REAP)

REAP is the longest running renewable energy program that RBS operates. Initially authorized under the 2002 Farm Bill, the program was reauthorized and expanded in the 2008 Farm Bill. REAP provides grants and loan guarantees for renewable energy and energy efficiency to support a multitude of methods to support the energy sector in rural America. The President's Budget for Fiscal Year (FY) 2012 requested $37 million to support a program level of $45 million in 2012 in addition to the $165 million in mandatory program level funding to support $210 million in program activity. In FY 2011 RBS has $75 million in mandatory and discretionary funding to support a program level of $113 million in funds which will be awarded to many of the over 3,000 applications that were received. In FY 2010, the program provided 2,400 grants and loan guarantees totaling $159 million in support for energy audit projects, and energy efficiency and renewable energy projects that ranged from biofuels to wind, solar, geothermal, anaerobic digesters, hydroelectric, and biomass projects.

Four categories of program assistance are available through the REAP:

(1) The REAP Renewable Energy Systems/Energy Efficiency Improvement Grants Program is designed to assist farmers, ranchers and rural small businesses that are able to demonstrate financial need. All agricultural producers, including farmers and ranchers, who gain 50 percent or more of their gross income from the agricultural operations are eligible. Small businesses that are located in a rural area can also apply. Rural electric cooperatives may also be eligible to apply.

(2) The REAP Energy Audit and Renewable Energy Development Assist Grants Program is available to eligible entities which include a unit of state, tribal, or local government; institutions of higher education; rural electric cooperatives; or a public power entity. The program is designed to assist farmers, ranchers, and rural small businesses.

(3) The REAP Feasibility Study Grants Program is designed to assist agriculture producers (including farmers and ranchers) and rural small businesses. All agricultural producers who gain 50 percent or more of their gross income from the agricultural operations are eligible. Small businesses that are located in a rural area can also apply. Rural electric cooperatives may also be eligible to apply.

(4) The REAP Guaranteed Loan Program has recently established a new definition for eligible applicants. All agricultural producers or rural small businesses are eligible to apply. Agricultural producers must gain 50 percent or more of their gross income from their agricultural operations. An entity is considered a small business in accordance with the Small Business Administration (SBA) small business size standards NAICS code. Most lenders are eligible, including national and state-chartered banks, Farm Credit System banks and savings and loan associations. Other lenders may be eligible if approved by USDA.

This program supports a wide range of small businesses, and technologies can range from wind turbines, to methane digesters, to geothermal systems. For example, in Altura Minnesota, Pork and Plants of Altura was awarded a $16,250 grant to build a renewable energy system. The grant provided sufficient incentive to motivate Pork and Plants to utilize corn and pellets to provide the heat needed for their greenhouses eliminating the need for approximately 40,000 gallons of liquid propane gas per year.

Biorefinery Assistance Program

The Biorefinery Assistance Program (Section 9003) provides loan guarantees to assist in the development of new and emerging technologies to develop advanced biofuels. An Interim Rule was published on February 14, 2011, the Notice of Funds Available (NOFA) was published March 11, 2011, and the application window closed July 6, 2011. RBS received thirteen applications, requesting over $1.3 billion in requested funding. We are currently reviewing the applications and identifying loans that may range up to $250 million.

The Biorefinery Assistance program is the only Federal program that provides support exclusively to advanced biofuel biorefineries. Eligible applicants include individuals, entities, Indian tribes, units of state or local government, farm cooperatives, farmer coop organizations, associations of agricultural producers, National Labs, Institutions of higher education, rural electric cooperatives, public power entities, or various consortia of any of those entities.

Repowering Assistance Program

The Repowering Assistance Program (Section 9004) provides payments to biorefineries who switch from using fossil fuels to produce heat or power from renewable biomass. These biorefineries must have been in existence at the time the 2008 Farm Bill was passed. An Interim Rule was published on February 11, 2011 and a NOFA was published on March 11, 2011, and the application window closed on June 9, 2011.

This program can provide payments to a biorefinery existing before June 2008 based on the quantity of fossil fuel the biorefinery is replacing, the percentage reduction in fossil fuel used by the biorefinery, and the cost effectiveness of the renewable biomass system, economic benefit to the community, and the potential to improve the quality of life in rural America.

Bioenergy Program for Advanced Biofuels

The Advanced Biofuel Payment Program, formerly the Bioenergy Program for Advanced Biofuels (Section 9005) provides payments to eligible producers to support and expand the production of advanced biofuels. Only one producer per refinery is eligible to apply. To date, almost $30 million in assistance payments have been provided to 141 advanced biofuel producers. On February 11, 2011, an Interim Rule was published and incorporated a notice of contract proposals (NOCP) for the 2010 funding in the amount of $80 million. A second NOCP for $85 million was published on March 11, 2011 for the FY 2011 funding; applications for funding were required to be submitted to RBS by May 10, 2011. This program is vital in supporting existing biofuel infrastructure and a crucial support to help us meet the mandated Renewable Fuel Standard (RFS2) which calls for 22 billion gallons of advanced biofuels by 2022.

An example is Indiana Flex Fuels which received $3,600 in FY 2010. Though relatively small in capacity—a 5 million gallon a year plant—the FY 2010 payment and future payments in FY2011 will provide a financial incentive to biorefineries such as this, which will provide them with a necessary step towards meeting the nation's renewable energy needs.

Performance

In 2009 and 2010, USDA assisted nearly 4,000 rural small businesses, farmers, and ranchers save energy and improve their bottom line by installing renewable energy systems and energy efficiency solutions that have the potential of producing or saving a projected 4.67 billion in kilowatt hours—enough energy to power 390,000 American homes for a year. USDA is the among the largest supporters of biofuels in the nation and our programs are essential in ensuring a stable market structure that creates jobs and meets our nation's energy needs and goals.

Farm Service Agency

Biomass Crop Assistance Program (BCAP)

The Energy Title of the 2008 Farm Bill also authorized BCAP which is implemented by the Farm Service Agency (FSA). BCAP provides financial assistance to owners and operators of agricultural and nonindustrial private forestland who volunteer to establish, produce and deliver eligible crops for conversion to bioenergy or bio-based products. Such Commodity Credit Corporation (CCC) funds as necessary were authorized for BCAP. However, subsequent appropriations bills have limited the availability of funding.

There are two types of assistance available under BCAP. First, establishment and annual payments may be available to producers who enter into contracts to produce eligible crops on lands within approved BCAP project areas. Generally, crops that receive payment under the Commodity Title (*e.g.,* corn, wheat, rice, soybeans) and noxious weeds or invasive species are not eligible for payments. Producers may receive up to 75 percent of the establishment costs of a perennial crop and annual payments for up to 5 years for non-woody crops or up to 15 years for woody crops.

Second, matching payments may be available to producers for the collection, harvest, storage and transport of eligible biomass to qualified facilities that produce heat, power, bio-based products, or advanced biofuels from that biomass. To qualify for payment, the biomass must be an eligible material that also is collected or harvested directly from the land before transport to the facility, in accordance with an approved conservation or forest stewardship plan. Woody biomass must not have a previously existing market and must also be removed to reduce forest fire threats, disease or insect infestation, or to restore ecosystem health.

In July 2009, FSA issued a NOFA for the matching payments portion of the BCAP program and issued the first payment in August 2009. In February 2010, the authority for payments under the NOFA ended and FSA published a proposed rule to implement the full BCAP program. The final rule for BCAP was published in October 2010 and FSA began accepting applications for BCAP Project Areas.

Early this year, FSA began the sign-up period for farmers seeking matching payments for the delivery of crop residues to qualified biomass conversion facilities located in Iowa and South Dakota. Also this spring, FSA announced the first BCAP Project Area comprised of 39 contiguous counties in Missouri and Kansas for the enrollment of up to 50,000 acres of native grasses, including switchgrass, for manufacturing into pellet fuels. Just last month, FSA announced four more BCAP project areas in Arkansas, Missouri, Ohio, and Pennsylvania to grow giant Miscanthus which is a sterile hybrid warm-season grass to be converted into bioenergy. Any project area, as part of the project proposal package, must be compliant with the National Environmental Policy Act (NEPA), compliance includes environmental screening, reviews, and may include an environmental assessment or impact statement at cost to the project sponsor(s).

The 2011 Full Year Continuing Resolution limited funding for BCAP to $112 million. On April 20, 2011, FSA announced that BCAP Project Area proposals must be submitted no later than May 27, 2011, to be considered for FY 2011 funding. Demand for BCAP funding is significant: FSA received 41 project area proposals from 21 states requesting an estimated $1 billion to enroll more than 1.5 million acres in dedicated energy crops. FSA soon will announce the final project area selection for FY 2011.

Feedstock Flexibility Program (FFP)

The 2008 Farm Bill also established the FFP. Typically, the CCC nonrecourse loan program offers sugarcane and sugar beet growers the opportunity to forfeit their sugar loan collateral to CCC as full satisfaction of the loan with growers keeping the loan proceeds. CCC later dispenses the forfeited sugar into the marketplace by sale or donation. FFP was authorized to prevent the accumulation of government-held sugar stocks that otherwise can impede price recovery by instead allowing CCC to sell the surplus sugar to bioenergy producers as a fuel feedstock. Compared to expectations during the 2008 Farm Bill, however, domestic sugar demand has increased significantly and is expected to remain strong relative to supplies in FY 2011 and FY 2012. While FSA does not anticipate an immediate need for FFP during this period, the proposed rule to implement this program has been drafted and will be published soon.

National Institute of Food and Agriculture (NIFA)

As the USDA's extramural research and education arm, NIFA has a number of programs that support fundamental and applied research into renewable energy and contribute to the USDA role in pursuing our nation's energy security.

Biomass Research and Development Initiative (BRDI)

The Energy Title of the 2008 Farm Bill reauthorized the BRDI competitive grants program which is a joint effort between USDA and the Department of Energy (DOE) to support the development of a biomass-based industry in the United States. The objectives of the program are to promote the development of: (a) technologies and processes necessary for abundant commercial production of biofuels at prices competitive with fossil fuels; (b) high-value bio-based products to enhance the economic viability of biofuels and biopower, to serve as substitutes for petroleum-based feedstocks and products, and to enhance the value of coproducts produced using the technologies and processes; (c) a diversity of economically sustainable domestic sources of renewable biomass for conversion to biofuels, bioenergy, and bio-based products. Projects supported through this program must take into account a life cycle perspective that takes into account the environmental, economic and social implications of the proposed technologies. The program has been effective in developing multi-institutional and multi-disciplinary consortia to increase technology transfer and commercialization.

Biodiesel Fuel Education Program

The Biodiesel Education program (Section 9006) was created to help the biodiesel industry grow by providing technical information about this new fuel to a broad spectrum of U.S. consumers and producers. This program is operated through cooperation between the Office of the Chief Economist (OCE) and NIFA. Education materials and outreach activities deliver information on the environmental benefits of biodiesel, and expert guidance is provided on producing biodiesel, maintaining fuel quality, and insuring fuel safety. Since the Program began in 2003, the U.S. biodiesel industry has grown from just a few firms to over 150 firms today. Awareness of biodiesel among Americans has increased markedly over the past 10 years—consumer awareness of biodiesel has grown from 27 percent in 2003 to 86 percent today. At the onset of the Program, many engine manufacturers were apprehensive about using biodiesel, but now nearly 60% of U.S. manufacturers support the use of biodiesel blends in at least some of their equipment. While the Program has been a major success, education is needed more than ever, with the biodiesel industry ramping-up to meet record production levels, set by the RFS2 mandates.

Agriculture and Food Research Initiative (AFRI)

AFRI is NIFA's flagship *extra*mural competitive grants program and has a Sustainable Bioenergy Challenge Area which seeks to facilitate the establishment of regional systems for the sustainable production of bioenergy and biobased products. This challenge area funds projects that contribute significantly to reducing the national dependence on foreign oil; have net positive social, environmental, and rural economic impacts; and are integrated with existing agricultural systems. The development of regional bioenergy systems will result in viable commercial options that can be rapidly deployed to produce advanced biofuels as well as value-added coproducts to diversify product options, reduce risks, and bridge to full scale advanced biofuel production. A priority of this challenge area is to foster coordinated plans for developing regional systems for the sustainable production and distribution of bioenergy and biobased products with net positive social, environmental, and economic effects. It is expected that the Regional Bioenergy Coordinated Agricultural Projects (CAPS) will network with and leverage existing efforts within USDA, university research, education, and extension, other Federal agencies, and the private sector, and take multidisciplinary and transdisciplinary approaches.

Another priority in the Sustainable Bioenergy Challenge Area is to develop the bioenergy workforce. The field of bioenergy and biobased products holds potential for new technologies and entrepreneurial opportunities that may substantially change regional rural economies. This emerging bio economy will demand a new workforce and will challenge institutions to produce graduates who have the multi-disciplinary and problem solving framework to meet this demand. This new economy will require a trained and competent skill set that meets workforce needs all along the bio-energy value chain encompassing a wide range of technical, educational, socioeconomic, and scientific competencies. Projects supported through this program are stimulating the K–12 and baccalaureate and master's level education system to produce students who are science and math based independent thinkers and investigators, steeped in interdisciplinary coursework who can identify solutions to problems and opportunities, work creatively in teams and present solutions in a clear and concise manner, and who have an interest in America's bio-energy and bio-based products future.

Sun Grant Initiative Program (SGI)

Authorized under the Research Title of the farm bill, SGI began 10 years ago with support from USDA to harness the capacities of the land-grant universities to develop bioenergy and biobased products through regional collaboration, coordinated through five regional Sun Grant Centers. With support from USDA/NIFA, DOE and the Department of Transportation (DOT) the SGI has over 130 field studies on biomass feedstocks currently underway with locations in more than 75 percent of the states in the nation. SGI research has been a catalyst for attracting industry investments that have resulted in formation of new businesses and creation of new jobs in the bioenergy sector. For example, in the South East SGI Region, SGI supported projects that led to the DuPont-Danisco joint venture partnership with the University of Tennessee and Genera Energy to open a demonstration scale facility producing lignocellulosic ethanol. Over 7,000 acres of switchgrass are in production and under contract to support this demonstration conversion facility, which is being utilized to develop a commercial scale facility by 2013 that has a production capacity of 25–50 million gallons of ethanol. In the North Central Region, Sun Grant-supported research led to DuPont-Danisco deciding to locate a cellulosic ethanol production facility in Iowa. Similar collaborations are underway in each SGI Region with Sun Grant-supported research leading to commercialization of new feedstock varieties for production of advanced biofuels.

Plant Feedstock Genomics Program

DOE's Office of Biological and Environmental Research has teamed up with NIFA's Agriculture and Food Research Initiative to fund projects that accelerate plant breeding programs and improve biomass feedstocks by characterizing the genes, proteins, and molecular interactions that influence biomass production. DOE and USDA initiated this competitive grant program in 2006 to support fundamental research in biomass genomics. Ultimately, the research seeks to develop and demonstrate environmentally acceptable crops and cropping systems for producing large quantities of low-cost, high-quality biomass feedstocks. Specific focus areas include: elucidating the regulation of genes, proteins, and metabolites to for improved productivity, processing, or growth characteristics in marginal environmental conditions, such as drought or salt tolerance; developing novel technologies to facilitate the analysis and manipulation of cell wall structure and composition for both breeding and basic research; using genomic approaches that lead to the identification of genetic markers enabling more efficient plant breeding or manipulation; and enhancing fundamental knowledge of the structure, function, and organization of plant genomes leading to improved biomass characterization.

Agricultural Research Service (ARS)

ARS is USDA's principal *intra*mural research arm and conducts basic research to support the commercial production of dedicated feedstocks for the making of advanced biofuels and bioenergy. The research is focused on four primary objectives: increase biomass production efficiency to improve grower profits and reduce biorefinery transaction costs; optimally incorporate biomass and other dedicated feedstocks into existing agriculture-based systems; address the uncertainties of expanded feedstock production up-front to avoid negative impacts on existing markets and ecosystem services; and develop and find new ways to utilize value-added coproducts to economically enable commercially preferred biorefining technologies. Region-based production systems are being developed for dedicated energy crops including perennial grasses, oil crops, energy cane, and biomass sorghum.

ARS bioenergy research is conducted through the regional USDA Biomass Research Centers, which include the Forest Service, and is coordinated with NIFA's AFRI Sustainable Bioenergy Coordinated Agricultural Projects (CAP) grant program, and the USDA–DOE jointly-funded BRDI grants. ARS also partners with the DOE Plant Feedstock Genomics for Bioenergy competitive grant programs. These combined efforts are done in partnerships with universities, other Federal agencies, states, and private companies and are designed to help accelerate the commercial development of biofuels, biopower, and other bio-based products from dedicated feedstocks produced on our nation's farms.

Economic Research Service

The Economic Research Service (ERS) conducts rigorous and objective research on the economic and environmental implications of agriculture-based bioenergy production. ERS research on bioenergy focuses on how policy and market developments affect commodity markets, land use, the environment, rural development, and consumers. Core objectives include: examining the relationships between bioenergy production and farm and retail food prices; developing long-term projections of domestic and international agricultural markets, taking account of changing policies, and macroeconomic events that affect markets for biofuels; examining the effect of biofuel production on rural employment and wealth creation; and analyzing the effect of increased biofuel production on environmental quality and use of scarce natural resources.

ERS research on bioenergy is being enhanced by expanding the capabilities of in-house economic models, geo-spatial analysis tools, budget generators for dedicated energy crops, and by establishing partnerships with universities and other Federal agencies. ERS works in conjunction with the National Agricultural Statistics Service

(NASS) to collect and analyze unique data on farm characteristics and production practices from the Agricultural Resource Management Survey. NASS data on agriculture is essential at every stage of infrastructure development, from the initial policies that drive basic research, to the establishment of markets and feedstock production needed to sustain this new industry.

Departmental Management

Biobased Markets Program

The Energy Title of the 2008 Farm Bill established the Biobased Markets Program, known as the BioPreferred® Program, and USDA is the lead agency responsible for its implementation. This biobased products program helps to create green jobs in rural communities, adds value to agricultural commodities, decreases environmental impacts, and reduces our dependence on imported oil. USDA's goal is to increase Federal procurement of biobased products government-wide and develop government and public markets through a voluntary labeling program.

USDA has promulgated BioPreferred® program guidelines and six rounds of regulations designating categories of biobased products for preferred Federal procurement. As a result, there are now 50 designated product categories. A seventh designation rule with 14 product categories should be promulgated later this month. When Round seven is published, 64 categories and almost 9,000 products will be approved for preferred Federal procurement. USDA initiated a voluntary labeling program earlier this year; over 430 products from 150 companies have been certified to carry the USDA Certified Biobased label to date. In FY 2010, 88 percent of all applicable USDA contracts included biobased clauses or purchases, up from 80 percent in FY 2008 and 84 percent in FY 2009. In addition, there are over 20,000 biobased products and the number and types of products continue to grow.

Natural Resources Conservation Service (NRCS)

NRCS formally identified energy as a resource concern in 2010 and substantial efforts are being made to enhance the Agency's capacity to work with producers in conserving energy. All of the Agency's conservation practice standards were evaluated for their potential contribution to address energy resource concerns and many were revised to incorporate energy as a purpose for performing the conservation practice. Training efforts are underway to ensure that agency employees are prepared to assist customers with energy conservation efforts. A series of agriculture-focused energy fact sheets have been issued and more are under development. In addition, the suite of producer-focused web-based Energy Estimators for animal housing, irrigation, nitrogen, and tillage are being updated to reflect recent information and technologies. These tools provide a simple way for producers to evaluate potential savings from implementing energy conservation practices.

Environmental Quality Incentives Program (EQIP)

The Environmental Quality Incentives Program (EQIP), administered by NRCS, has been helping producers in addressing natural resource concerns since 1996. Conservation practices and systems implemented under EQIP have helped producers to achieve environmental objectives, and in some cases to have a beneficial effect on energy resources. For example, producers have reduced energy use through conservation tillage, which requires fewer passes over a field; irrigation water management that conserves water and saves energy; and improved nutrient management, which can include adoption of anaerobic digesters. Manure from the anaerobic digesters provides a reliable level of nitrogen fertilization and can be used to replace commercial fertilizer. When stored and handled properly, animal manure loses less nitrogen and can be applied with confidence. NRCS can provide information and considerations for designing and constructing appropriate manure handling facilities. Methane produced by the manure can allow biogas generators to produce electricity and heat that producers can use onsite. Also, the potential exists to sell the excess electricity to a local electric grid.

The Conservation Title of the 2008 Farm Bill added energy conservation as a purpose of EQIP and authorized the NRCS administered program to be used for conservation plans that further energy conservation and other purposes of the program. The conservation practice associated with plan development under this authority is known as a "conservation activity plan" (CAP). Two Agricultural Energy Management Plan (AgEMP) CAPs have been developed for energy conservation, one focusing on operation headquarters and one focusing on farm landscape energy conservation.

These AgEMPs for the farm headquarters and farm landscape contain the on-farm energy audit that establishes a baseline of total energy consumption of the farm or ranch operation and also provides recommendations of energy conservation and efficiency measures that the producer can prioritize and implement on their agricultural working lands. For FY 2011 and as of June 15, 2011, NRCS has planned 364 AgEMPs for headquarters and landscape energy audits, obligating $715,761 in financial assistance funds. Another 133 AgEMP headquarters audits have been completed, with producers receiving $237,489 in financial assistance payments.

The actual benefits from an on-farm energy audit (AgEMP) to the producer and the environment are achieved fully when the on-farm energy audit recommended measures are implemented. Four states are already using conservation practice standard 374 for On-Farm Equipment Efficiency Improvements to accelerate implementation. As of June 3, 2011 there were 20 planned and four completed contracts that included this conservation practice standard, totaling nearly $580,000.

Conservation Stewardship Program (CSP)

NRCS offers financial assistance to producers to enhance their conservation activities, through the CSP including energy conservation. In FY 2011, there are seven CSP enhancements for energy, ranging from fuel use reduction and renewable energy use to on-farm landscape energy audits and variable frequency drive motors. In FY 2010, program participants applied fuel use reduction on over 206,000 acres and added more than 6,500 systems or units using renewable energy, such as solar powered electric fence charging systems and renewable energy powered pumping plants.

Conservation Innovation Grants (CIG)

NRCS also encourages energy technology innovation and conservation through Conservation Innovation Grants (CIG). Through this competitive process, NRCS awards grants to demonstrate innovative technologies for more effectively managing natural resources while leveraging Federal resources. CIG enables NRCS to work with other public and private entities to accelerate technology transfer and adoption of promising technologies and approaches to address some of the nation's most pressing natural resource concerns.

In FY 2010, over $5.5 million was awarded for 12 projects working in 29 states to demonstrate innovative energy technologies or programs that range from on-farm energy audits to anaerobic digester technologies and sustainable biomass production. Of this, nearly $½ million was awarded in two grants for innovative energy conservation projects. By comparison, between FY 2004 and FY 2009, there were four national CIG grants for innovative energy conservation projects totaling $1,361,109.

Conclusion

As these USDA programs and efforts show, in addition to its environmental, energy security, and national security implications, renewable energy is an important source of jobs, economic growth, and tax revenue in rural communities across the country. USDA recognizes that environmentally responsible renewable energy and energy conservation provide opportunities for economic growth and prosperity across rural America and the nation as a whole. We are working to ensure that our programs meet and exceed the challenge of promoting economic growth and prosperity.

Thank you, again Mr. Chairman and Members of the Subcommittee. With your help, we look forward to continuing to create jobs and build a cleaner, more secure, more sustainable, and domestically-produced energy sector.

The CHAIRMAN. Thank you, Mr. Garcia.

The chair would like to remind Members that they will be recognized for questioning in the order of seniority of Members who were here at the start of the hearing, and after that, Members will be recognized in order of arrival. I appreciate the Members' understanding.

I am going to proceed with my 5 minutes of questions.

Now, my first question is directed to Chief Tidwell.

Chief, the 2008 Farm Bill required each state to conduct a statewide assessment of forest resource conditions, threats, trends, priorities to receive Federal forestry assistance funds. What is the status of this assessment?

Mr. TIDWELL. Thank you. All of the states and the territories have completed their assessments and developed their forest action plans.

The CHAIRMAN. And the Forest Service, where are you in terms of analysis of that?

Mr. TIDWELL. Well, we are looking at that for a couple of opportunities to help establish the priorities about where is the best place in this country to be using the funds. And it really helps the states that they can identify their priorities and where is the best place for us to use our limited funds.

We are also seeing that we have—we are seeing states starting to work together with their neighboring states to be able to put together their proposals as to their requests for funding.

The other key part of this, too, is it is going to be, it is going to be very beneficial, as we move forward with doing the forest planning on our National Forests and grasslands, these assessments, these action plans, are going to be a key part of the information that we are going to use as we move forward with revising our forest plans.

The CHAIRMAN. All right. In your testimony, you have identified, obviously, a very important issue, invasive species. And one much your predecessors, Chief Bosworth, once suggested that invasive species are one of the main threats to healthy forests.

What are your suggestions on altering the structure and financing programs related to invasive species in our forestlands?

Mr. TIDWELL. Well, with our Forest Health Program, I believe it is essential for us to be able to deal with the invasives that we have currently and the invasives that are going to be coming into this country.

That program provides the ability for our states to be able to conduct the surveys, be able to monitor the infestations so we can do the best job that we can to either stop, eradicate these infestations or at least be able to deal with them. Without this program, I think it would be very difficult for us to be able to track and monitor this, especially on a national scale. This program allows us to be able to look beyond the borders, beyond the private land borders, beyond state borders, and I believe provides an efficiency that could not be duplicated if, say, each state was having to do this on their own.

The CHAIRMAN. I appreciate that.

Administrator Canales, thanks for your overview on the energy titles—and the energy title. Specifically I want to look at Section 9003, the Biorefinery Assistance Program. How many awards have been made through the Biorefinery Assistance Program for the construction of new biofuel facilities and how many of these were for commercial cellulosic facilities?

Ms. CANALES. Thank you, Mr. Chairman.

Our first award was made in 2010, and that project is in Georgia. Our second award was made for three separate projects during this fiscal year, in January of this year. Those were all conditional commitments, and those are involving projects to occur in Florida, Mississippi and Alabama. So, those projects are not under way at this point in time.

The CHAIRMAN. Just for clarification, because I think that is helpful for all of us here as we prepare to look at this title within the next farm bill, how does the Biorefinery Assistance Program differ from the programs administered by the Department of Energy that fund the construction of renewable fuel facilities?

Ms. CANALES. They defer—or they differentiate because these technologies are all first of a kind. They are not off-the-shelf technologies and, most importantly, in regard to USDA, there is some element usually of a relationship to agriculture. What we are trying to drive at is gaining the opportunity to get this loan guarantee to try and drive private-sector dollars into the rural communities predominantly.

Each one of those projects all have some sort of feedstock that has some agriculture tie, and also, frankly, our experience has been in operating a loan guarantee program that is different from Department of Energy.

The CHAIRMAN. Okay. Thank you.

Now I recognize Mr. Holden for 5 minutes.

Mr. HOLDEN. Thank you, Mr. Chairman.

Mr. Garcia, as you know, there has been a lot of and anxiety regarding the implementation of this BCAP program. Can you tell me now that it has been implemented what the process was like, how did you approve projects and did you work with other agencies during that process?

Mr. GARCIA. Thank you, Mr. Holden.

I would start off by saying that the BCAP program has been a challenge to administer. It is a very new program. It is a pioneering program that FSA is charting new territory that we had never explored before. FSA historically has been working with the conventional crop production, and this new energy program we were just not very familiar with. So we did take the time to consult with other agencies.

Mr. HOLDEN. What agencies did you consult with?

Mr. GARCIA. With other USDA agencies, such as Agricultural Research Service, Animal and Plant Health Inspection Service, that were involved already with some research on these energy crops. And, therefore, we started establishing the program provisions for this program.

We have set a structure here a few months ago since we were approved for the $112 million that I mentioned earlier. We have set a structure, and we have involved expertise from other USDA agencies in order to come up with a process to review the project proposals at hand. We received over 40 proposals, and we expect to make a decision on those proposals within the month.

Mr. HOLDEN. And you have mentioned four projects that have recently been approved, and you mentioned one in Pennsylvania. What crop is that plant using, and where in Pennsylvania?

Mr. GARCIA. That particular project involves Miscanthus, which is a new energy crop. It is planted through rhizomes, and it involves over 250,000 acres of establishment in Pennsylvania, Ohio, Arkansas and Missouri.

Mr. HOLDEN. So it is in western Pennsylvania.

Mr. GARCIA. I am sorry?

Mr. HOLDEN. The location.

Mr. GARCIA. Excuse me, may I confer?

Mr. HOLDEN. Just curious. That is okay.

Mr. GARCIA. It is in western Pennsylvania.

Mr. HOLDEN. Thank you.

Ms. Canales, the Georgia facility, that is operational now; correct?

Ms. CANALES. It has been, sir.

Mr. HOLDEN. And how long was it in operation?

Ms. CANALES. About 3 months.

Mr. HOLDEN. And what is its feedstock?

Ms. CANALES. Biomass, woody biomass.

Mr. HOLDEN. And the other projects, I think you said, Florida, Mississippi and Alabama, is that correct?

Ms. CANALES. Yes, sir.

Mr. HOLDEN. You said that was conditional, conditional on financing.

Ms. CANALES. Well, conditional commitment is a part of our due diligence process and that is the review. And so the part about finance is to ensure that their bank, because the applicant is actually the bank. The applicant is the bank for the loan guarantee, and so, yes, it is the formalization of financing.

Mr. HOLDEN. And what was the exposure on the Georgia project for the loan guarantee?

Ms. CANALES. I apologize, I am sorry?

Mr. HOLDEN. The Georgia project, how much was that project?

Ms. CANALES. Well, $80 million was going to be total, but we sent $50 million. It was two phases, $50 million and then $30 million would have been the second phase.

Mr. HOLDEN. Okay.

Mr. Tidwell, you know from the Energy Independence and Security Act, this Committee is very concerned about the definition of *biomass.*

What types of challenges are you facing on forestlands with that definition and several other definitions that are not consistent in trying to manage the forestlands?

Mr. TIDWELL. The challenge that we are having in America now is to be able to get the restoration work done on our National Forests, which includes the removal of not only saw logs but also the removal of a lot of smaller diameter material to reduce the biomass.

We need to look for every opportunity we have to be able to encourage the use of that material for beneficial use, whether it is any type of biomass utilization or for wood energy.

So, as far as we think about definitions, we want to make sure that they are flexible and that they will encourage the restoration work that needs to be done on these lands. And so that is the thing that we are interested in. It is just having a flexibility in there so that this small-diameter material that doesn't really have any use, that we can be able to find ways to encourage that to be used for beneficial use instead of having to pay someone to just pile it up in the woods and then burn it and put smoke in the air.

Mr. HOLDEN. My time has expired, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I now recognize the gentleman from Wisconsin, Mr. Ribble, for 5 minutes.

Mr. RIBBLE. Thank you, Mr. Chairman.

And thank you to the panel for spending some time with us this morning.

Chief Tidwell, I am from Wisconsin, and the Chequamegon Nicolet National Forest is in my district. But the forest plan is not being fully implemented, and it is hurting our local communities, particularly small rural communities, particularly in northeast Wisconsin, and, quite frankly, our state as a whole.

I am also concerned very much about how it is affecting what once was a very vibrant timber industry in Wisconsin.

What are the barriers to fully implementing your plan?

Mr. TIDWELL. A forest plan lays out the desired conditions and lays out the expectation of what can be produced off these lands.

A forest plan itself doesn't establish any targets along those lines, so it more is a document that allows. There is no question that we need to do more work, not only in your state but across the country, to be able to do more restoration work. The things that we are focused on to be able to build some efficiencies is to be able to look at much larger landscapes.

We used to look at projects that were sometimes 500 acres, maybe 1,000 acre projects. What we are now doing is moving forward to be able to look at much larger landscapes, things like 50,000 acres, 100,000 acres at a time. Do the analysis on that so that we can move forward with the restoration work.

The other key component of this is to be able to have a long-term contract in place so that purchaser knows that not only do they have work this year but they are going to have work next year and the year after, and that is through our Stewardship Contracting Program that I am hopeful we will be able to continue to be able to have that program.

That is going to be a key element, to be able to encourage folks to make additional investments and for us to be able to actually increase the amount of work that we need to do in our forests.

Mr. RIBBLE. Okay, thank you. I would encourage you to move with as much haste as you possibly can. I mean, it is a constant problem for us, and the problem has lasted a long time. And at some point, we have to stop saying we are working it, we are studying it, we are analyzing it and finally get something moving. There is just a lot of frustration back home.

Along a similar line and staying with our forests here, recently the Ninth Circuit Court overturned an EPA regulation and ruled for the first time that forest roads are point sources and that using them for timber harvesting requires Federal permitting.

Earlier this year, I joined many of my colleagues, including my friend, Mr. Schrader, in sending a letter to the EPA raising some concerns in response to this decision. Given your experience, can you tell us whether or not best management practices work or whether or not they are affecting—or whether or not they are effective at maintaining water quality?

Mr. TIDWELL. Well, I am definitely aware of the court decision that you are referring to.

You know, our experience with our best management practice is that when we followed those, that they do provide the right restrictions in place to ensure clean water. There is no question that—

in fact, I have never met anyone that wasn't supportive of providing clean water.

So I think it is—that is very important.

You know, the best management practices that we use on our National Forest System lands along, with the environmental assessments that have to be completed before we do any of our work, I do believe that we are doing a good job to be able to minimize any impact to clean water.

It is essential that, as we move forward, that we be able to find a way to, of course, provide for clean water, and best management practices has been one tool that we have been using in the past. It is also my experience that at least every state that I have worked in does also have best management practices. There is a difference between the states, but it has been a very good approach in the past.

Mr. RIBBLE. But what is the permitting requirement—what type of impact is it going to have on the Department's ability to conduct restoration work?

Mr. TIDWELL. Well, we would have to see what process was put into place.

You could design a permitting process that would not necessarily have any impact, it would be another step. Until that decision is made and we actually see what process would be put into place, I probably can't answer that. But I tell you I am confident that the work that we are currently doing, following the best management practices, will provide for clean water.

And so if there is a permit process in place that we will be able to meet that requirement.

Mr. RIBBLE. Okay. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

The chair now recognizes the gentleman from Minnesota, Mr. Walz, for 5 minutes.

Mr. WALZ. Thank you, Mr. Chairman, and the Ranking Member for holding this audit and this hearing, and thank you all for being here with us.

I would like to talk just a little bit, Ms. Canales, on the REAP program, it is obviously very important in Minnesota. I am deeply concerned with the zeroing out of this program at a time when America's security is dependent on us becoming energy independent. I have seen what that program does in Minnesota, creating literally thousands of jobs, dozens of large and smaller projects, creating energy independence at home.

And it strikes me that we are caught in a false dichotomy here that we are going to figure out how to grow our economy either by cuts or by spending increases. And I think the problem is we continue to try and divide up that pie as we are missing the most obvious answer here is grow the pie. And growing the pie on energy is what is happening in southern Minnesota.

So I wanted to ask you just a couple of questions about this.

The critics of REAP claim—and as it was zeroed out—I wanted to thank my colleague from Nebraska, Mr. Fortenberry, who is also on this Committee, for getting a little bit of money back in this program—that it is duplicative, that it, once again, we are trying to squeeze efficiencies, which all of us agree on.

Can you explain the unique nature of the REAP program and why, at least my constituents, I would argue, consider it to be highly effective and a great return on our dollar? If you could help me understand that a little bit.

Ms. CANALES. Thank you, sir, and, yes, there has been a considerable amount of activity in your State of Minnesota and the Rural Energy for America Program, REAP, is a program that I believe is the closest to the consumer, that is something that I have always put forward because of the fact the that it goes back to the fundamentals.

For us, it is businesses in rural America, and it is also producers. They are business owners, farmers are business owners. Therefore, it is an opportunity for them to become energy efficient. It is an opportunity for them to also generate fuel energy. I have seen it myself, a methane digester, where a group of dairy farmer operations can come together—you have that on the East Coast; you have that certainly in your area in middle America, and you have it in the West Coast—in which the livestock produces waste, and that waste can go towards energy production.

So this program has also been a growing program because it is a business opportunity, and we do not finance the entire project. There is a contribution; this is all leveraging.

So it is a Federal incentive for that private business owner to determine whether this makes good business sense for me. It has just become something that has gained a lot of attraction that has people trying to reduce their energy costs for their business purposes.

Mr. WALZ. Well, I would mention that, too. I know that looking at the statistics here with Minnesota, trailing only Iowa in this, that it is about $5.8 million in grant amounts, but that the amount we leverage is over $16 million, contributing to $24 million in growth, job creation and all of that.

My question is, if we are trying to go save money in the budget, is defunding REAP in your opinion the best way to try to figure out how to save money?

Ms. CANALES. Sir, what we have found is that this is a program that brings in, draws in, additional funding. So with that Federal seed dollar, be it a grant dollar or, also a loan guarantee, what we do is try and engage more banks to do lending in rural America. So that becomes a very important product for that bank.

Farm Credit Administration and numerous banks throughout the United States are seeing that this loan guarantee is an attractive product for them. Then they can take on that particular loan so that brings in its private financing mechanism using that government incentive.

Mr. WALZ. Well, I appreciate that. As my time is winding down, I would just, on BCAP and things, as we move to the next generation, I am a strong supporter that we are getting there. I have a small company called Easy Energy Systems in our district that is working on what I think is the future on biofuels, not the large 100 million gallon static plants, but a mobile 1 million gallon plant that has already been sold to India, that we are able to plop down and fuel small villages on tapioca remains or whatever the product might be as the biomass. And I am just fearful now we are on the cusp of that, that this absolute zeroing out and decimating energy, energy products, is going to end those types of things.

Mr. Garcia, I will wait till my time comes back around to hear a little on BCAP, so thank you.

The CHAIRMAN. I thank the gentleman. I recognize the gentleman from Florida, Mr. Southerland, for 5 minutes.

Mr. SOUTHERLAND. Thank you, Mr. Chairman.

Mr. Tidwell—well, first of all, thank you to all of you for appearing before us today.

My question is regarding, I would like to ask you, Mr. Tidwell, tell me, I think I heard just a few moments ago you make the statement that a forest plan doesn't establish harvest targets; is that correct?

Mr. TIDWELL. That is correct.

Mr. SOUTHERLAND. So and I think in your written testimony, the Forest Service manages 190 million acres of National Forest; is that correct?

Mr. TIDWELL. That is correct.

Mr. SOUTHERLAND. And you have no established targets established for the National Forest?

Mr. TIDWELL. We have targets every year based on the budget that we receive, and that produces—and then we are—we do have a target every year.

Mr. SOUTHERLAND. Okay. Well, in one particular National Forest in my district, we have a six percent mortality rate and a 3.5 percent harvest rate. Is that acceptable?

Mr. TIDWELL. No, I believe we need to be doing more work on that forest and almost every forest in this country.

Mr. SOUTHERLAND. And what kind of work?

Mr. TIDWELL. We need to be able to get in there and do work to restore the health of these forests.

Mr. SOUTHERLAND. No, wait a second. Restoration, okay if you have a mortality rate of six percent and you have wood that is rotting——

Mr. TIDWELL. Right.

Mr. SOUTHERLAND. Do you need to study that a little more?

Mr. TIDWELL. No, no. We need to do—when I talk about restoration, it is actually to go out there and remove the biomass from the landscape, whether it is the disease, infected trees, to thin out the stands so that they are more resilient to be able to deal with the stresses, whether it is insect and disease, whether it is an invasive, whether it is fire. Those are the things, why we need to be able to do more work on the landscape to make sure these forests—we maintain the forest health, that these forests are resilient to the stressors that we are dealing with today.

Mr. SOUTHERLAND. But, sir, what you are telling me is not, in reality, happening.

What you are saying that you need to do, you have forests—I mean, you have companies that are dying on a vine that want to get in these National Forests that the Services have basically turned into national parks now. This Administration speaks a lot about helping rural communities. Well, the rural communities in my district, they just want to work. They want to work.

And so I hear a lot about restoration. I hear a lot about studies. I hear a lot about planning. Just let the people go in and do what you just said, under testimony, needs to happen. Why is that not happening?

Mr. TIDWELL. Well, actually, over the last year, we treated over 3 million acres.

Mr. SOUTHERLAND. Three million of 193 million acres that you, really, that is like throwing an ice cube at the sun.

Mr. TIDWELL. Well, it is the most that we have treated in many years.

Mr. SOUTHERLAND. The most, so we have been incompetent for many, many, many years.

Mr. TIDWELL. No, I disagree. I respectfully disagree with that. I do acknowledge that we need to be doing more work on the landscape. We need to be able to find ways so that that we can do larger projects, that we can have more long-term contracts in place that encourage the infrastructure, to be able to do this work.

So I agree with you we need to be doing more work. That is one of the things that we are looking for.

Mr. SOUTHERLAND. And that is all the American people, Mr. Tidwell, are wanting to do, more work. But I think, and I respectfully disagree with you, because I know people that are losing everything they have, everything, sir, everything, and they don't want to hear about the studying, the analysis, the restoration plans; they want to restore.

Because I also know that if you want to restore a healthy forest, you have to go in and you have to thin it. And down in the South, we invented controlled burning. We understand fire. You talk about burn it and just put smoke in the air; that has a good purpose for a healthy forest. And it just bothers me that there is stonewalling, I believe, because if you have 193 million acres and you do not have a harvest plan and a harvest target, that tells me that you are not, you are not managing properly.

And the statistics, the data, the raw data supports what I just stated.

Mr. TIDWELL. I agree with you we need to be doing more work. Every National Forest has a, basically, we do set a cap of what is sustainable, about how much biomass can be removed off of that National Forest over a 10 year period, that is kind of the cap based on the planning. The amount of work——

Mr. SOUTHERLAND. For the American people, when you say *biomass,* just for the American people, are you talking about wood?

Mr. TIDWELL. Yes.

Mr. SOUTHERLAND. Okay, let's just say wood, timber. Okay. You don't have to make it go into biomass?

Mr. TIDWELL. No, when I am talking about biomass, it includes the saw logs, the material that is used for pulp and paper. It is also the smaller residual material that also needs to be removed.

In addition to the prescribed burning that we have to do, especially in our southern forests, where we actually do more burning there than any parts of the country.

Mr. SOUTHERLAND. Well, you can tell I am passionate about this, okay, because there is a sense of urgency. Because when I go home, okay, and people are losing their jobs and they are losing everything they own, I don't see that when I come to Washington, D.C., and I represent them, sir. And I just think we should be doing better. We do agree on that.

Mr. TIDWELL. I do agree with you.

Mr. SOUTHERLAND. I yield back.

The CHAIRMAN. I thank the gentleman.

I now recognize the gentlelady from Maine, Ms. Pingree, for 5 minutes.

Ms. PINGREE. Thank you, Mr. Chairman.

Thank you for your testimony this morning. It has been very interesting, and I appreciate the work that you have been doing for us and briefing us on all of this.

Ms. PINGREE. Ms. Canales, thank you for your background and interesting information.

I just have a couple of questions from my own district in Maine. One is, there seems to be considerable opportunity to support development of small-scale, cellulosic-based biofuel systems. Such systems could take advantage of waste biomass at smaller scales, avoiding the economic dilemma posed by hauling low-grade materials long distances and providing a mechanism to address local energy needs. The idea is it is just more efficient and it could solve some of the problems of areas. How might the existing USDA programs be tailored to pursue this opportunity?

Ms. CANALES. Thank you, and I have visited your state as well, Representative. And indeed between the beauty, you have the natural resources that could be utilized for some of these programs.

Of course, your office works very closely with our state office and State Director Virginia Manuel, who is there in Maine—what I would advise is that for prospective businesses who want to engage in these programs is to work very closely with our state offices. That is part of our delivery system.

In regards to what you are describing, you do not have to be a large-scale business. In fact, predominantly and certainly regarding the Rural Energy for America Program, it is small business ownership. And those projects can be $100,000, $500,000, a million dollars, just depending on what the needs are for that particular business. So I would just offer to you that that is part of how we would proceed with what you just described.

The other part to it is that I would advise strongly in working with local leadership, we can work with them to do an energy assessment. People need to know what do we have available? Every community has potential feedstock. That is how we also pursue this.

We have an energy coordinator that is designated in every state for rural development; and that energy coordinator is also dedicated to working specifically on these programs. The next step would be working with you to provide information to these business owners to see what best suits their needs.

Ms. PINGREE. Great. Thank you.

We do enjoy working with Virginia Manuel, and she does a great job for our state. And I do think she is very open to thinking of ways to help some of our small producers and do things that allow people to use the Program in ways that allow for less transportation and a variety of things. So I would be happy to work with you more on that.

Mr. Garcia, I just want to talk briefly about the pellet industry, which is something that is of interest in our state. We have the most oil dependent state in the nation and a lot of seniors and a lot of people in rural areas who are very interested in renewable energy and who deal every year with our cold temperatures and expensive fuel costs, and so we are always looking for ways to do more with that. And I have a question around that.

Given that our pellet industry plays a major role in reducing heating oil consumption, is the production of wood pellets from the removal of excess low-value woody biomass being provided adequate support under programs like BCAP for the purposes of incentivizing these types of best forest management purposes?

Mr. GARCIA. Thank you for your question.

I may have to get back to you with that to the Subcommittee. That will probably take some research on our part, but we will be more than happy to provide you with that information. I apologize for not having that information readily available to answer your question.

But as far as the Farm Service Agency, we are working closely—under the BCAP Program through matching payments—through the matching payment portion of the BCAP Program and also looking at the particular project proposals that could result in the development of fuel pellets to help our energy situation out there.

Ms. PINGREE. Great, and I am happy to get together with you on that. It is a growing industry in our state; and, obviously, wood and wood products and the management of our forests is a big issue for us. But this is also a growing fuel product, and we want to do everything we can to help our industry and also help our residents afford the cost of fuel.

Thank you for your work.

I yield back.

The CHAIRMAN. Thank you.

I recognize the gentlelady from Alabama, Mrs. Roby, for 5 minutes.

Mrs. ROBY. Thank you, Mr. Chairman, and I apologize for jumping up and down.

Mr. Tidwell, for just a minute, your testimony highlights a number of programs that are important to private forest owners, like the almost 400,000 family forest owners in my home State of Alabama. And while I understand the value of these programs, another key program that is incredibly important for both the conservation and forest products industry in Alabama is the Forest Inventory and Analysis Program; and it helps us understand the conditions and the trends in our forests, where we have insect and disease threats, how much fiber we have in our forest products. Are you making progress with FIA? Have you fully implemented this program as directed by the previous farm bill?

Mr. TIDWELL. We are making progress. And our FIA Program is just essential, especially to the private landowners, to be able to understand what is occurring not only on their land but throughout their state. It helps industry to be able to make decisions about where to make investments. It is really essential for us as we, when folks are asking us about is this a place for maybe an opportunity for a pellet facility, we have that data. We can actually show how much material that needs to be removed off of both the private land and also our public land. So we are making progress.

A few years ago, we expanded the frequency—increased the frequency of reading the plots here in the eastern part of the state because of the level of change that we are seeing. So we have made some shifts in the program, and we are close to having it fully implemented.

I expect in the future, though, that there will be more and more of a request for us to increase the frequency of reading our plots across the entire United States. So that is one of the things we are looking at, is how to build more efficiencies into this program with an anticipation that is going to be probably a need for more current data than we currently provide.

Mrs. ROBY. Thank you so much.

Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentlelady.

Now I recognize the gentleman from Oregon, Mr. Schrader, for 5 minutes.

Mr. SCHRADER. Thank you, Mr. Chairman.

Mr. Tidwell, how is the Forest Service responding to some of the attacks from EPA on the use of woody biomass, the boiler MACT fiasco that went down and this Ninth Circuit Court decision that Congressman Ribble referred to? How are we responding to talk about the good things biomass should and could be doing for a healthy forest?

Mr. TIDWELL. We are working with the EPA and all the Federal agencies to make sure that everyone understands the importance of being able to restore these forests and whether it is the saw log material or the small diameter, the residual material that needs to be removed. And we want to make sure that if there are any procedures or policies that are put into place that they actually encourage and allow for that restoration work. So whether it is with air quality——

Mr. SCHRADER. But EPA is going the opposite way, obviously. How aggressive are you in talking to Ms. Jackson and company over there?

Mr. TIDWELL. Well, we meet with that staff on a variety of issues and—whether it is air quality or clean water concerns—to be able to offer options about how we can move forward to ensure that—of course, we want clean air and clean water but to be able to do it in a way that we can do the restoration work that needs to occur to prevent some of the long-term impacts to either clean air or clean water.

For instance, the amount of emissions that occur off of these large wildfires. We have so many examples now where when we go into a forest and we do the restoration work around our communities, to do the thinning, to remove a significant amount of the large trees and some of the smaller trees, so that when a fire burns through an area—and fires will continue to occur—that the severity of the wildfire is much less.

Mr. SCHRADER. So if I may—I have a limited amount of time—I appreciate that. I just ask you to be more aggressive and more public in some of your pronouncements to make sure that there is a level playing field here within the Administration on what is going on.

My other point: It would seem to me that AFRI and Agricultural Research Service are not getting the same play in the President's budget. He talks about innovation, excellence, education, out-competing the rest of the world, out-innovating the rest of the world. During the Recovery Act, there were lot of increases that I approved of and research and development projects, but ag seemed to fall short. Why is that?

Mr. TIDWELL. I can respond to what we did though the Recovery Act, and we had a significant amount of funds that went to doing—restoring the forests, both our National Forests and on our private lands through our states.

Mr. SCHRADER. I am talking about research. I am talking about active research, actually.

Mr. TIDWELL. And even within——

Mr. SCHRADER. They didn't see the increase the rest of the research budgets did.

Mr. TIDWELL. Yes, well, with our research budget, what we are focused on is continuing to do the work, whether it is in our wood products lab to develop new products that we can use to encourage more utilization of wood, to deal with the invasives. We currently have the largest research department, when it comes to conservation, in the world. So we are just continuing that work.

And we feel that the budget request that we have submitted reflects the work that needs to be done to be able for us to continue all of our research programs that are essential to be able to deal with the threat, whether it is invasives or to develop new use of wood products in this country.

Mr. SCHRADER. Thank you. I just, again, urge you to be a little more aggressive for your share of the pie, if you will.

I am a little concerned with the Healthy Forest Reserve Program. You referred to Oregon's northern spotted owl habitat set-asides as a success. It has been, actually, quite the opposite, not just on private land but on our public lands. We found that the large set-asides of public lands have not improved the sustainability or viability of the northern spotted owl; and, in fact, they continue to decline. The remarks in the audit that this is a success alarmed me greatly.

Some of the more recent proposals are to actually set aside more land. In other words, it did not work the first time; we will just double down on failure and see if we can get the same result. There has been a lot of documentation that competition with other owls is really the main problem. So I would ask you to look at that a little bit.

And, frankly, on the stewardship program, I would urge you to look at that as something you can use within the Forest Service itself, on Forest Service land, not just private lands but national Forest Service lands. Set-aside trusts, programs that you talked about, I think that can actually do a great deal to break down the barriers between the environmental community and the timber community and have healthy forests at the end of the day.

Mr. TIDWELL. Thank you.

Mr. SCHRADER. Thank you, sir.

I yield back.

The CHAIRMAN. I thank the gentleman.

I just want to make Members aware that we have done so well taking the 5 minutes I think we will be able to get, with the few folks who are here, another round of questions in, if you have such.

At this point, I recognize the gentleman from New York for 5 minutes.

Mr. OWENS. Thank you, Mr. Chairman. I will be brief. I have a cold, and I am having some trouble speaking.

I don't have a National Forest in my district, but I have the Adirondack Park. And we have a number of businesses that are developing biofuels and are attempting to move in that direction. What I would like to know is, when you look across the spectrum of the programs that the Federal Government provides, what would be the three programs that you would emphasize and like to see funded to enhance the growth of biofuels? And is there anyway in which we can direct biofuels growth to local delivery? That is allowing this funding to deliver that energy to the local communities. Anybody can take a shot at this.

Ms. CANALES. Congressman, indeed, the goal and what the President and Secretary Vilsack have put forward is that the development of these biorefineries would occur throughout the United States. Our goal right now is to do four in the next 2 years, and we are on our way.

Again, this is new. You know, I describe it as it has not been a silver bullet yet in the sense of where these businesses and what is going on in our country. But what you have just described is exactly the case in the sense of taking advantage of what the feedstock would be.

For example, the one that I mentioned in Florida, is relying on agriculture waste. The one in Georgia is relying on—he did not want us to use "woody" biomass, but it is wood. And that would be something that would be in your area as well, too. The notion is that these biorefineries can be developed and dispersed throughout the United States and can benefit and utilize whatever is derived from that region.

But, also, the important thing about this is that it brings in financing that in the past may not have previously existed. Because when you do put these projects together it does require, not only this loan guarantee but private equity—private investment; and that is an important draw for our rural areas.

Mr. OWENS. Thank you.

Mr. TIDWELL. If I could add to that, our Community Wood Energy Program provides the assistance and the technology to communities so that they understand the benefits and the options that they may have to be able to develop a proposal so they can pursue. And what we are finding is so essential when it comes to utilization of biomass or bioenergy is that it is the transportation costs that are often the limiting factor. And so that the more of these facilities that we can build across the country and scale them for what is needed either for that community or for that facility, that is where I think where we will really start to see the expansion of this infrastructure.

The other key program that we have is our Forest Biomass for Energy Program that directs a competitive process for research and development to be able to continue to expand the knowledge that we currently have with what is working but also to be able to continue to provide more efficiencies and how to really convert biomass into energy.

Those are two key programs that I feel that are very beneficial, not only the direct benefits to the community but also when it comes to the research. It is just essential that we continue to move forward to be able to understand how we can make these operations more efficient.

Mr. OWENS. Thank you.

Ms. CANALES. If I may add, on the Rural Energy for America Program, section 9007, there is an opportunity for a grant for feasibility studies so that the first steps can be taken to determine is there that viability for that particular type of a business, this biorefinery. So there are initial steps. And those are first, important investments so that you can get all of your information together, including the financing that I mentioned that, of course, is critical.

Mr. OWENS. Thank you.

Mr. Chairman, may I have one additional question?

The CHAIRMAN. Yes.

Mr. OWENS. I also have Fort Drum in my district. I am wondering, are you working with DOD at all to see how biomass can be utilized to take military installations off the grid and enhance national security in that way?

Ms. CANALES. We have entered—the U.S. Department of Agriculture has entered into a Memorandum of Understanding with the Department of Navy so that there can be what you have just described, an opportunity to put together projects. This one happens to be related to Hawaii, but it is not limited only to that state. We are seeing the sort of initial steps in that direction, but it is geared towards trying to get a project that would be able to develop new biorefineries so that it can go towards aviation fuel and other types of fuel that are being used by the military.

So there is a definite interest, and there has been communication to that effect.

Mr. OWENS. Thank you very much.

I yield back.

The CHAIRMAN. I thank the gentleman.

With the witnesses' indulgence—we have been pretty efficient with everybody's time—I would like to see if there is an opportunity for one more questioning round for the Members that remain here. I will take the liberty of starting that.

Chief Tidwell—or any of the witnesses can comment—recently, Secretary Vilsack announced a new green building initiative responding to several Members of this Committee's request whether the USDA was going to start using more wood—frankly, the original green building material—in its buildings, recognize all credible green building rating systems, other than just LEED, and invest in research into the better use of wood products.

Real quick, can you give us some idea of where is this initiative and what steps you have taken to date following this announcement?

Mr. TIDWELL. Following that announcement, I sent a directive out to all of our units that, as we move forward with any new building construction, renovating facilities, that we look first to using wood. It has always been something that we always wanted in our facilities.

In addition to that, we are making sure that everyone is aware of the latest developments that are coming out of our forest products lab. For instance, they are working on developing more of a laminated beam system that can be used with some of the smaller diameter wood so that we can encourage construction besides single-family homes using wood. In Europe, often, they go four, five stories high with wood construction. We want to be able to show folks that that is a good construction, it is solid, and to be able to actually move forward and develop some mills that can actually produce these laminated beams.

And the other thing is just, to move forward, that we want our buildings to be, of course, certified, be energy efficient, but to be able to work with the certification programs out there so that they fully recognize the benefits of wood. I agree with you. It is the original green building material.

The CHAIRMAN. Thank you.

As I prepare myself for the farm bill, one of the things that was created in the 2008 Farm Bill—and I haven't really seen anything on it—the Forest Service, as part of the farm bill there was a branch created, International Forestry, and I really know nothing about that. Can you give us a quick snapshot of what that is, what it has become, what it does?

Mr. TIDWELL. Our international program is a relatively small staff. But what they do, they work with other countries. We are currently working with 88 other countries to help countries understand the benefits of sustainable forestry, to deal with the illegal logging so that there is less impact on our markets, to be able to deal with invasives, to be able to make sure that other countries understand the problems with the wood material they are shipping to this country or any country, about the issue with invasives, to be able to work together.

The other key program they have is dealing with migratory birds, to make sure that countries are providing habitat for birds that migrate out of this country, that, no matter what habitat we provide here, if the birds head south, for instance, and there is no habitat there, we are going to loose those populations, and then we will have to continue to deal with those issues in this country.

Those are kind of three of the main programs that we are working on right now. The majority of the funding for our international programs comes from USAID and through the State Department. But it is really just essential work that we are doing that really has direct benefits not only to the markets but direct benefits to sustainable forestry worldwide.

The CHAIRMAN. That was helpful. Thank you.

Staying on the international perspective, as part of the last farm bill there was a soft wood lumber imports provision within the farm bill that looked at establishing an agreement implementation that required declaration of lumber imports and fees paid. Do you know the status of that initiative?

Mr. TIDWELL. Mr. Chairman, I am not. I will have to get back to you on that one.

The CHAIRMAN. That is fine. I would appreciate it if you would do that.

I wanted to—I can't hardly go through a farm bill hearing without at least touching on the Allegheny National Forest at least once. That is where I am from. I just love the place.

This one has to do—as you know, the ANF is in the district, and oil and gas production was certainly critically important to my constituents in the communities well before it was a National Forest in 1923. And despite attempts by some to block this production over the years, the bottom line is that the mineral rights in the forest—I believe it is over 93 percent, 92 percent—are privately held.

In recent weeks, I have been hearing a lot of concern from my constituents about the unreasonably long periods of time before the Forest Service issues notices to proceed. These notices should be generated within 60 days, but they have grown—and I have actually a quote from an article I will submit for the record by a county commissioner—from 4 to 7 months as one of the county commissioners said.

[The information referred to is located on p. 529.]

The CHAIRMAN. In addition to the delays, the Forest Service has also issued a letter to Shell Western Exploration and Production which prohibits any ANF groundwater for the company's natural gas drilling and production operations.

Can you explain the delays of notices to proceed and why the Forest Service has taken this change after a pretty good partnership since 1923? All of a sudden, in 2011, we have this turnaround prohibiting the use of groundwater.

Mr. TIDWELL. With the processing of the permits, we are actually making progress. We are not to where we would like to be as far as the length of time. But I think even a year or 2 years ago it was taking more like 5 to 5½ months. We are now down to an average of 4 months. We processed 690 permit applications last year.

One of the things that is occurring is the number of applications is significantly increasing. So it is one of the things we are going to have to look at to be able to find a way to add some more capacity to that force to be able to deal with this influx of additional applications.

The issue with groundwater is not part of the process application. It is more of a concern about the groundwater and the quality of that groundwater. And so it is one of the things we need to continue to move forward with and look at some other options, or to make sure that we are providing that there won't be impacts to the quality of that groundwater.

This is a new issue that has recently come forward that we weren't dealing with with the previous permits. It is one where we are going to have to work with the industry and work with the applicants to be able to find a way to be able to move forward with those.

The CHAIRMAN. I also encourage you to work with other partners and stakeholders, the Department of Environmental Protection in Pennsylvania, agencies like the Susquehanna River Basin Commission, who I think really have their arms wrapped around the water issue and have a lot of confidence in it.

And, finally, I will close with just a request. This is a joint request. My colleague from Florida was going to try to make it back, so a joint request from Mr. Southerland and myself.

If you could have some folks at the Forest Service take a look at the Apalachicola National Forest and, frankly, report back on why that Florida National Forest is only really at what appears to be 15 percent of production of the actual forest plan for millions of board feet harvesting. I think that would be very helpful. I know the gentleman from Florida would appreciate it; and, obviously, it is something I would be interested in looking at myself.

And, with that, I recognize the gentleman from Oregon for the final line of questioning here.

Mr. SCHRADER. I appreciate that, and I will try not to keep everyone.

You mentioned—Chief Tidwell, you mentioned at one point the need to do restoration work on a landscape scale to really be effective and deal with it, I assume, on a watershed-type basis, that sort of thing. And you also mentioned dealing with it in terms of long-term contracts to provide, I assume, some certainty; and your comments were probably more geared toward private landowners.

Why couldn't we do the same thing on public forestland? Why couldn't we have that? Are we pursuing that at all? I would be interested in who in your agency deals with that.

Mr. TIDWELL. Yes, we actually are doing that on the National Forest to take these—it is more of a landscape scale approach. And, ideally, when we even do our assessment, it also factors in the work that is being done on adjacent private forested lands, to be able to look at it together. But there is just no question, we have to look at much larger areas than we ever have in the past, and we can have some opportunities there.

You know, in your state—I will use an example down in areas of Arizona we have an initiative to look at four forests, and we are doing the analysis on 750,000 acres with one environmental impact statement. That would allow us to be able to go forward and do work over at least the next 10 years. That is an example of what we need to do in all of our states and across the country.

And I will tell you today we have the support to do this work. A lot of these initiatives are being strongly supported by the environmental community. Our conservation groups are there with the industry. They recognize that we need to be doing more of this work on the landscape.

That is why I remain optimistic that we are going to be able to move forward and do significantly more work on the landscape, produce more jobs, produce more wood, not only for our mills but also for other biomass uses.

Mr. SCHRADER. I appreciate that, and if there is an opportunity I would love to get a visit from somebody in your office on what you are doing and how we might work with you more closely in Oregon on that.

The last comment, regards outcomes. I am a big outcome measure fan. We are spending a lot of money in these budgets. I appreciate the level of contacts you are making with different private landowners and acres treated and this and that, but I would like to see, if it is at all possible, that the Forest Service set some targets. Given the amount of money we have, I think it is an important criteria. Given the amount of money we have or don't have, here is how much land we can effectively treat or not treat at any given time.

And here are our goals: This much reduction in pest infestation in an acreage given this amount of money, talking about wildfire suppression, doing better in terms of acres burned or what have you, given the type of fire severity year it might be. For water quality, if we are investing in all of these things to reduce runoff, what sort of improvements are we getting in these local areas?

A lot of times I think we concentrate on lots of inputs and lots of outputs, but we don't get down to what outcomes we are actually trying to get at. And I would be very interested in a discussion with your agency about that.

Mr. TIDWELL. We will be glad to come up and visit with you and provide not only the scale of the issues we are dealing with but also what we expect we can accomplish in Fiscal Year 2011, what we expect to accomplish in Fiscal Year 2012, and also be able to show what we actually accomplished. Because we do have targets that we set with all of our programs every year. Those are tracked throughout the year, and at the end of the year that is how we basically determine our level of performance. And we would be glad to show that information to you.

Mr. SCHRADER. Thank you very much. I appreciate you all coming here.

I yield back.

The CHAIRMAN. I thank the gentleman.

I want to thank our witnesses for being here, joining us today, your preparation and your testimony and, frankly, your leadership within the agencies that you lead and your level of collaboration and teamwork with this group. We have a lot of work ahead of us as we look at the 2012 Farm Bill and the specific titles within that farm bill that are within the responsibility of this Subcommittee. So thank you so much for all of that.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member.

This hearing of the Subcommittee on Conservation, Energy and Forestry is adjourned.

[Whereupon, at 11:29 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED ARTICLE BY HON. GLENN THOMPSON, A REPRESENTATIVE IN CONGRESS FROM PENNSYLVANIA

THE TIMES OBSERVER

Driller says USFS not living up to ruling

County commissioners discuss court filing

July 19, 2011

By BRIAN FERRY

According to oil and gas developers, the U.S. Forest Service is taking too long to process proposals for development on the Allegheny National Forest.

In a document filed Friday with the U.S. District Court of Western Pennsylvania, the Pennsylvania Independent Oil and Gas Association (PIOGA) asked why the Forest Service should not be held in contempt of court.

"USFS is in violation of this court's Dec. 15, 2009, order requiring USFS to process oil and gas development proposals in the ANF in accordance with procedures established in *United States* v. *Minard Run Oil Co.,*" according to the document. "USFS has failed to comply with the *Minard Run* procedures and has instead engaged in a pattern of interference with the lawful efforts of PIOGA members to develop their ANF oil and gas estates."

Warren County Commissioner John Bortz offered testimony in the hearings that led to Judge Sean McLaughlin's December preliminary injunction against a settlement that had the effect of dramatically decreasing new drilling on the forest.

Bortz brought up the new development at the commissioners' work session on Monday.

"There are already rules on the books as to how this works," Bortz said.

In the past, the Forest Service set a period of 60 days as a reasonable time for addressing areas of concern and issuing notice to proceed.

"That 60 day period has grown from 4 months to 7 months," Bortz said Monday. The delay "impacts the developers' ability to create and sustain jobs" as well as to access the property they have rights to.

The length of time isn't the only problem PIOGA members are claiming.

"There has been a long-standing history that oil and gas producers would have access to surface water" necessary for development operations, Bortz said.

"In addition to the increasingly lengthy delays in USFS's processing of drilling proposals, USFS has issued a letter prohibiting SWEPI LP (Shell Western Exploration and Production), a PIOGA member, from using any ANF groundwater for SWEPI's natural gas drilling and production operations," according to the document. "USFS has refused to negotiate with SWEPI at all . . . when such water use by oil and gas developers has been commonplace for decades in the ANF."

The right to "drill for and use water" from the property "for the purpose of operating the said premises for oil and gas . . ." was reserved when the title to the mineral estate changed hands, according to the document.

The wells in question are Marcellus Shale natural gas wells, according to the document.

Such wells generally require millions of gallons of water for hydraulic fracturing.

The amount of water is not an issue, according to the document, because the "Kane water-flood operation in the ANF uses, and has used for the past 4 decades, 10,000 barrels of water a day, year round, from ANF groundwater wells. Such long-standing, large-scale operations undermine any USFS assertion that the use of ANF groundwater by mineral estate owners is 'unprecedented.' "

"*Minard Run* forbids USFS, the owner of the subordinate surface estate, from imposing such a burdensome condition on SWEPI, the owner of the dominant mineral estate," according to the document. "Recent actions and inactions by USFS have become so egregious that PIOGA is compelled to seek further relief from this court."

"USFS has violated this court's order . . . and should be found in contempt," according to the document.

"It's going to be interesting to see how that plays out," Commissioner Terry Hawk said.

"The outcome of this does hold in the balance jobs in Warren County," Bortz said.

SUBMITTED QUESTIONS

Response from U.S. Department of Agriculture

Questions Submitted By Hon. Glenn Thompson, a Representative in Congress from Pennsylvania

Question 1. **Rural Energy for America Program (REAP):** The Rural Energy for America Program (REAP) assists small rural businesses and producers with renewable energy and energy efficiency projects. Recently, USDA included ethanol blender pumps as an eligible project? How do blender pumps fit in with the goals of the program? Can blender pumps be financed through other USDA programs?

Answer. The agency clarified that flex-fuel delivery systems, including blender pumps, are one of many eligible purposes under REAP. The statute makes it the program's responsibility to promote biofuel infrastructure. Blender pumps are a critical part of that infrastructure as the final step necessary to reach the consumer. No separate funds are designated for flex-fuel projects. REAP is a competitive grant and loan guarantee program in which renewable energy systems and energy-efficiency improvement projects must compete on their own merits against eligible projects for available funds. REAP is not the only RBS program that can fund blender pumps; the Business and Industry Guaranteed Loan program also has blender pumps as an eligible activity.

Question 2. **Rural Energy for America Program (REAP):** Most Rural Energy for America (REAP) projects seem to be located in the Midwest. What challenges are preventing the REAP program from being implemented nationally?

Answer. While the REAP program has been largely utilized by applicants in Midwest states, it is a national program. Changes made in the NOFAs for 2008, 2009, and 2010 and subsequent REAP Interim Rule have modified scoring and project criteria. These changes, as well as the implementation of State allocations, were made to increase the diversity and geography of the projects selected, and we have already seen a positive change in the geographic distribution of REAP awards. In the first 3 years of the program, 24 states received awards for 2003, 27 for 2004, and 32 for 2005. In the most recent 3 years (not counting 2011, which is still being processed), 41 states received awards for 2008; 49 states as well as Puerto Rico and the Western Pacific received awards for 2009; and 48 states and Puerto Rico received awards for 2010.

Question 3. **Bioenergy Program for Advanced Biofuels (Section 9005):** Could you identify what types of feedstocks are being used in the biofuels facilities that are receiving payments in the Bioenergy Program for Advanced Biofuels?

Answer. The types of feedstocks used by facilities receiving payments for FY 2010 include:

- Agricultural waste seed
- Agricultural crops (sorghum, wheat starch)
- Animal fat
- Dairy waste/manure
- Ethanol (from other than corn kernel starch)
- Fatty acids
- Food processing waste
- Grasses
- Greases (white, yellow)
- Mixed substrates waste
- Municipal waste
- Oils (canola, crude corn, cottonseed, glycerin, palm, soybean, sunflower seed, waste or used vegetable, other)
- Poultry fat
- Tress (pine, other)
- Wood waste (sawdust, chips, pallets)

Question 4. **Duplication:** During the conservation title audit we learned that several conservation programs can fund energy efficiency projects. What programs outside of the energy title does USDA administer that may fund renewable fuel projects or renewable energy and energy efficiency projects?

For example, can the Business and Industry (B&I) loan program or Value-Added Grant program accomplish some of the same goals as many of the energy title programs? If not, what changes could be made to existing programs outside of the energy title to accomplish the same goals?

Answer. There are four other programs within USDA under which certain types of energy projects may be financed. These are the Value-Added Producer Grant (VAPG) program, Community Facilities, Business and Industry Program, and the Environmental Quality Incentives Program (EQIP). FSA farm loans could also be used for some of the projects, and Forest Service also has some authorities for energy related projects.

The project eligibility category related to renewable energy under the VAPG program was set by the 2008 Farm Bill and states that a Value-Added Agricultural Product is "a source of farm- or ranch-based renewable energy, including E85 fuel." Thus, the VAPG program can provide funds to a limited set of energy-related projects where an agricultural commodity is used to generate renewable energy on a farm or ranch owned or leased by the independent producer that produces the agricultural commodity. On-farm generation of energy from wind, solar, geothermal, or hydro sources are not eligible for VAPG.

Because of the differences in eligible entities and eligible projects, there is little overlap with the Community Facility (CF) program. Eligible entities under the CF program are: public bodies (*e.g.,* municipalities, counties, districts), nonprofit corporations and associations, and Federally recognized Indian tribes in a rural area. Eligible projects are generally activities associated with the construction, enlargement, extension, or improvement to "essential community facilities providing essential services." Essential community facilities are "those public improvements requisite to the beneficial and orderly development of a community operated on a nonprofit basis."

While some entities eligible for the CF program would also be eligible under the Section 9003 program, the type of projects funded under the Section 9003 program would not likely qualify as an eligible CF project. Further, Community Facilities is a grant program, while the Section 9003 is a guaranteed loan program, and grants would be an insufficient source of funds for the construction of biorefineries. Thus, there is little likelihood of overlap between these two programs.

For the Section 9004 program, the eligible entity must be a biorefinery. Further, the types of projects that qualify for the Section 9004 program would likely not qualify for the CF program. Thus, there is no overlap with the CF program.

While some entities might be eligible for both the CF program and the Section 9005 program, there would be no overlap because the CF program would not make any payments for the production of advanced biofuels.

For the Section 9007 Program, for the renewable energy system and energy efficiency improvement portion, the eligible entities are agricultural producers and rural small businesses. These entities are also eligible for renewable energy system feasibility studies. Given the difference in eligible entities, there is little, if any, overlap with the CF program. For energy audits and renewable energy development assistance under Section 9007, eligible entities include units of state, tribal, and local governments, land grant colleges and universities, rural electric cooperatives, public power entities, and instrumentalities of state, tribal, and local governments. Thus, there is some overlap in eligible entities. However, it is unlikely that energy audits or Renewable Energy Development Assistance (REDA) would meet the project eligibility requirements for CF.

The Business and Industry (B&I) Program provides guaranteed loans to a wide range of projects, including energy projects. There have been a number of projects financed under the B&I Program that may have been able to have been financed under REAP if the assistance requested did not exceed 75 percent of eligible project costs.

The NRCS has traditionally offered financial assistance for a variety of conservation practices that also promote energy conservation as a secondary benefit, such as reduced tillage. NRCS initially expanded these energy efforts offering assistance for on-farm energy audits. Currently, NRCS is retooling its conservation practice standards and adding new standards with an increased emphasis on energy conservation implementation. In 2012, NRCS will offer financial assistance for many items identified in the on-farm energy audits such as lighting, ventilation, airflow and milk harvesting.

Beyond these few programs, REAP does not overlap or duplicate of any other USDA program.

Question 5. **Biomass Crop Assistance Program:** The intent of the Biomass Crop Assistance Program (BCAP) is to help producers establish dedicated energy crops. To date, how many acres of dedicated energy crops have been created from the program? How much has been spent through BCAP to date to get these acres?

Answer. As of August 22, 2011, nine project areas have been designated, spanning across 168 counties in 10 states (AR, CA, KS, MO, MT, OK, OH, OR, PA, and WA).

These nine project areas target the sign up of 117,184 acres in FY 2011 alone. Overall the project sponsors requested that these nine project areas target a full-enrollment of 834,000 acres.

Approximately, 17,000 acres have been signed up since the sign ups began on:

- May 9, 2011 (Project Area 1);
- June 20, 2011 (Project Areas 2 through 5); and
- August 8, 2011 (Project Areas 6 though 9).

In addition, approximately 14,000 acres have been offered and are in the phase of having conservation plans developed before approval occurs.

Approximately $82 million has been allocated for the sign up of acres in these nine project areas. The $82 million supports production over a period of five year for herbaceous crops and nine years for the woody crop. The allocations are as follows:

Project Area Allocation Break Down

Project Area 1 (sponsor Show Me Energy Cooperative)	$18 million
Project Area 2 to 5 (sponsor MFA Oil Biomass & Aloterra Energy)	$18.25 million
Project Area 6 (sponsor Beaver Biodiesel)	$.37 million
Project Area 7 (sponsor Abengoa Bioenergy)	$6.2 million
Project Area 8 (sponsor AltAir Fuels)	$20 million
Project Area 9 (sponsor ZeaChem Inc.)	$18.82 million
Total	**$ 81.6 million**

The nine project areas target the establishment of four different energy crops: native grasses, miscanthus, camelina, and hybrid poplar.

The intended conversion products are as follows: jet fuel drop-in; biobased products; bio-ethanol; biodiesel; and fuel pellets.

Question 6. **Biomass Crop Assistance Program:** When creating the BCAP program in the 2008 Farm Bill, Congress set two primary components. The first was establishment of a new supply of energy crops and annual payments to farmers to grow these perennial biomass crops. The second allows matching payments to producers and forest landowners to offset the costs of collecting, harvesting, storing and transporting of eligible biomass materials. From a fiscal standpoint, the program was initially scored at $70 million over 4 years, yet the actual spending in FY 2010 was over $240 million. Can you talk more on the differences in the way the program was initially administered to the way it is currently? Has USDA followed the purposes of BCAP that Congress initially set forth?

Answer. USDA's administration of BCAP is in accordance with the statutory requirements set forth by Congress. The intent of BCAP is to provide a financial incentive to farmers and forest landowners to produce new supplies of biomass or to collect existing supplies of biomass for the purpose of heat, power, bio-based products or liquid biofuels. For new biomass, BCAP provides establishment and annual payments to producers. For the collection and delivery of existing biomass, BCAP provides matching payments to producers.

Initial funding for the matching payment component of BCAP began with a Notice of Funding Availability (NOFA) operating from June 11, 2009 to February 3, 2010, which, as directed by statute, provided that:

- *"The Secretary shall make a payment for the delivery of eligible material to a biomass conversion facility to a person with the right to collect or harvest eligible material . . . at a rate of $1 for each $1 per ton provided by the biomass conversion facility in an amount equal to not more than $45 per ton.";*
- *"The Secretary shall use the funds, facilities and authorities of the Commodity Credit Corporation, including the use of such sums as are necessary, to carry out this section.";*
- *"The term 'biomass conversion facility' means a facility that converts or proposes to convert renewable biomass into heat, power, biobased products or advanced biofuels";*
- *"The term 'eligible material' means renewable biomass";*
- *"The term 'renewable biomass' means . . . any organic matter that is available on a renewable or recurring basis from non-Federal land . . . including . . . trees and . . . wood waste and wood residues."*

The NOFA generated important information from stakeholders on issues not fully addressed in statute, including when BCAP incentives are successful, when they may not be, or when incentives require additional policy clarifications. In light of funding limitations enacted in July 2010, USDA set tougher restrictions by which materials qualify for matching payments. These conditions, outlined in the final BCAP regulation on October 27, 2010, are that eligible materials qualify for payment based on the sequence of collection, harvest, storage, transportation and delivery; meaning the eligible material must be collected or harvested directly from the land, before transport and delivery (not "collected or harvested" after transport and delivery by separating from a higher value material); must be collected or harvested in accordance with an approved conservation, forest stewardship or equivalent plan; and if a woody eligible material outside of BCAP project areas it must also be a byproduct of preventive treatments removed to reduce forest fire threats, reduce disease or insect infestation, or to restore ecosystem health, and cannot have a preexisting market. Of course even if the material is eligible, matching payments may not be available if other program needs exhaust the available funding.

As reflected in the cost-benefit analysis conducted by Farm Service Agency (FSA) and issued with the publication of the final BCAP regulation, these conditions substantially reduce future outlays on matching payments compared to the expenditure baseline of FY 2010.

Question 7. **Forest Resource Coordinating Committee:** The 2008 Farm Bill established the Forest Resource Coordinating Committee (FRCC) to coordinate nonindustrial private forestry activities within the Department of Agriculture and with the private sector in order to effectively address national priorities for private forest conservation, clarify individual agency responsibilities and provide advice on the allocation of Cooperative Forestry Assistance Act funds. Discussions on and off the Hill are underway regarding the next farm bill; yet, the FRCC has not yet been established. When does USDA intend to stand up the FRCC?

Answer. To be clear, the 1990 Farm Bill created the FRCC, it has been operational in the past, and it was amended by the 2008 Farm Bill. Applications have been received to fill vacant positions on the committee. Upon completion of background checks, members will be appointed to the committee by the end of the calendar year.

Question 8. **Partnering with NRCS on Conservation Programs:** Clearly, while the USFS and state forestry agencies don't directly implement the farm bill's conservation programs, you play an important role in providing basic landowner education, outreach, and technical assistance that helps landowners implement conservation practices. In your opinion, do you think there are areas for improvement, where NRCS could work better with the USFS and state forestry agencies to implement these programs, especially in light of the fact that forestry is still only a small component of many of the conservation programs?

Answer. Since enactment of the 2008 Farm Bill, with the coordination of the Joint Forestry Team, the Forest Service, NRCS, State Foresters and Conservation Districts have successfully worked together to better assure that landowner assistance program efforts and investments are coordinated and complementary. Several states have entered into agreements that clearly define complimentary partner agency roles and this has resulted in more efficient use of resources, better customer service and more impact on the ground. It has become especially clear that much more can be accomplished where NRCS conservation program cost-share dollars are focused on forest management practice implementation, and complemented with Forest Stewardship Program forestry expertise and planning assistance delivered through state forest agencies and their already existing network of partners and cooperators. Through the Forest Stewardship Program, state forestry agencies can continue to function as the technical experts with respect to forestry, enabling more landowners to qualify for and participate in NRCS cost-share programs such as the Environmental Quality Incentives Program (EQIP) and assuring quality forest management projects are being funded.

Question 9. **Delivery of Technical Assistance:** In the last farm bill, some changes were made to streamline the delivery of technical assistance under the conservation programs, and I believe the intent was to allow third-parties, like state forestry agencies and consulting foresters, to help with the delivery of technical assistance. Do you see progress on this issue? Do you think we are using these foresters as much as possible in efforts to improve efficiencies and streamline the programs?

Answer. Much progress has been made on this issue. The 2008 Farm Bill recognizes Forest Stewardship Plans as meeting applicant management plan requirements for EQIP. By operating under the Forest Stewardship Program, state service foresters and private consultants are not required to become NRCS Technical Service Providers (TSPs) in order to provide forestry planning expertise. In 2011, the Forest Service, National Association of State Foresters, NRCS and the American Tree Farm System adopted a national Forest Stewardship Plan template that is recognized by all parties as fulfilling the management plan requirement for forest landowner access to a variety of assistance and incentive programs, including internationally recognized third party certification. In this way, the network of forestry expertise that is supported by the Forest Stewardship Program is more fully leveraged. The Forest Stewardship Program is serving increasingly as a "gateway" through which landowners can gain access to a variety of forestry assistance and programs including USDA cost-share, state tax abatement, forest certification and emerging ecosystem service and renewable energy markets.

Question 10. **Beginning Forest Owners:** In the last farm bill, several programs were included to address the education and assistance needs of beginning farmers and ranchers, helping them understand good farming practices, how to set up their businesses, *etc.* Do you see a similar need for forest owners? Are there a lot of beginning forest owners as well?

Answer. Of the 11 million forest owners in the U.S., 1.5 million are over 75 years of age and control 46.9 million acres of forest. In the next 10–15 years, we can expect these 46.9 million acres (20% of all the private forest land in the U.S.) to be passed on to heirs, be sold to developers, or change hands in some other way. This means that beginning landowners will likely increase in number and will continue to need help with forest management through programs like Forest Stewardship.

This also means that succession planning is very important. However, we still see families struggling to understand tax laws and estate planning and it is clear that more continued assistance is necessary for this essential planning process. There are a number of educational programs that help landowners with potentially difficult discussions with their families about passing land to heirs.

Question 11. **Forest Legacy Program:** There are several programs that have not been funded within the Forest Legacy Program. Given the period in which these programs have not been funded, do you see the necessity in keeping them or does this give us some leeway in order to consolidate programs without interrupting program delivery?

Answer. The Forest Legacy Program (FLP) is substantially different from the other farm bill land easement programs, and consolidation of programs, if it included FLP, would substantially alter FLP program delivery. FLP has different primary partners, uses different land protection tools, uses different financial assistance mechanisms, selects projects through a different and nationally consistent process, and has different program requirements. In addition, the Forest Service has substantial oversight of FLP and it fits very well within the mission of the agency.

FLP is implemented through state agencies, with only governmental units holding title to the land or conservation easements. This relationship allows the Forest Service to have substantial oversight of not just completing projects, but ensuring the forests are conserved and well managed.

Through FLP, land is protected by both fee-simple land acquisition and permanent conservation easements. In the other farm bill land protection programs, land is protected through short-term contracts or permanent conservation easements, and not fee-simple land acquisition.

FLP projects are selected through a two-step competitive process resulting in high quality projects that are supported locally and are nationally significant. First, states identify and rank projects working with the State Forest Stewardship Coordinating Committees. Second, a national panel evaluates and ranks each project based on national criteria—importance, threatened, and strategic. The result is a list of ranked projects included in the President's budget request. Consolidating FLP with other farm bill programs would eliminate this well supported, transparent process.

In the 2008 Farm Bill, states were required to complete state-wide forest assessments and resource strategies to identify the important forests within the state, and threats to those forests. These forest assessments are critical for integrating Cooperative Forestry Assistance Act programs as well as focusing the State and Private Forestry funding resources into well defined priority areas. Through these state assessments, FLP is integrated with the other Cooperative Forestry Assistance Act programs. Consolidating FLP with other farm bill programs would most likely remove the integration between FLP and these forest assessments and the other Cooperative Forestry Assistance Act programs.

Question 12. Mr. Tidwell, as you may be aware, 35 years ago the EPA adopted a regulation which defined forest management, including forest roads as "nonpoint" sources to be managed through state best management practices. For 35 years states have worked with stakeholders on all sides to develop programs that meet local needs The 9th Circuit recently overturned this regulation and ruled for the first time that forest roads are point sources and using them for timber harvest requires a Federal permit.

What are the challenges that could arise from a Federal permitting program?

Describe any potential negative environmental effects associated with these challenges.

Answer. There are many unknowns related to the character and requirements of a potential "Federal permitting program "for forestry roads. Depending upon the actual requirements of the permit program, obtaining permits could be a substantial burden for the Forest Service and other public or private forest landowners. On private working lands, new regulatory requirements could increase the cost of forest ownership. On National Forest System lands, permitting requirements could result in only marginal increases in water quality-related benefits due to the current use of Best Management Practices (BMPs) on such lands.

If the regulatory requirements of a new permitting process were substantial, increased costs could serve as a disincentive for private forest landowners to maintain forest cover and result in loss of forests to non-forest uses (*e.g.,* commercial or residential development) which have potentially far greater impacts to water quality. Additionally, depending on the nature of the regulatory system, permitting requirements would require the Forest Service to devote personnel time, resources and funds to satisfying permitting requirements. This could divert limited resources away from the Forest Service's management activities on National Forest System lands. Finally, there could be large variations among the permits developed by the various permitting authorities, which could mean different requirements for both permitting and road management in different states. This variability amongst permits would further increase the costs and personnel time to the Forest Service of managing forest roads and complying with a permit program.

On public lands, the Forest Service currently implements BMPs and associated monitoring to limit the environmental impacts associated with logging road utilization, in particular those impacts related to water quality. The BMP approach has been successful in addressing water quality concerns and controlling the dispersed and relatively low impact sources of non-point source pollution associated with forestry activities. Any permits developed for forestry roads would likely require the implementation of the same BMPs which are already being implemented by the Forest Service on National Forest Systems lands. Thus, depending on the regulatory regime, permit requirements may not provide any additional benefits to water quality nor improve the environmental outcomes.

Questions Submitted By Hon. Tim Holden, a Representative in Congress from Pennsylvania

Question 1. TIDWELL: I understand that the programs contained in the forestry title of the farm bill have permanent authorizations. Can you tell me if there is anything that would need to be done, any authority, that would need to be considered for inclusion in the next farm bill debate? Or is it your opinion that we would not need to include a forestry title in the next farm bill given the permanent authorizations?

Answer. A Forestry Title in the next farm bill could further define and strengthen the complementary relationship between the Forest Service and NRCS to support successful participation of private forest landowners in NRCS and other USDA conservation cost-share programs, particularly by reaffirming the important role the Forest Stewardship Program plays in facilitating technical assistance for private landowners not only in managing their forest lands, but also in implementing farm bill conservation programs.

Question 2. TIDWELL: As most of us here know, the Energy Independence and Security Act contained a definition of biomass that caused many of us here in Congress some concern. That definition does not, among other things, allow the removal of woody biomass on Federal lands. **Are there any studies or reports on how much woody biomass is on Federal lands? Do you currently remove woody biomass from Federal lands? If so, how much do you remove and how do you do it?** Is it an invasive process?

Are there any studies or reports on how much woody biomass is on Federal lands?

Answer. There are several key studies and reports on how much woody biomass is on Federal lands as well as other forest lands.

1. The Forest Inventory and Analysis Program (FIA) of the USDA Forest Service (Smith and others 2004). The plot data indicate current stand conditions on all timberland, including all Federal lands in the U.S. These analyses are based

on the interim updated FIA inventory of the 2000 Resources Planning Act (RPA) projections (USDA Forest Service 2007). The website link is: *http://fia.fs.fed.us/*.

2. The Department of Energy/USDA Billion-Ton Report examines the nation's capacity to produce a billion dry tons of biomass resources annually for energy uses without impacting other vital U.S. farm and forest products, such as food, feed, and fiber crops. The study provides industry, policymakers, and agricultural community with county-level data and includes analyses of current U.S. feedstock capacity and the potential for growth in crops and agricultural products for clean energy applications. The biomass resources identified in the report could be used to produce clean, renewable biofuels, biopower, or bioproducts. USDA Forest Service lands are included in the analysis except for biofuel production since it is disallowed under EISA, 2007. The website link is: *http://energy.gov/articles/department-energy-releases-new-billion-ton-study-highlighting-opportunities-growth*.

3. The USDA Forest Service has completed 20 coordinated resource offering protocol (CROP) studies across the agency. CROP was developed by Oregon-based Mater Engineering for the U.S. Forest Service to increase investment in Federal forest landscapes in bio-based projects through inter-agency coordination and levelization of sustainable annual biomass offering. The CROP protocol requires Federal resource managers within a defined landscape to (a) specifically *identify* biomass removal they **believe they can perform** each year for the next five years (not what's inventoried); (b) *coordinate* their 5 year resource offering with other Federal agencies included in the same CROP landscape; and (c) *levelize* the supply offering within the CROP landscape to provide higher risk reduction to both land managers and investors. The website is: *www.crop-usa.com*.

Do you currently remove woody biomass from Federal lands? If so, how much do you remove and how do you do it?

Answer. Yes, we remove woody biomass from Federal lands. USDA Forest Service utilizes the residual woody biomass from forest health restoration, hazardous fuels reduction, insect and disease infected areas, wildfires, wildlife habitat improvement and watershed restoration activities.

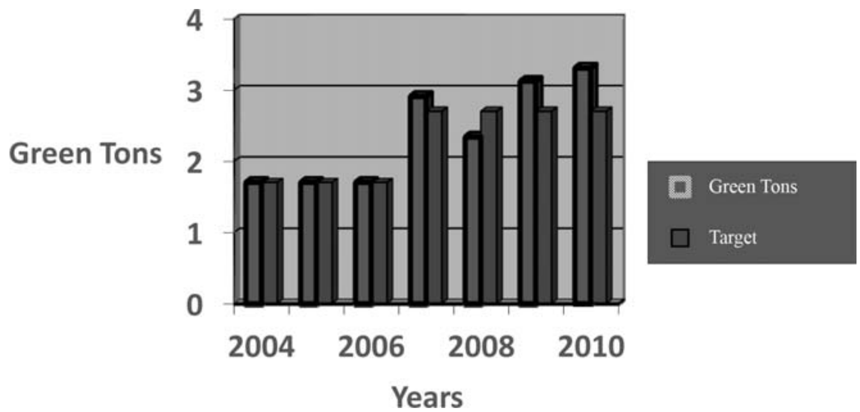
The annual target is 2.7 million green tons, which we have exceeded each year. The removal of woody biomass is a mechanical method utilizing small to medium sized specialized harvesting equipment adapted for small diameter trees. The low to no value of woody biomass dictates this type of mechanical treatment for economic efficiency. This generally occurs after a timber sale, salvage, stewardship contract or pre-commercial thinning operation. (See following table).

Table for Annual Woody Biomass Utilization Million Green Ton Target

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Target	**1.7**	**1.7**	**1.7**	**2.7**	**2.7**	**2.7**	**2.7**	**2.7**
WB–E	1.7	1.7	1.7	2.91	2.34	3.12	3.31	
WB–SC							0.74	

Target—Is the annual national green ton target.
WB–E—Woody Biomass for Energy Purposes.
WB–SC—Woody Biomass from Stewardship Contracting.

Green Tons Accomplishment



The mechanical treatment of the residual is not an invasive process. In general, it actually helps the future of the existing trees to have better growing conditions in the form of increased sunlight, higher soil moisture, and greater nutrient allowance. Of course, there are variations due to local environmental, spatial and temporal conditions.

Question 3. TIDWELL: Pest infestation is a common problem for our forests. What are you doing to battle pest infestation? Where are the biggest problems now? How much, on average, does it cost to treat a forest?

Answer. Battling forest insect and disease infestations involves a multi-agency coordinated approach that, depending on the particular pest, its status, and resources available, may include one or more of the following actions: prevention, monitoring and detection, eradication, and control and management. To respond effectively to infestations, the Forest Service works in close cooperation with APHIS, the agency with overall regulatory responsibility for invasive pests, as well as state departments of forestry and agriculture.

Currently, the Forest Service has activities focused on significant pest problems across the country including: western bark beetle prevention and safety in the West, gypsy moth—slow the spread and eradication in the East, southern pine beetle prevention in the South, and invasive plants nationwide. Aerial surveys conducted by the Forest Service and state partners indicated that tree mortality occurred on over 9.2 million acres in 2010. Most of this mortality was caused by bark beetles attacking conifer trees in the western U.S. Other emerging pest and disease problems that the Forest Service is addressing include: emerald ash borer, thousand cankers disease, Asian longhorned beetle, hemlock woolly adelgid, and white pine blister rust.

The cost to treat a given forest varies greatly depending upon many factors including: the size of the infested forest, the response approaches employed (listed above), the effective tools and methods available, and the biology of the pest.

Question 4. TIDWELL: What programs and authorities do you rely on to battle pest infestation and invasive species? How do you fund activities related to the removal of pest infestation and invasive species?

Answer. The program and authority that the USDA Forest Service relies on to respond to insect and disease infestations is the Cooperative Forestry Assistance Act of 1978 (as amended), SEC. 8. [16 U.S.C. 2104]. Some pests have a specific program to address the issue, like the Slow-The-Spread Program for Gypsy Moth. USDA Forest Service insect and disease activities are funded through annual appropriations. Funds are used to support insect and disease activities on all forested lands in the U.S., including National Forest System, other Federal, and state and private lands. Activities on state and private lands are commonly funded on a cost-share basis with partners to address a prioritized response to a particular insect or disease.

Question 5. TIDWELL: Has the FS conducted any analysis on the topic of markets for carbon sequestration? If so, what do you think is the potential for forest landowners to sell carbon sequestered by their forests and forestry projects?

Answer. Individual Forest Service scientists have participated in the development of the FASOM economic model which was used by the EPA to model the impacts of the proposed cap-and-trade legislation in 2009 and 2010 which projected opportunities for carbon offsets. The Forest Service will also be projecting future forest carbon changes under various scenarios as part of the forthcoming 2010 Resource Planning Act assessment. In addition, the forest inventory data collection and scientific studies done by Forest Service Research & Development program provides the foundational basis for many of the assessments done by other agencies and external groups on forest carbon and bioenergy opportunities, including the EPA's annual National Greenhouse Gas Inventory, and DOE's recently released "Billion Ton Study Update." The Forest Service also developed the CVAL tool to evaluate the costs and benefits of carbon sequestration contracts for managed forests on the Chicago Climate Exchange.

The potential for forest landowners to sell carbon will be highly dependent on the price of carbon, as well as the requirements, rules and methodologies used for implementing and reporting forest carbon projects. The potential for forest landowners to benefit from a carbon market could be minimal or large depending on the program design.

At this point there are more opportunities for private landowners to sell carbon sequestered by their forests and forestry projects in the voluntary carbon market than within a regulatory market, although the California cap-and-trade program, now scheduled to begin compliance obligations in 2013, may create new opportunities.

Small acreage forest landowners face challenges to participating in the voluntary carbon market. While there is no minimum acreage to qualify/enroll, start-up and ongoing costs are generally too substantial, and revenues too slight, on small parcels to produce an economically viable project. The Climate Action Reserve has developed "Guidelines for Aggregating Forest Projects" with the understanding that individual transaction costs on small parcels can make market participation untenable, and aggregating projects on smaller landholdings can reduce barriers to entry. However, some aggregation companies may have their own minimum parcel size requirements.

Question 6. TIDWELL: Currently there are several voluntary markets for forest carbon projects. Do you know what forestry practices are eligible for market participation and what the carbon price is?

Answer. All carbon credits purchased outside of an existing regulatory compliance obligation are considered part of the voluntary carbon market. Within the voluntary carbon market, carbon credits may be purchased in an exchange or purchased "Over-The-Counter" (OTC) through direct buyer and seller exchanges, a broker or retail storefront. Voluntary forest carbon projects are governed by a variety of carbon offset standards or protocols.

Eligible forestry practices vary between protocols. Three commonly used protocols for voluntary forest carbon projects in the U.S. are the Climate Action Reserve (CAR), Verified Carbon Standard (VCS), and the American Carbon Registry (ACR).

Climate Action Reserve (CAR)—

Eligible Forestry practices:

- Reforestation—A Reforestation Project involves restoring tree cover on land that is not at optimal stocking levels and has minimal short-term (30 years) commercial opportunities.
- Improved Forest Management—An Improved Forest Management Project involves management activities that maintain or increase carbon stocks on forested land relative to baseline levels of carbon.
- Avoided Conversion—An Avoided Conversion Project involves preventing the conversion of forestland to a non-forest land use by dedicating the land to continuous forest cover through a conservation easement or transfer to public ownership.

Verified Carbon Standard (VCS)—

Eligible Forestry practices:

- Afforestation, Reforestation and Revegetation (ARR)—Eligible ARR activities are those that increase carbon sequestration and/or reduce GHG emissions by establishing, increasing or restoring vegetative cover (forest or non-forest) through the planting, sowing or human-assisted natural regeneration of woody vegetation.
- Improved Forest Management (IFM)—Eligible IFM activities are those that increase carbon sequestration and/or reduce GHG emissions on forest lands managed for wood products such as sawtimber, pulpwood and fuelwood by increasing biomass carbon stocks through improving forest management practices.
- Reducing Emissions from Deforestation and Degradation (REDD)—Eligible REDD activities are those that reduce net GHG emissions by reducing deforest-

ation and/or degradation of forests. Deforestation is the direct, human-induced conversion of forest land to non-forest land. Degradation is the persistent reduction of canopy cover and/or carbon stocks in a forest due to human activities such as animal grazing, fuelwood extraction, timber removal or other such activities, but which does not result in the conversion of forest to non-forest land (which would be classified as deforestation).

American Carbon Registry (ACR)—
Eligible Forestry practices:

- Afforestation/Reforestation (AR)—defined as activities to increase carbon stocks by establishing, increasing and restoring vegetative cover through the planting, sowing or human-assisted natural regeneration of woody vegetation.
- Improved Forest Management (IFM)—defined as activities to reduce GHG emissions and/or enhance GHG removals, implemented on lands designated, sanctioned or approved for forest management (*i.e.,* production of sawtimber, pulpwood, and fuelwood).
- Reducing Emissions from Deforestation and Degradation (REDD)—defined as the reduction in GHG emissions from the avoided conversion of forest to non-forest use (*e.g.,* to cropland, grassland, settlement, or development) or avoided degradation of forests remaining as forests.
- Forest Carbon Projects with a Biomass Energy Component—Forest carbon activities may include a biomass energy component if they provide biomass fuel for electricity generation, heating, or transportation fuels.
- Note: Urban forestry activities that meet the forest definition could qualify as AR, IFM or REDD depending on the specific activity.

Prices vary between protocol standards and within the standards depending on project types. Within the voluntary carbon market in 2010, the average price was $6 per metric ton of CO_2 equivalent (tCO_2e).

Question 7. TIDWELL: Funding is a concern for us all these days. The Forestry title does not have any mandatory spending, but it is mostly all appropriated funds. Is the appropriated money mainly used for wildfire management? What percentage of your total appropriated dollars is for wildfire? How much does that leave for other forestry programs like the Forest Legacy or other important programs? Do you think there is a good balance between money spent on wildfire and other programs?

Answer. In FY11, approximately 40% of all appropriated funds for the Forest Service support wildland fire programs to include the Hazardous Fuels Treatment Program, Preparedness, and Suppression. All of the wildland fire programs support the objective of the Forest Service to sustain the health, diversity, and productivity of the nation's forests and grasslands to meet the needs of present and future generations. Fires in recent years have become larger and more difficult to control due to a variety of factors, including climate change, persistent drought, increasingly hazardous fuels conditions, and the increased development in the Wildland Urban Interface. Current budget levels for the wildland fire programs are essential to ensure adequate resources are available to conduct emergency suppression operations while allowing for other critical Forest Service activities to continue.

Question 8. TIDWELL: In the 2008 Farm Bill, we made sure that forestry was explicitly mentioned in some of the conservation programs to ensure forest landowner participation. What is the extent of your involvement with these types of programs and do you communicate with NRCS on these types of programs?

Answer. The 2008 Farm Bill has resulted in a much more effective working partnership between the Forest Service and NRCS, particularly with regards to getting more private forest landowners enrolled in conservation programs. Leaders from our agencies and other partners, including the National Association of State Foresters and the National Association of Conservation Districts, have developed and implemented creative strategies to make these programs much more accessible to private forest landowners.

Question 9. TIDWELL: In the last farm bill, as you mention, Congress set a number of priorities for private forest conservation—conserving working lands, protecting forests from threats, and enhancing public benefits. In your opinion, how are we doing with each of those priorities, are we accomplishing the needed work through the programs that the USFS administers?

Answer. The Forest Service is accomplishing needed work through its State and Private Programs in these three priority areas. As of FY 2011, the agency is in its fourth year of implementing a progressive strategy (known as "Redesign") to focus and prioritize funds and resources to better shape and influence forest land use on a scale, and in a way, that optimizes public benefits from trees and forests for current and future generations. The Redesign competitive effort focuses almost $20 million each year on novel, landscape-scale projects that are selected competitively. These projects have accomplished outcomes in all three of these priorities—and in FY 2010 leveraged almost $24 million in partner dollars and in-kind contributions.

In addition to the competitive projects funded as part of "Redesign", each State and Private Forestry program area contributes to conserving working lands, protecting forests from threats, and enhancing public benefits. Since the 2008 Farm Bill was passed, over $2 billion has been invested by the U.S. Forest Service to address the three national priorities (including funding from State and Private Forestry; Research; Wildland Fire Management; and funding resulting from the American Recovery and Reinvestment Act).

Since 2008, over 62 million acres were under management plans, treated, or protected through FS programs and over two million landowners were assisted or educated through FS programs. The work accomplished by State Forestry Agencies in developing the Statewide Forest Resource Assessments (Forest Action Plans) to identify and prioritize national, regional and state forest management goals across all ownerships, has become the foundation for agencies and partners to work together.

Question 10. TIDWELL: The Southern Forests Futures Project offers some long-term, science-based analysis about the future of timber production in the Southeast. Using this data, please elaborate on the study's conclusion that timber demand is the primary limiting factor in expansion of timber markets.

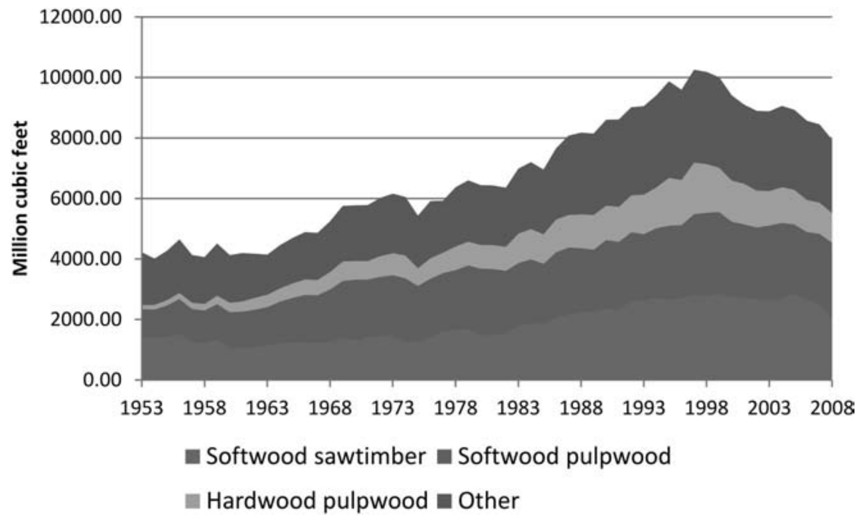
Answer. The Southern Forest Futures Project (Futures Project) examines the history and potential future of timber markets in the Southeast using forest inventory and timber market data along with projection models. The South is the woodbasket of the United States, providing nearly 60 percent of the nation's timber products—the South alone produces more timber than any other country in the world. Private landowners, who manage nearly 90 percent of the South's timberlands and have invested heavily in their forest lands, produce more than 90 percent of the harvested timber. Strong timber markets bring income and jobs to rural areas. Strong markets also provide strong incentive to keep working forests intact, thereby protecting other resource values including water and wildlife.

The Futures Project highlights the strong growth in timber production that occurred in the region from the 1960s to the late 1990s and examines the potential for future growth as well as decline. Timber production peaked in the late 1990s and has since declined, signaling structural changes in timber markets. These production declines are most clearly related to changes in demand. Beginning in 1998, pulpwood harvesting for the paper industry declined as paper production capacity fell in the South. Beginning in 2007, demand for softwood solid wood products fell precipitously due to the housing recession. Solid wood products such as plywood and lumber are strongly linked to housing markets, and housing starts in 2010 were only 25 percent of their 2005 values.

In spite of these declines in demands since 1998, private landowners have continued to invest in forest establishment and management. Declines in harvests, coupled with this ongoing investment, have expanded the potential supply in the region, especially for softwood pulpwood. In sum, supply potential has grown while demands for timber have declined. The Futures Project's projections of timber supply indicate that the region has the capacity to produce as much as 70 percent more timber than was produced in 2005, in effect, supporting a return to market growth rates observed in the 1990s. The key uncertainty and the limiting factor in determining the extent of future timber markets will be recovery and growth in demand for these products. In the near term, demand growth will depend on the recovery of the housing market. Long term projections hinge on future demands from paper industries and the potential emergence of demands for wood in the production of bioenergy.

While housing has traditionally been a cyclical industry and would be expected to recover in the next few years, demands for paper-based products are tied to processing capacity and general economic growth. Declines in the capacity of the paper industry through mill closures may limit the growth potential from this sector. The Futures Project concludes that the greatest potential for expansion in timber demand would come in the form of new demands for wood in the production of bioenergy. These new demands would, in turn depend on the development of new technologies and on Federal and state energy policies aimed at expanding bioenergy production.

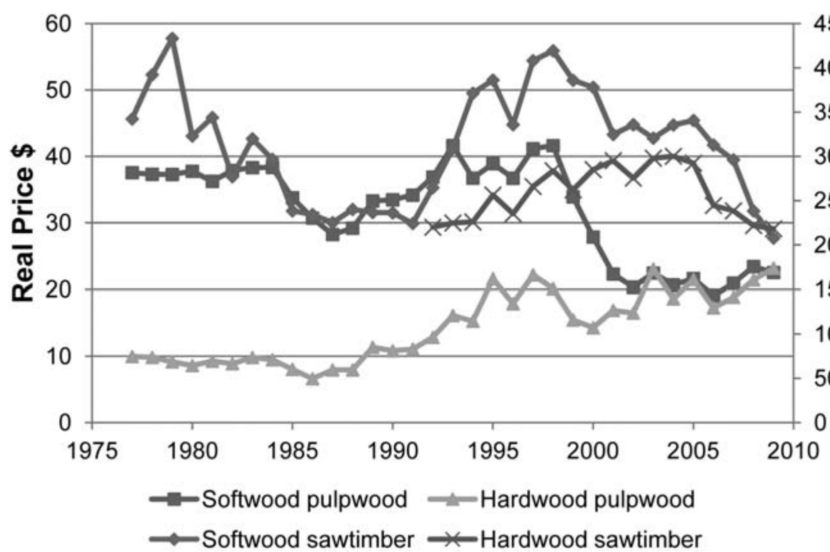
Roundwood Production in the U.S. South, All Products, 1953 to 2008



Source: Southern Forest Futures Project.

The "other" category includes hardwood sawtimber and fuelwood.

Real Stumpage Prices in the U.S. South By Product, 1977 to 2008



Source: Southern Forest Futures Project.

Question 11. TIDWELL: You mention in your testimony the essential assistance to private forest owners that is delivered through the Forest Stewardship Program—you're only program focused on private forestland management. You talk about the accomplishments in FY 2010 with the program—how does this compare with previous years? Are you and your state forestry agency partners reaching more landowners with these programs, if so, how many? And are we reaching the same landowners or new landowners with this program, since the number of family forest owners in the U.S. continues to grow—from 9 million in 2000 to 11 million owners in 2011.

Answer. The Forest Stewardship Program has for several years been transitioning from a first-come first served approach to a much more strategic and place-based approach to delivering technical assistance to private forest landowners. This approach began with the Forest Stewardship Program Spatial Analysis Project that assisted all states in identifying forest resource management priority areas and implementing innovative tactics for engaging landowners and communities in those places. Tactics include social marketing campaigns targeted at landowners that are less inclined to seek assistance.

More recently, Forest Stewardship Program managers from across the country have developed a "Landscape Stewardship Approach" that includes the development of landscape-scale Forest Stewardship Plans for multiple landowners. All of these actions are attempts to have a greater cumulative impact on pressing resource management concerns while involving more landowners with the same level of investment.

In 2010, there were 19.7 million acres under current Forest Stewardship Plans, of which 89% is being actively managed based on monitoring. Approximately 15,000 new Forest Stewardship Plans, covering about 1.9 million acres were created that same year. While this level of accomplishment has been fairly consistent the past few years, the total number of landowners benefitting from a variety of technical and educational assistance activities supported by the program has declined sharply because of state forestry agency budget constraints.

All Forest Stewardship accomplishments are tracked spatially with respect to priority landscapes and underlying resource management concerns.

Question 12. CANALES: There is no more funding for any of the energy title programs after the expiration for the 2008 Farm Bill. Would you be able to handle some energy title project activity under any of the other rural development programs? For example, would the Rural Development B&I program be able to fund some types of activities currently covered by the REAP program? Please provide a comprehensive answer covering each energy title program and whether or not it could be covered by another USDA program.

Answer. None of RBS's energy programs could be fully encompassed by currently existing, funded programs. Please see the following programmatic breakouts on the 9003, 9004, 9005, and 9007 programs.

Sec. 9003, Biorefinery Assistance Program: The Biorefinery Assistance Program is not a duplicate of any other USDA program. There are no other programs that have the sole purpose of funding biorefineries involved in advanced biofuel production, and that involve the private sector on each transaction. While the eligibility criteria for the Business and Industry (B&I) Guaranteed Loan program would allow the funding of biorefineries, the maximum loan that can be guaranteed under the B&I guaranteed loan program is $25 million, which is essentially too small for these types of projects, and thus it is unlikely that anyone would seek to utilize the B&I program. The Biorefinery Assistance Program can guarantee loans up to $250 million.

Sec. 9004, Repowering Assistance Program: The Repowering Assistance Program is not a duplicate of any other USDA program. There are no other USDA programs that could support these types of projects.

Sec. 9005, Advanced Biofuel Payment Program: The Advanced Biofuel Payment Program is not a duplicate of any other USDA program. There are no other programs that provide payments to biofuel producers to promote advanced biofuels.

Sec. 9007, Rural Energy for America Program: There are four other programs within USDA under which certain types of energy projects may be financed. These are the Value-Added Producer Grant (VAPG) program, Community Facilities, Business and Industry Program, and the Environmental Quality Incentives Program (EQIP).

Question 13. CANALES: In preparation for this hearing we attempted to find project information for several programs and we were not entirely successful. It appears USDA announces project information to the public via press releases, but there is not an online database that allows the public to easily access what has been funded and for what amount. How does USDA make this available to the public? Can you please provide the Committee with a breakdown of what projects have been funded under each program, and for how much?

Answer. At this time, there is no public database. USDA uses press releases as the mechanism for making this information available to the public, however USDA is working on such a mechanism in the form of an energy map which we expect to release in the near future.

Section 9003—Guaranteed Loan Awards and Obligations
(FY 2009 through 2011) (program level amounts)

State	Project	Fiscal Year		
		2009 [a]	2010	2011
Alabama	**Coskata**			[b] $87,850,000
Florida	**Ineos**			$75,000,000
Georgia	**Range Fuels**	$80,000,000		
Michigan	**Freemont**			$12,750,000
Mississippi	**Enerkem**			[b] $80,000,000
New Mexico	**Sapphire**		$54,500,000	
Totals		$80,000,000	$54,500,000	$255,600,000

[a] A loan guarantee application for $25 million was approved for SoyMor Biodiesel, LLC, Minnesota, on June 10, 2009. However, the $25 million was deobligated because SoyMor's lender no longer qualified as an eligible lender and SoyMor was unable to obtain a new lender.
[b] The agency is working to close the loan.

Section 9004—Repowering Assistance

Of the nine applications, seven were selected to participate. These seven projects were eligible for approximately $18 million. As of August 25, 2011, only one awardee, Lincolnway Energy, LLC, has accepted the offer for $1.9 million.

Section 9005—Advanced Biofuel Payment Program

All of the projects funded under this program produce an eligible advanced biofuel. The following table presents the companies that received payments for FY 2009 production, the amount of payment received, and the type of advanced biofuel produced. For FY 2009 production, a total of $30 million was paid. For FY 2010, a total of $80 million will be paid within the next several weeks. While some of the companies that received payments for FY 2009 production will also receive payments for FY 2010 production, there are a number of companies that will be receiving payments for FY 2010 that did not participate in the program for FY 2009 production.

Section 9005 Payments for FY 2009 Production

State	Company	Amount of Payment	Biofuel Type
AL	Athens Biodiesel, LLC	$2,261.11	Biodiesel Mechanical
AR	Arkansas Soyenergy Group	$538.63	Biodiesel Trans Esterification
AR	Futurefuel Chemical Company	$929,013.18	Biodiesel Trans Esterification
AR	Pinnacle Biofuels Inc.	$34,250.89	Biodiesel Trans Esterification
AZ	Pinal Energy, LLC	$2,280,865.06	Ethanol Production
CA	American Biodiesel, Inc.	$6,753.89	Biodiesel Trans Esterification
CA	Energy Alternative Solutions, Inc.	$7,280.20	Biodiesel Trans Esterification
CA	Imperial Valley Biodiesel	$3,409.83	Biodiesel Trans Esterification
CA	Imperial Western Products, Inc.	$93,971.09	Biodiesel Trans Esterification
CA	New Leaf Biofuel, LLC	$4,432.73	Biodiesel Trans Esterification
CA	Yokayo Biofuels, Inc.	$14,168.45	Biodiesel Trans Esterification
FL	Agri-Source Fuels, LLC	$12,11347	Biofuel From Waste Products
FL	Bio Fuel Consultants Of NA	$3,418.69	Biofuel From Waste Products
FL	G2 Energy	$3,670.67	Landfill Gas
FL	Suwannee Farms LLC	$530.94	Anaerobic Digester
GA	Alterra Bioenergy Of Middle Georgia LLC	$905.47	Biodiesel Trans Esterification
GA	American Proteins, Inc.	$32,935.57	Anaerobic Digester
GA	Down To Earth Energy LLC	$1,062.62	Biodiesel Trans Esterification
GA	Middle Georgie Biofuels	$159.47	Biodiesel Trans Esterification
GA	Nittany Biodiesel	$335,855.02	Biodiesel Trans Esterification
GA	The Edge Group Inc.	$8,167.17	Biofuel From Waste Products
GA	U.S. Biofuels Inc.	$181,114.96	Biodiesel Trans Esterification
HI	Pacific Biodiesel, Inc.	$14,760.78	Biofuel From Waste Products

Section 9005 Payments for FY 2009 Production—Continued

State	Company	Amount of Payment	Biofuel Type
IA	Blackhawk Biofuels LLC	$258,309.90	Biodiesel Trans Esterification
IA	Central Iowa Energy LLC	$194,810.82	Biodiesel Trans Esterification
IA	Iowa Renewable Energy, LLC	$369,351.71	Biodiesel Trans Esterification
IA	Maple River Energy LLC	$16,613.40	Biodiesel Trans Esterification
IA	Renewable Energy Group, Inc.	$1,422,147.46	Biodiesel Trans Esterification
IA	Riksch Biofuels LLC	$10,401.22	Biodiesel Trans Esterification
IA	Sioux Biochemical, Inc.	$23,808.92	Biodiesel Trans Esterification
IA	Western Dubuque Biodiesel, LLC	$432,622.85	Biodiesel Trans Esterification
IA	Western Iowa Energy	$508,985.44	Biodiesel Trans Esterification
ID	Coeur D'alene Fiber Fuels	$347,484.17	Pellets
IL	Archer Daniels Midland Company	$656,639.35	Biodiesel Trans Esterification
IL	CNF Holdings Inc.	$466.17	Biodiesel Trans Esterification
IL	Hunter Haven Farms Inc.	$633.83	Anaerobic Digester
IL	Incobrasa Industries, Ltd.	$205,444.3	Biodiesel Trans Esterification
IL	Nova Biosource Fules Inc.	$408,824.32	Biodiesel Trans Esterification
IL	Valley Energy Inc.	$4,717	Biodiesel Trans Esterification
IN	E Biofuels LLC	$283,043.86	Biofuel From Waste Products
IN	Indiana Flex Fuels, LLC	$8,806.07	Biofuel From Waste Products
IN	Kingsbury Energy Group	$17,861	Biofuel From Waste Products
IN	Louis Dreyfus Agricultural Industries LL	$1,431,051.17	Biofuel From Waste Products
IN	T and M Limited Pasrtnership	$52,355.96	Anaerobic Digester
KS	Arkalon Ethanol, LLC	$1,131,062.87	Ethanol Production
KS	Bonanza Bioenergy, LLC	$454,050.13	Ethanol Production
KS	East Kansas Agri-Energy LLC	$58,833.32	Ethanol Production
KS	Emergent Green Energy, Inc.	$2,900.33	Biofuel From Waste Products
KS	ESE Alcohol	$30,163.97	Biofuel From Waste Products
KS	Healy Biodiesel, Inc.	$9,005.83	Biofuel From Waste Products
KS	Kansas Ethanol, LLC	$1,176,781.75	Ethanol Production
KS	Nesika Energy LLC	$177,527.30	Ethanol Production
KS	Prairie Horizon Agri-Energy, LLC	$1,406,332.35	Ethanol Production
KS	R–3 Energy, LLC	$19.42	Biofuel From Waste Products
KS	Reeve Agri Energy Inc.	$256.471.36	Ethanol Production
KS	Trenton Agri Products LLC	$223,165.92	Ethanol Production
KS	Western Plains Energy LLC	$1,447,782.85	Ethanol Production
KY	Griffin Industries, Inc.	$29,464.47	Biofuel From Waste Products
KY	Owensboro Grain Company LLC	$401,187.10	Biodiesel Mechanical
ME	Corinth Wood Pellets, LLC	$301,588.30	Pellets
ME	Maine Woods Pellet Company, LLC	$394,417.68	Pellets
MI	Hillside Farms, LLC	$1,353.14	Anaerobic Digester
MI	Michigan Biodiesel LLC	$2,340.02	Glycerin
MI	Scenic View Dairy, LLC	$17,427.01	Anaerobic Digester
MN	Cargill Inc.	$459,245.09	Biodiesel Trans Esterification/Anaerobic Digester
MN	Chippewa Valley Ethanol Coop LLP	$14, 597.35	Ethanol Production
MN	Corn Plus, LP	$311,080.39	Ethanol Production
MN	FUMPA Biofuels	$43,985.30	Biodiesel Trans Esterification
MN	MN Soybean Processo	$964,669.83	Biodiesel Trans Esterification
MN	Riverview LLP	$6,810.11	Anaerobic Digester
MN	West River Dairy LLP	$8,312.80	Anaerobic Digeste
MO	Abengoa Bioenergy Corporation	$213,891.03	Ethanol Production
MO	Global Fuels LLC	$23,444.64	Biodiesel Trans Esterification
MO	Mid-America Biofuels, LLC	$917,614.99	Biodiesel Trans Esterification
MO	Natural Biodiesel Plant LLC	$45,888.35	Biodiesel Trans Esterification
MO	Paseo Cargill Energy LLC	$406,424.07	Biodiesel Trans Esterification
MO	Prairie Pride, Inc.	$228,017.78	Biodiesel Trans Esterification
MO	Show Me Energy Cooperative	$75,863.50	Pellets
MS	Greenlight Biofuels LLC	$31,943.50	Biofuel From Waste Products

Section 9005 Payments for FY 2009 Production—Continued

State	Company	Amount of Payment	Biofuel Type
MS	Scott Petroleum Corporation	$181,084.93	Biofuel From Waste Products
MT	Earl Fisher Bio Fuels LLP	$586.66	Biodiesel Mechanical
MT	Huls Dairy Inc.	$1,041.68	Anaerobic Digester
NC	Blue Ridge Biofuels, LLC	$3,992.71	Biofuel From Waste Products
NC	North American Bio-Energies	$7,076.24	Biodiesel Mechanical
NC	Piedmont Biofuels Industrial, LLC	$13,148.21	Biodiesel Mechanical
NC	Triangle Biofuels Industries, Inc.	$15,601.05	Biodiesel Mechanical
NE	Ag Processing Inc.	$612,434.67	Biodiesel Trans Esterification
NE	Chief Ethanol Fuel Inc.	$2,294,606.51	Ethanol Production
NE	Kluthe, Daniel W.	$295.10	Anaerobic Digester
NE	Northeast Nebraska Biodiesel LLC	$9,264.65	Biodiesel Trans Esterification
NV	Bently Biofuels Company	$14,207.54	Biofuel From Waste Products
NY	Aurora Ridge Dairy, LLC	$215.36	Anaerobic Digester
NY	MST Production Ltd	$140,533.52	Anaerobic Digester
NY	Sunnyside Farms Inc.	$491.81	Anaerobic Digester
NY	TMT Biofuels LLC	$2,946.83	Biofuel From Waste Products
OH	American Ag Fuels, LLC	$923.99	Biodiesel Trans Esterification
OH	Arlington Energy LLC	$2,898.58	Biodiesel Trans Esterification
OH	Bridgewater Dairy LLC	$3,458.97	Anaerobic Digester
OK	ECOGY Biofuels LLC	$85,057.55	Biodiesel Trans Esterification
OK	High Plains Bioenergy, LLC	$561,818.35	Biodiesel Trans Esterification
OR	Beaver Biodiesel LLC	$600.36	Biodiesel Trans Esterification
OR	Green Fuels Of Oregon	$1,097.06	Biodiesel Trans Esterification
OR	Sequential-Pacific Biodiesel	$17,127.18	Biodiesel Trans Esterification
OR	Stahlbush Island Farms, Inc.	$1,254.23	Anaerobic Digester
PA	Lake Erie Biofuels, LLC dba Hero BX	$275,742.88	Biodiesel Mechanical
PA	Middletown Biofuels LLC	$29,861.04	Biodiesel Mechanical
PA	Soyenergy Inc. dba Custom Fuels Inc.	$5,767.93	Biodiesel Mechanical
TN	Sunsoil, LLC	4,794.46	Biodiesel Trans Esterification
TX	Beacon Energy (Texas) Corporation	$118,437.54	Biofuel From Waste Products
TX	Double Diamond Energy, Inc.	$14,856.36	Biofuel From Waste Products
TX	Green Earth Fuels Of Houston, LLC	$509,386.90	Biodiesel Trans Esterification
TX	Levelland/Hockley County Ethanol, LLC	$737,202.90	Ethanol Production
TX	New Energy Fuels, LLC	$9,250.30	Biofuels From Waste Products
TX	RBF Port Neches, LLC	$99,993.77	Biodiesel Trans Esterification
TX	Texas Green Manufacturing LLC	$951.79	Biofuels From Waste Products
TX	White Energy, Inc.	$1,022,026.02	Ethanol Production
VA	Chesapeake Custom Chemical Corporation	$21,211.41	Biofuel From Waste Products
VA	Red Birch Energy	$11,227.32	Biofuel From Waste Products
VA	Virginia Biodiesel Refinery LLC	$39,803.87	Biofuel From Waste Products
VT	Audet's Cow Power	$1,247.45	Anaerobic Digester
VT	Berkshire Cow Power LLC	$3,594.20	Anaerobic Digester
VT	David and Cathy Montagne	$999.79	Anaerobic Digester
VT	Gervais Family Farms	$284.36	Anaerobic Digester
VT	Green Mountain Dairy LLC	$1,565.74	Anaerobic Digester
VT	Neighborhood Energy LLC	$416.51	Anaerobic Digester
VT	Westminster Energy Group LLC	$445.78	Anaerobic Digester
WA	Farm Power Rexville LLC	$1,902.09	Anaerobic Digester
WA	FPE Renewables, LLC	$11,915.35	Anaerobic Digester
WA	GDR Power LLC	$27,562.43	Anaerobic Digester
WA	Gen-X Energy Group Inc.	$363,356.61	Biodiesel Trans Esterification
WA	Imperium Grays Harbor LLC	$333,674.58	Biodiesel Trans Esterification
WA	Inland Empire Oilseeds LLC	$13,664.11	Biodiesel Trans Esterification
WA	Qualco Energy	$2,658.18	Anaerobic Digester

Section 9005 Payments for FY 2009 Production—Continued

State	Company	Amount of Payment	Biofuel Type
WA	Standard Biodiesel USA Inc.	$5,490.93	Biofuel From Waste Products
WA	Whole Energy Fuels Corporation	$18,181.28	Biodiesel Trans Esterification
WI	Badger Biodiesel, Inc.	$329,523.89	Biodiesel Trans Esterification
WI	Best Biodiesel Cashton LLC	$10,486.83	Biodiesel Trans Esterification
WI	Bio Blend Fuels	$3,369.82	Biodiesel Trans Esterification
WI	Buckeye Ridge Renewable Power LLC	$17,937.12	Anaerobic Digester
WI	Clover Hill Dairy, LLC	$2,338.79	Anaerobic Digester
WI	Double S Dairy	$759.05	Anaerobic Digester
WI	Gordondale Farms	$581.18	Anaerobic Digester
WI	Green Valley Dairy LLC	$9,777.25	Anaerobic Digester
WI	Grotegut Dairy Farm, Inc.	$1,819.40	Anaerobic Digester
WI	Holsum Dairies, LLC	$11,752.76	Anaerobic Digester
WI	Lake Breeze Dairy LLC	$653.16	Anaerobic Digester
WI	Norm E. Lane, Inc.	$3,862.16	Anaerobic Digester
WI	NORSWISS Digester, LLC	$19,671.00	Anaerobic Digester
WI	Pagel's Ponderosa Dairy, LLC	$3,488.53	Anaerobic Digester
WI	Quantum Dairy, LLC	$2,931.02	Anaerobic Digester
WI	Stargest Power, LLC	$19,843.11	Anaerobic Digester
WI	Statz Brothers, Inc.	$2,497.90	Anaerobic Digester
WI	Sun Power Biodiesel, LLC	$15,433.46	Biodiesel Trans Esterification
WI	Walsh Bio Fuels, LLC	$11,351.95	Biodiesel Trans Esterification
		$29,999,999.34	

Section 9007—Rural Energy For America Program

The following tables provide summaries of the funds provided by type of project for FY 2009 and FY 2010. The agency is currently in the process of making awards for FY 2011, but those have not yet been finalized.

Section 9007 Awards for FY 2009

Technology	Biomass Type Description	Number of Projects	Grant Amount	Loan Amount
Biomass		49	$7,431,859	$17,372,569
	Anaerobic Digester	14	$4,117,368	$6,619,198
	Biodiesel Production	7	$674,096	$1,341,692
	Solid Fuel Production	5	$843,936	$754,679
	Thermal Conversion	23	$1,796,459	$8,657,000
Energy Efficiency		1,099	$27,857,621	$18,252,122
Geothermal		47	$881,279	$229,599
Hybrid		4	$180,916	$133,996
Hydropower		4	$464,432	$600,000
Solar		166	$5,994,685	$3,399,253
Wind		116	$8,171,188	$17,471,490
Total		**1,485**	**$50,981,980**	**$57,459,029**

Section 9007 Awards for FY 2010

Technology	Biomass Type Description	Number of Projects	Grant Amount	Loan Amount
Biomass		56	**$11,006,140**	**$20,751,392**
	Anaerobic Digester	19	$6,042,676	$14,010,621
	Biodiesel Production	6	$830,708	$3,485,000
	Ethanol Production	1	$500,000	$—
	Solid Fuel Production	16	$3,185,031	$2,110,771
	Thermal Conversion	14	$447,725	$1,145,000

Section 9007 Awards for FY 2010—Continued

Technology	Biomass Type Description	Number of Projects	Grant Amount	Loan Amount
Energy Efficiency		1,830	$47,692,866	$22,280,851
Geothermal		40	$1,094,551	$292,000
Hybrid		4	$58,817	$—
Hydropower		4	$684,849	$5,000
Solar		294	$13,296,957	$8,356,177
Wind		147	$10,092,796	$21,313,084
Total		**2,375**	**$83,926,976**	**$72,998,504**

Question 14. CANALES: Have you consulted with the DOE in the operation of the USDA loan guarantees? How would you say that the USDA program differs from the DOE program? Do they overlap?

Answer. We coordinate with the Department of Energy (DOE) using their environmental reviews when available for Biorefinery Assistance projects, and we work with DOE grant recipients where we provide guarantee loans to build biorefineries that will help to end our dependence on foreign sources of petroleum. The USDA works closely with DOE to provide the best energy expertise to our field staff and ensure that all of our project loans and grants are placed in accordance with the highest professional standards.

There is overlap with DOE's Title 17 program. Title 17 can fund biorefineries just like the Section 9003 Program. However, Title 17 can be used for any type of energy production, including biorefineries producing any type of biofuel, while the Section 9003 Program is solely for the purpose of providing support for the creation and expansion of advanced biorefinery facilities producing advanced biofuels.

Question 15. CANALES: Can you please give us a breakdown of all the projects that have received assistance under this program? Have there been any losses to the government associated with this program to date? If so, why and for how much?

Answer. The following table presents all of the advanced biofuel biorefineries for which funds have been obligated as of August 22, 2011. Of these projects, loan note guarantees have been issued for Range Fuels, Freemont Community Digester, and Ineos; for the other projects, RBS has obligated the funds, but has not yet issued the loan note guarantees.

Section 9003—Guaranteed Loan Awards and Obligations
(FY 2009 through 2011) (program level amounts)

State	Project	Fiscal Year		
		2009 [a]	2010	2011
Alabama	**Coskata**			[b] $87,850,000
Florida	**Ineos**			$75,000,000
Georgia	**Range Fuels**	$80,000,000		
Michigan	**Freemont**			$12,750,000
Mississippi	**Enerkem**			[b] $80,000,000
New Mexico	**Sapphire**		$54,500,000	
Totals		$80,000,000	$54,500,000	$255,600,000

[a] A loan guarantee application for $25 million was approved for SoyMor Biodiesel, LLC, Minnesota, on June 10, 2009. However, the $25 million was deobligated because SoyMor's lender no longer qualified as an eligible lender and SoyMor was unable to obtain a new lender.

[b] The agency is working to close the loan.

As of August 22, 2011, the agency has not paid a loss, although Range Fuels ceased operation in January.

Question 16. CANALES: This was a new program for RD to implement. What have been the biggest hurdles to clear during implementation? Do you have any recommendations for changes to the program to make it more attractive?

Answer. USDA's Rural Business Service has many different loan and grant programs and has had extensive experience creating and implementing new programs.

Implementing individual programs did not pose significant challenges. RBS's largest hurdle was the large number of new programs that had to be created in a timely manner utilizing our scarce staff resources.

We do not have any statutory recommendations at this time.

Question 17. CANALES: Did interest in the Repowering program pick up after you made changes to the way it operates by recognizing that plants weren't able to get credit as easily as when the program and the rules were written?

Answer. Yes, the Repowering Assistance Program received additional applications through the most recent NOFA.

Question 18. CANALES: There was a solicitation sent out for applications for this program during the spring. When do you think you expect to make an announcement or reward?

Answer. The Rural Business Service is currently in the process of reviewing applications. Any announcements will be made in the coming months.

Question 19. CANALES: Why was the decision made to use REAP for your blender pump initiative when REAP is already oversubscribed? Could you have done blender pumps under other RD programs? Or could DOE have done them under the Clean Cities Program?

Answer. The agency made flex-fuel delivery systems one of many eligible purposes under REAP. No separate funds are committed (designated) for flex-fuel projects. REAP is a competitive grant and loan guarantee program in which renewable energy systems and energy-efficiency improvement projects must compete on their own merits against all others for available funds. As stated in the preamble to the Interim Rule for REAP:

> "The inclusion of flexible fuel pumps that dispense blended liquid transportation fuel as an important new component of the Federal government's strategy for encouraging the use of renewable fuels. Section 9007(a)(2) authorizes the agency to fund parts of renewable energy systems as well as renewable energy systems in whole. The agency has determined that a flexible fuel pump is a uniquely critical aspect of a biofuel renewable energy system defined as the conversion of the biomass through the dispensing of the biofuel to a vehicle. The policy rationale for the agency to include flexible fuel pumps in REAP is to address a barrier that the agency has determined impedes the broader use of biofuels as a liquid transportation fuel in the United States. For example, one major aspect of this barrier derives from two scenarios. The first is one of an insufficient availability of higher ethanol-blend fuels in the market place that discourages Americans from purchasing flexible fuel vehicles that can burn such higher ethanol-blend fuels and does not provide a sufficient level of higher ethanol-blend fuel to supply the existing flexible fuel vehicle fleet to fully take advantage of the fleet's ability to consume additional biofuel. The second is one of an insufficient number of flexible fuel vehicles on the road to encourage fuel station owners to expend the capital necessary to install flexible fuel pumps in response to market forces. By allowing REAP to provide financing through grants and loan guarantees to encourage the installation of flexible fuel pumps in rural areas, the agency believes it can help overcome this barrier. The agency acknowledges that there are other similar biofuel examples, including barriers to biodiesel. The agency recognizes that REAP is designed to address a variety of renewable energy and energy efficiency goals. With the inclusion of flexible fuel pumps for REAP funding, the agency will ensure that it will not ignore the other important goals and purposes of the program."

To create a viable biofuel system, many Federal partners are necessary. RBS's efforts do not duplicate the Business and Industry Guaranteed loan program or DOE's Clean Cities program, rather it compliments them by providing additional support in rural communities to expand biofuel infrastructure.

Question 20. CANALES: Can you please give us a breakdown of REAP project funding? Please breakdown by state allocations and the kinds of projects being funded (*i.e.,* wind, solar, digesters).

Answer. The following table presents REAP funding for grants and guaranteed loans for FY 2010 by state:

State	Grant Amt.	Loan Amt.	Number
Alabama	$1,096,161	$593,791	13
Alaska	$254,123	$—	17
Arizona	$502,333	$—	7
Arkansas	$999,604	$44,813	44

State	Grant Amt.	Loan Amt.	Number
California	$1,417,328	$406,000	28
Colorado	$474,562	$95,000	12
Connecticut	$71,745	$63,500	3
Delaware	$70,293	$—	4
Florida	$125,000	$—	2
Georgia	$3,319,908	$1,567,179	78
Hawaii	$427,891	$232,200	8
Idaho	$976,692	$1,500,000	34
Illinois	$4,266,170	$2,434,970	141
Indiana	$3,786,132	$1,531,118	114
Iowa	$20,126,175	$24,055,933	559
Kansas	$818,573	$148,345	37
Kentucky	$1,440,948	$1,355,629	46
Louisiana	$679,276	$1,000,000	6
Maine	$534,569	$1,667,781	5
Maryland	$747,994	$—	13
Massachusetts	$425,725	$1,588,613	17
Michigan	$2,194,168	$391,131	60
Minnesota	$5,799,265	$2,237,408	226
Mississippi	$666,153	$—	30
Missouri	$1,986,417	$5,810,917	56
Montana	$603,367	$10,200	6
Nebraska	$2,834,914	$3,031,260	157
Nevada	$213,748	$—	5
New Hampshire	$218,683	$409,997	5
New Jersey	$1,234,253	$783,887	17
New Mexico	$340,883	$600,000	2
New York	$1,780,633	$1,219,487	76
North Carolina	$2,705,082	$926,000	101
North Dakota	$718,526	$530,684	22
Ohio	$5,461,997	$7,029,505	85
Oklahoma	$268,938	$136,152	15
Oregon	$1,256,736	$81,093	38
Pennsylvania	$1,647,086	$867,065	25
Puerto Rico	$159,773	$—	3
South Carolina	$823,532	$923,521	11
South Dakota	$1,768,333	$1,629,277	40
Tennessee	$1,694,612	$1,658,691	43
Texas	$1,114,006	$—	24
Utah	$172,091	$—	8
Vermont	$1,806,685	$3,710,252	41
Virginia	$759,922	$—	8
Washington	$676,887	$1,386,500	6
West Virginia	$355,860	$254,000	8
Wisconsin	$2,103,224	$1,086,605	69
Total	**$83,926,976**	**$72,998,504**	**2,375**

The following table provides a summary of the funds provided by type of project for FY 2010.

Technology	Biomass Type Description	Number of Projects	Grant Amount	Loan Amount	Amount Leveraged
Biomass		56	**$11,006,140**	**$20,751,392**	**$78,783,920**
	Anaerobic Digester	19	$6,042,676	$14,010,621	$34,730,610
	Biodiesel Production	6	$830,708	$3,485,000	$11,923,618
	Ethanol Production	1	$500,000	$—	$4,254,000
	Solid Fuel Production	16	$3,185,031	$2,110,771	$24,434,653
	Thermal Conversion	14	$447,725	$1,145,000	$3,441,040
Energy Efficiency		1,830	$47,692,866	$22,280,851	$131,286,333
Geothermal		40	$1,094,551	$292,000	$10,729,094
Hybrid		4	$58,817	$—	$201,106
Hydropower		4	$684,849	$5,000	$11,956,530
Solar		294	$13,296,957	$8,356,177	$46,462,233
Wind		147	$10,092,796	$21,313,084	$25,935,674

Technology	Biomass Type Description	Number of Projects	Grant Amount	Loan Amount	Amount Leveraged
Total		**2,375**	**$83,926,976**	**$72,998,504**	**$305,354,890**

Question 21. CANALES: An integral part of helping ag producers and rural small businesses determine whether there are energy efficiency gains to be made in their operations is an energy audit. Can you share with the Committee what your agency is doing to ensure that there are enough folks available across the country to help carry out energy audits in rural areas and on ag operations?

Answer. REAP provides grants to fund energy audits. The REAP Energy Audit and Renewable Energy Development Assistance Grant provides grant assistance to entities that will assist agriculture producers and small rural businesses by conducting energy audits and providing information on renewable energy development assistance. Eligible entities include: state, tribal, local government or their instrumentalities, land grant colleges, universities and other institutions of higher learning, rural electric cooperatives and public power. A Notice of Funds Available for $2.4 million in funding to conduct Energy Audits and Renewable Energy Development Assistance was published in the *Federal Register* on May 27, 2010. To date, REAP has provided approximately $5.3 million in grants that have enabled approximately 4,900 energy audits.

Question 22. CANALES: The Appropriations Committee sent you a strong message by zeroing out the mandatory farm bill funding as well as not providing any discretionary funding for REAP, and the House passed bill ended up with $2.3 million as a result of two amendments. What do you attribute to the cuts?

Answer. RBS understands that Congress works to appropriate funding based on their priorities and constraints.

Question 23. CANALES: Can REAP continue to be all things to all people in terms of doing both energy efficiency as well as renewable energy production? Is it better at doing some types of projects than others and are there some projects that can't be done anywhere else? Bottom line, as we're discussing which energy title programs to continue or not, what would you say REAP's role should be, keeping in mind the criticisms that have come about how the program has been operated?

Answer. REAP serves both of the important purposes you outline. In 2010 alone, the REAP program provided $84 million in grants and $73 million in loans for 2,375 projects. We do not have any recommendations to statutory eligibility at this time.

Question 24. GARCIA: Can you explain how FSA works with other agencies on program implementation? For example, who else does FSA consult in selecting the project areas and making sure the selection is in compliance with other regulations? Does FSA work with NRCS or ARS? If so, what are the responsibilities of these other agencies?

Answer. Contributing agencies within USDA include the Natural Resources Conservation Service (NRCS), U.S. Forest Service (USFS) and State Foresters, Rural Development (RD) Rural Business Services (RBS), Agricultural Research Service (ARS), Agricultural Marketing Service (AMS), Office of Energy Policy and New Uses, Animal and Plant Health Inspection Service (APHIS), Foreign Agricultural Service (FAS), National Agricultural Statistics Service (NASS), National Institute of Food and Agriculture (NIFA).

These collaborations allowed FSA to assemble a national review team for project area proposals analysis of all aspects related to bioenergy production. For example, APHIS and NRCS provide information on crop invasiveness and management policy and implementation; NASS provides soil survey data for the basis of land rental rates; ARS and USFS provides expertise on crops and current USDA energy and measurement analysis tools and research; and RD and RBS provides input on conversion facility processes and business models.

Cooperation also was provided by the Department of Interior Bureau of Land Management; Department of Energy and its National Laboratories, such as the National Renewable Energy Laboratory (NREL), Idaho National Laboratory, and Oak Ridge National Laboratory.

Questions Submitted By Hon. Martha Roby, a Representative in Congress from Alabama

Question 1. GARCIA: Alabama Forestry Commission's (AFC) forest damage assessment due to the April 2011 tornadoes shows forested acres damaged at 204,590, stumpage value for damaged timber at over $266 million on timber volumes in excess of 12 million tons of wood. To put this in perspective, the volume of timber destroyed would provide fiber to six medium size pulp and paper mills for one year.

Much of this volume will not be salvaged resulting in significant reforestation costs and extreme risk of catastrophic fires. The AFC requested $66 million through Farm Service Agency's (FSA) Emergency Forest Restoration Program (EFRP) but they will receive 5% or roughly $3.3 million of what was requested. Mississippi received less storm damage but received 11.8% of their original request.

Alabama's share of EFRP funding needs to be increased, what is FSA's plan to make this happen? Can other FSA funds be found and shifted to help this state.

Answer. EFRP requests are processed in the order that they are received and allocations are made based on a standard formula. Additional funds may be requested; however, no EFRP funds are currently available to provide additional EFRP financial or technical assistance to states and counties. At this time, FSA does not have any other funding sources that can be used to address unfunded EFRP requests, which total over $49 million in the following states: Alabama, Arkansas, Georgia, Massachusetts, Mississippi, North Carolina, Ohio, Tennessee, Texas, and Virginia. The only funding provided thus far for EFRP was $18 million under the Supplemental Appropriations Act of 2010.

Question 2. GARCIA: United States Forest Service funding for Cooperative State and Private Forestry has steadily declined over the past few years. Other State Forestry agency funding sources have seen similar declines. As states prioritize focus areas in their Forest Action Plans they need enhanced flexibility to shift Federal funding between programs?

What is the USFS's position on this need and what changes could be made to provide states with this increased flexibility?

Answer. The agency understands the key role that Forest Action Plans play in providing states the ability to prioritize their use of Federal funds. A continued effort to assist states in meeting this need can give flexibility. FS has worked with the State Foresters to implement State and Private Redesign, in which 15% of the net available funds (not including earmarks and national commitments) in the Forest Health Management—Cooperative Lands, State Fire Assistance, Forest Stewardship, and Urban and Community Forestry programs are distributed to states for cross-cutting, high-priority projects.

Questions Submitted By Hon. Gregorio Kilili Camacho Sablan, a Delegate in Congress from Northern Mariana Islands

Question 1. CANALES: I understand it took awhile to implement the Rural Energy programs. As a delegate of one of the territories, I am concerned that USDA has not been proactive in extending its programs to the territories despite its broad authority given by Congress under P.L. 96–597. When making energy program allocations for the states, did you consider the territories in your allocation plan?

Answer. Yes. The REAP program allocates funds to the territories, as it does every state in the United States. The other three RBS energy programs (*i.e.,* Biorefinery Assistance Program, Repowering Payment Program, and the Advanced Biofuel Payment Program) do not have state allocations. All eligible entities, including those in the territories, either compete for funds (Biorefinery Assistance Program, Repowering Program) or are eligible for payments (Advanced Biofuel Payment Program) if eligible.

Question 2. CANALES: An integral part of helping agricultural producers and rural small businesses determine whether there are energy efficiency gains to be made in their operations is an *energy audit.* I understand that energy audits are done for mainland producers, can you share with the Committee what your agency is doing to ensure that there are folks to help carry out energy audits for producers in the territories?

Answer. RBS has an assigned Energy Coordinator who works with the western pacific area. REAP provides grants to fund energy audits The REAP Energy Audit and Renewable Energy Development Assistance Grant provides grant assistance to entities that will assist agriculture producers and small rural businesses by conducting energy audits and providing information on renewable energy development assistance. Eligible entities include: state, tribal, local government or their instrumentalities, land grant colleges, universities and other institutions of higher learning, rural electric cooperatives and public power. A Notice of Funds Available for $2.4 million in funding to conduct Energy Audits and Renewable Energy Development Assistance was published in the Federal Register on May 27, 2010. To date, REAP has provided approximately $5.3 million in grants that enables approximately 4,900 energy audits. No applications have been received and, thus, no awards for energy audits have been made to Western Pacific territories.

Question Submitted By Hon. Chellie Pingree, a Representative in Congress from Maine

Question 1. CANALES: Can REAP be modified to enable more support for small scale biomass combined heat and power (CHP) unit demonstration projects?

As you know, the Community Wood Energy Program (CWEP) authorized a new program to provide state and local governments with matching grants of up to $50,000 to develop community wood energy plans and to fund a program of competitive grants to acquire community wood energy systems (that use woody biomass as the primary fuel) for public facilities. In the 2008 Farm Bill, this program was authorized appropriations of $5 million annually for FY 2009–12. Do you support CWEP and do you believe that the USDA has an important role to play in getting pilot projects deployed in heating schools, hospitals, and municipal/county buildings?

Answer. To the extent that a CHP unit demonstration project meets the definition a pre-commercial technology, REAP can assist such project. Such projects must compete for available program funds with other eligible projects.

Regarding CWEP, RBS supports this Forest Service program as authorized under the 2008 Farm Bill. RBS defers to the Forest Service in answering the question concerning the importance of this program with regard to pilot projects. Also, the Forest Service supports this program, and has requested full funding ($5 million) for this program in both FY 2011 and FY 2012. However, no money has been appropriated to date.

Question 2. GARCIA/TIDWELL: There appears to be considerable opportunity to support the development of small scale cellulosic based biofuel systems, such as combined heat and power (CHP) units, in homes and businesses. Such systems could take advantage of waste biomass at smaller scales, avoiding the economic dilemma posed by hauling low grade materials long distances and provide a mechanism to address local situations. How might existing USDA programs be tailored to pursue this opportunity?

Answer. A lot depends on the availability of funds and competing program needs. BCAP matching payments are designed to assist with transportation costs of existing biomass that otherwise may be uneconomically retrievable. Examples of such biomass include crop residues remaining on the field after harvest, or forest residues where removal is cost-prohibitive outside of a certain geographic range. Collecting these types of biomass may provide additional public policy benefits beyond energy purposes alone, such as the removal of invasive, diseased, or forest fire fuel materials, providing an alternative disposal method to the burning of discarded orchard and forest materials, or allowing further improvements to forest ecosystem health. In 2009, qualified facilities for BCAP matching payments included more than 30 schools and universities that consumed biomass for their CHP operations.

By comparison, BCAP project areas are designed for the development of new supplies of biomass. The selection of BCAP project areas considers the average distance of a facility from its biomass supply. For example, five BCAP project areas support herbaceous materials that can be densified through conversion methods such as torrefaction, pelletizing, compression or dehydration. The resulting product may be either a fuel pellet or briquette that cost-effectively can be transported and marketed to smaller scale combined heat and power (CHP) operations.

BCAP project areas also are selected in consideration of certain criteria provided by the 2008 Farm Bill, which include the ability of the local producer to take ownership in the biomass-to-bioenergy operations and the commitment a biomass conversion facility makes to the producers in a project area. Several selected BCAP project areas involve the cooperation of farmer cooperatives, and facility ownership is locally based.

BCAP complements other Federal and state programs that are aimed at increasing renewable sources for heat and power, such as the USFS Fuel for Schools Program or State Renewable Portfolio Standards (RPS). BCAP allows a diversity of feedstocks to support these programs.

USDA is very supportive of developing appropriately scaled biomass projects to meet the needs of regional and local situations to make them economically viable; reducing haul distances is one important variable to address. The Secretary's office initiated an effort across the multiple agencies in USDA focused on Wood to Energy as part of "Building a Forest Restoration Economy". Four categories of work items have been identified to achieve this goal:

(a) Supply—Reliability, predictability are crucial; Stewardship Contracting is a critical tool for Federal land managers to address supply, this authority expires in 2013. Most forestland in the USA is owned by "families" and there is a critical need to be able to coordinated sources across ownerships in a geographic area. Support for developing business arrangements to assure supply from these diverse landowners is needed.

(b) Social Infrastructure—this includes having expertise in technical, financial, business, workforce and social acceptability to implement projects. Integrated program delivery needs to recognize the importance and support of all of these elements and requires close working relationships with private businesses and nongovernmental organizations.

(c) Agency Culture—Agencies have traditional modes of operation, legislative and regulatory direction. Sometimes these create barriers to implementing biomass energy systems holistically. The Secretary's office is working through these barriers to expand wood to energy. Cross training between agencies is being carried out as part of this initiative.

(d) Opportunities—Through the Secretary's focus several areas for project development have surfaced and are being developed. Examples include the focus on rural businesses, agricultural operations dependent upon expensive fuel oil, propane and electric energy for heat. Rural Development has programs (RUS, REAP, *etc.*) that are being leveraged against National Forest wood supply from stewardship contracting and we are working to expand those efforts. Projects that take advantage of economies of scale, such as supplying heat and power to food processing plants, wood manufacturing, cement and other high energy using businesses offer significant opportunities.

Question 3. GARCIA/CANALES: How have BCAP and other energy programs helped to promote small scale Thermoelectric or thermal energy systems that use woody or other biomass? And, are there ways that BCAP, other sections of the Energy title, or partnerships with agencies like DOE could help promote Thermal energy systems that use woody biomass?

Answer. BCAP is designed to encourage the production of dedicated bioenergy feedstocks to help us meet the goals of the Federal Renewable Fuels Standard and state-level renewable electricity standards. Because facilities that convert biomass into energy also must demonstrate long term feedstock supply commitments to attract private capital investment, the risk mitigation provided by BCAP can help bioenergy entrepreneurs seeking to leverage public or private financial assistance.

Many of the thermal production units often are retrofits. The facility is retrofitted by the installation of a turbine alongside a boiler to capture lost heat. The capture of the lost heat enables a closed loop system allowing a facility to produce heat and power, often in the form of steam. The RD programs can support these retrofits and the facilities can apply for BCAP matching payments for their eligible waste materials consumed for conversion to thermal power.

Question 4. GARCIA/TIDWELL: Given that the pellet industry plays a major role in reducing heating oil consumption, is the production of wood pellets from the removal of excess low value woody biomass being provided adequate support under programs like BCAP for the purposes of incentivizing these types of best forest management practices?

Answer. BCAP matching payments may provide opportunities for the manufacture of wood pellets from so-called "excess low value woody biomass," but insufficient funds are available for matching payments in FY 2011. Also, conditions vary by region and may require further review to ensure that incentives are provided to feedstocks not otherwise used for existing markets; removed directly from the land in accordance to a forest stewardship or equivalent plan; are by-products of preventative treatments that are removed to reduce hazardous fuels, to reduce or contain disease or insect infestation, or to restore ecosystem health; and if harvested or collected on Federal lands, are done in accordance with the requirements for old-growth maintenance, restoration, and management direction provided by 16 U.S.C. 6512 for Federal lands.

Achieving good forest management practices by providing an economic use for the low value material is an important goal, therefore it is important to put the use of wood for energy into that broader context. Wood pellets are one form of fuel, along with chipped or ground wood; they each have an important niche within the energy market place. In parts of the country where an integrated wood products industry exists, higher value products such as lumber, paper, and wood composites can help cover the cost of the forest treatment. The pellet and chip wood fuel producers are a component of an integrated industry that can effectively use the low value material. They are lacking adequate markets/demand for their product more so than enough incentives for more production of their product. Therefore the expansion of demand for their products is the more important factor. Thus, providing incentives to replace heating oil, propane and electric resistance heat would help increase the demand.

In parts of the country without an integrated industry, the need for incentives to transport biomass is much higher, along with the increased demand for the products. A longer term solution for these regions is the need to develop a woody biomass based energy production sector. The net result will be better forest management results on the land as the wood being removed has an economic value. As an example, there are many USDA facilities in remote areas of the U.S. utilizing either propane or oil for thermal energy. Some of these facilities are leased from General Services Administration (GSA) that develop and construct the leased buildings for USDA and other Federal agencies. Creating the demand for high efficiency thermal energy could be developed at the inception of the leased building. The end result could be a constructed building using renewable energy such as pellets or chips thus increasing the demand for these products. In addition, this would assist the USDA and GSA in meeting Executive Order 13514 increasing the use of renewable energy.

Question 5. CANALES: Conservation programs are vitally important, but if forest owners don't also have markets for their products—whether they are traditional wood markets, energy markets, or markets for services like water or hunting and fishing—they will have a hard time staying on the land and keeping their land forested. What is USDA doing on this front to help forest owners participate in existing markets and open up new markets? For example, is USDA's biobased labeling program adequately supporting the need for creating new markets for wood products? And, is there adequate funding to help develop, maintain and improve long-term domestic markets for the broad range of potential wood-based products?

Answer. USDA appreciates the opportunity to discuss the role of the BioPreferred® program in creating new markets for wood products. The legislative history of the BioPreferred program authorized under section 9002 of the Farm Security and Rural Investment Act of 2002 (FSRIA), as amended by the Food, Conservation, and Energy Act of 2008 suggests Congress intended to use this program to speed the development of new markets for biobased products, rather than to support mature markets for products. As described in the conference report accompanying FSRIA, the purpose of the biobased markets program ". . . is to stimulate the production of new biobased products and to energize emerging markets for those products."

USDA believes that the widespread labeling of mature market products could negatively affect the entry of new biobased products into market segments in which mature products already have significant market shares. The exclusion of mature market products from the voluntary labeling program is consistent with the exclusion of such products from the Federal procurement preference program. As Senator Harkin stated in comments on USDA's proposed labeling rule:

> Clearly, the objectives of the BioPreferred labeling program are not served by granting the label to every product that is made of biobased materials. For example, paper or wood products, such as wood furniture, do not fall within the intent, purpose, and goals of the statute creating the BioPreferred labeling program because the market for paper and wood products is established and functioning, and consumers have sufficient information to make buying decisions regarding paper and wood products without their being included in the BioPreferred labeling scheme.

However, USDA's BioPreferred program makes every attempt to include new wood products (employing technologies coming into existence after 1972) in this USDA program. The BioPreferred program works in cooperation with the U.S. Forest Products Research Lab in Madison, Wisconsin to identify and certify new industrial products made from wood for both the federally procurement preference and label parts of the program. One of the recent products receiving the USDA certified biobased product label is a new wood product.

Question 6. TIDWELL/GARCIA: Since the major predisposing factor for the beetle infestations of the West has been the lack of management and resultant overstocked stands, what steps are being taken to address this situation and prevent its reoccurrence? And, what is being done to develop sustainable markets and delivery infrastructure to prevent such problems from occurring elsewhere in the U.S.?

Answer. BCAP matching payments may provide opportunities for the removal of beetle-infected biomass, but insufficient funds are available for this programmatic assistance in FY 2011.

The bark beetle epidemic has affected over 41 million acres from 1997–2009 in the western U.S. This is a function of several converging factors—a multi-year severe drought that weakened trees; years of fire suppression which evolved over time as more people moved into remote areas, which necessitated protecting property and lives; large expanses of relatively homogenous stands of older, mature lodgepole pine, created from the intensive harvesting of the 1880s and 1890s for railroads and the mining industry providing extensive suitable beetle habitat; and warming winters which have allowed beetles to survive winters that in the past, reduced population sizes.

In response to this record outbreak the Forest Service has developed a "Western Bark Beetle Strategy" focusing on three goals: safety (mitigating risk to people and property from falling trees along roads and trails), recovery (helping affected forests recover their proper ecological function) and resilience (thinning forest stands so they are more resilient in the future). The plan was put together to outline the importance of the issue. Currently the FS treats about 250,000 acres per year in beetle country and has the capacity to increase this by 2.5 fold. As the epidemic dies down the agency will focus on creating more resilient forests and heterogeneous landscapes that can sustain bark beetle attacks better in the future.

Question 7. TIDWELL: On Limited Owners with Management Plans: Less than 5% of forest owners nationwide have some sort of management plan. This is troubling since we know that almost ⅔ of the nation's forests are privately owned, so we rely on these forests to be healthy and supply every Americans with clean water, air, wildlife habitat, forest products we use every day, and recreational opportunities.

Do you see this as a problem and if so how are you addressing this problem?

Answer. Yes, this is a major challenge for us. We cannot effectively address landscape-scale resource management concerns, without getting private forest landowners. We continue, through the Forest Stewardship Program, to develop and implement innovative tools for reaching and involving more landowners in active forest management. Through our Landscape Stewardship Approach, we have begun to develop multi-landowner landscape-scale Forest Stewardship Plans that will foster landowner communities of interest and create economies of scale for traditional forest products and emerging ecosystem service markets. We continue to work with states as they implement their State Forest Action Plans, to leverage new place and community based partnerships.

We are also developing SMART—a web-based Stewardship Mapping and Reporting Tool. Using this tool, landscape concerns and strategies for addressing them are inherited by individual Forest Stewardship Plans. In this way, not only will efficiencies be gained in assisting more landowners, but these landowners will then, in aggregate, have a more significant and lasting impact on some of our most pressing resource management concerns including insect pest and disease infestations and the threat of wildfire.

Question 8. TIDWELL: Communities in Maine and across New England—indeed in places across the country such as Montana and California—have embraced acquisition of threatened forestland by local governments as a conservation strategy. The 2008 Farm Bill authorized a new 50–50 matching grant program, the Community Forest and Open Space Conservation Program, to help local governments, tribes, and local nonprofits to create more of these locally-owned and managed community forests. This would seem to fit well into your vision of forest protection across all boundaries—Federal, state, local and private.

But, it seems like the program has been slow to emerge from rulemaking and move into actual grant making since passage of the last farm bill. Can you provide an update on where this program stands in terms of establishment through rulemaking, and how you envision it contributing to the agency's forest conservation objectives?

Answer. I am pleased to report that the final regulation is in its last stages of review, and we hope to publish the final regulation this Fall. Once published, we will move forward with soliciting applications, and grant the available funds (through FY10 and FY11, we have $1.5 million of available funds).

This new program fits well within our nation's forest conservation objectives. Through this program, communities and Indian tribes can sustainably manage forests community forests for many public benefits, including recreation, income, wildlife habitat, stewardship demonstration sites for forest landowners, and environmental education.

Question 9. TIDWELL: How could the Healthy Forests Reserve Program (HFRP) be structured to achieve the goals of maintaining working forests, protecting important public benefits, and compensating private landowners for maintaining these public benefits on their land?

Answer. As currently authorized, the Healthy Forest Reserve Program (HFRP) as administered by the NRCS, targets the protection and restoration of forests to assist in the recovery of threatened and endangered species. If HFRP was broadened to maintain working forests, protect important public benefits, and compensate landowners for those public benefits, then the program would largely look like the existing Forest Service's Forest Legacy Program. Currently, these programs have complementary purposes, with limited overlap.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—FORESTRY

1. Program Name

Volunteer Fire Assistance Program.

2. Subprograms/Department Initiatives

The VFA program is split into two subprograms, VFA–SPVF and VFA–SPS3.

VFA–SPVF funds are focused to address critical preparedness needs for firefighter safety, increased initial attack capability, and training. An emphasis is placed on funding areas that have developed or are developing Community Wildfire Protection Plans, FEMA hazard mitigation plans, or other collaboratively developed hazard mitigation plans.

The program allocates funding based on acres of forestland to be protected and the number of fire departments serving communities with populations under 10,000 in each state. This part of the program is funded through State and Private Forestry appropriations.

VFA–SPS3 funds provide financial assistance, technical assistance, training, and equipment to ensure that Federal, state, and local fire agencies can deliver a coordinated response to wildfire. The emphasis is on improving fire planning, initial attack capabilities, adopting the National Incident Management System (NIMS) and wildland fire techniques training for local fire agencies

Funds are allocated on the basis of risk from catastrophic fires to communities in the Wildland Urban Interface, the number of acres to be protected, and the number of volunteer fire departments serving communities of less than 10,000 inhabitants. Forest Service Regions, the Northeastern Area, and the International Institute of Tropical Forestry receive a fixed percent which they allocate to states and Territories. This part of the program is funded through Wildland Fire Management appropriations.

3. Brief History

VFA (formerly Rural Community Fire Protection) was first authorized in 1972 as an amendment to the Rural Development Act and was first funded in 1975.

4. Purpose/Goals

The VFA program provides Federal financial, technical, and other assistance to State Foresters and other appropriate officials to organize, train and equip fire departments in rural areas and rural communities to suppress fires. A rural community is defined as having 10,000 or less population. A department may buy fire equipment, pay for training or training materials, or cover the cost of department incorporation, as long as the funds are matched. VFA funds are granted on a 50/50 matching basis.

Volunteer fire departments also play a major role in suppressing wildfires on Federal lands. The Forest Service and the Department of the Interior land management agencies have entered into cooperative agreements with many rural volunteer fire departments for the purpose of protection of both communities and natural resources.

5. Success in Meeting Programmatic Purpose/Goals

The VFA program has been highly successful in assisting volunteer fire departments in rural areas with training, purchasing equipment and building capacity. The assistance provided to these volunteer fire departments greatly benefits state and Federal land management agencies through their increased capacity and capabilities to assist with suppression of wildland fires. Detailed information on the number of departments assisted, training provided, and departments created or expanded is provided in *Question 10.*

6. Annual Budget Authority (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Volunteer Fire Assistance	5,105	5,478	5,056	5,987	6,409	6,112	6,229	6,404	7,003	6,758
National Fire Plan—Volunteer Fire Assistance	8,342	8,186	8,222	11,959	9,288	9,285	9,306	9,059	9,026	9,357

* Excludes Transfers and Recoveries; includes carryover and supplementals.

7. Annual Outlays (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Volunteer Fire Assistance	4,117	3,900	5,120	4,400	8,069	6,776	6,002	5,550	6,248	4,901
National Fire Plan—Volunteer Fire Assistance	4,619	6,468	7,818	7,471	7,899	6,652	7,498	7,759	8,431	5,953

Outlays are actual disbursements.

Funds that are obligated in one fiscal year may not be disbursed (for example, drawn down by a grantee) until a succeeding fiscal year or fiscal years. As such, the Outlays shown above are comprised of funds that were appropriated in that fiscal year and fiscal years prior. This is a standard practice for grants programs because grants generally cover a 5 year period and grantees may draw down that grant over that entire period.

8. Annual Delivery Cost (FY 2002–FY 2011) Direct and Indirect Costs

	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011 Est.
Volunteer Fire Assistance	0	0	0	0	0
National Fire Plan—Volunteer Fire Assistance	0	0	0	0	0

9. Eligibility Criteria

The program is limited to volunteer fire departments in rural areas with a population of 10,000 or less. Applicants must be able to provide a cost-share match of 50 percent of the grant amount.

10. Utilization (Participation) Data

	FY 2008	FY 2009	FY 2010
Volunteer fire departments assisted	13,977	10,637	13,235
Volunteer firefighters trained	23,000	24,000	22,700
Volunteer fire departments created or expanded	240	500	44

11. Duplication or Overlap with Other Programs

VFA works in concert with the State Fire Assistance program. The Volunteer Fire Assistance program is duplicative of the Department of the Interior's Rural Fire Assistance Program. However, the Rural Fire Assistance Program has been proposed for termination due to the duplication. The Department of Homeland Security also administers programs that partially overlap with some VFA activities, including training and the purchase of equipment, though DHS programs are provided nationwide and not focused on rural communities.

12. Waste, Fraud and Abuse

There have been no documented cases of waste, fraud or abuse in this program.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Woody Biomass Utilization.

2. Subprograms/Department Initiatives

None.

3. Brief History

This grant program started in 2005 to treat hazardous fuels near communities threatened by wildland fire. It is not part of the farm bill. From 2005–2010 the grants have focused on assisting businesses and communities with the production, delivery and utilization of wood residues. Projects have ranged from equipment such as grinders, harvesters and new trucking methods to energy production facilities, to roundwood manufacturing and production of wood shavings for animal bedding markets. In 2011 the emphasis was changed to focus on engineering design, permitting and other preconstruction work for wood energy facilities.

4. Purpose/Goals

It has focused on utilization of wood residues from forest treatments designed to reduce wildfire hazard.

5. Success in Meeting Programmatic Purpose/Goals

Six Year Summary of the Woody Biomass Utilization Grant Program—Table 1

Year	Pre-Applications	Full Application	Number Funded	States Funded	Tribes Funded
2005	159	44	19	12	1
2006	87	37	16	9	1
2007	93	36	26	13	1
2008	92	35	17	9	1
2009	109	43	28	12	1
2010	192	34	13	5	1
Total	732	229	119	—	5

Total Woody Biomass Utilization Grants Awarded by FS Region—Table 2

Region	1	2	3	4	5	6	8	9/NA	10
Total 2005–10	13	18	31	9	17	20	5	6	0

The Forest Service provided $30.3 million towards the projects.

Total Woody Biomass Utilization Grants Accomplishments—Table 3

Year	Dollar Amount (millions)	Leveraged Funding (millions)	% of grants awarded to priority NFs	Green tons removed and utilized
2005	$4.3	$16	15/19= 79%	93,856
2006	$4.2	$9	14/16=88%	120,900
2007	$6.2	$5	15/26=58%	438,877
2008	$4.2	$11	12/17=71%	535,017
2009	$7.2	$10	25/28=89%	283,076
2010	$4.2	$9	13/13=100%	516,215

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

$5 million/yr 2005–2011. Authorization was through the Healthy Forest Restoration Act for FY 2005–FY 2008. Since 2008, the program has been funded by annual appropriations.

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Outlays have been consistent with the authority.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

The program has been delivered through technical assistance provided by Forest Service regional program managers and partners generally with nonprofit economic development organizations or state extension personnel.

9. Eligibility Criteria

Businesses, state, tribal and local governments with an emphasis on use of woody biomass from National Forest system lands.

10. Utilization (Participation) Data

See *Table 1* above. To date, 119 grants have been provided to approximately 115 grantees.

11. Duplication or Overlap with Other Programs

There are other Federal programs that support woody biomass development; however, this is the only program focused specifically on reducing hazardous fuels and utilizing that biomass material as a higher value product. Rural Development's Rural Energy for America Program is focused on multiple kinds of renewable energy; it is not specific to woody biomass. Rural Development also has the Community Facilitates Program. That program provides small grants and guaranteed loans for multiple different kinds of community facilities. In limited cases, it has been used for community biomass heating systems. FSA's Biomass Crop Assistance Program is focused on assisting with the costs of transporting materials.

12. Waste, Fraud and Abuse

To date, only one ARRA grantee has been identified as problematic by an OIG audit. There were some accounting procedures and record keeping that was suspect. These issues have been resolved since the accounting issues were not accepted as allowable expenses.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Community Forest and Open Space Conservation Program (Community Forest Program—CFP).

2. Subprograms/Department Initiatives

None.

3. Brief History

The CFP is authorized by Section 8003 of the Food, Conservation, and Energy Act of 2008, which authorizes the Forest Service to provide financial assistance grants to Tribal governments, local governments, and qualified nonprofit entities to acquire and establish community forests that provide public benefits to communities. The CFP program is the first funded Forest Service program for which tribes are eligible to compete.

The Forest Service engaged tribes in the regulation making process through a 145 day tribal consultation period, which concluded at the end of a 60 day public comment period on March 7, 2011. The Forest Service analyzed comments received during both processes and prepared final regulations for the program. The final regulation is undergoing departmental clearance to be published in the *Federal Register* this year.

4. Purpose/Goals

The purpose of the program is to assist communities and tribes in acquiring forestland that would provide public recreation, environmental and economic benefits, and forest-based education programs. The program also protects forestland that has been identified as national, regional, or local priority for protection.

5. Success in Meeting Programmatic Purpose/Goals

Since the program was enacted, the Forest Service has received strong support from conservation nonprofit organizations, local and state governments, Indian tribes, and private citizens to implement this program. The Forest Service believes once the regulations are published, the program will be successful in meeting the programmatic purposes and goals for this program.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

This program received $500,000 in appropriations in FY 2010 and $1,000,000 in FY 2011.

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

This program has not had any outlays because the agency is still in the rule-making phase. Once the final rule is complete, the agency will implement a competitive grant program. When projects are selected to receive funding as part of this process, outlays will begin.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

None.

9. Eligibility Criteria

A request for applications (RFA) has not yet been issued, but according to the statue, grants under this program will be awarded to eligible entities to acquire private forestland, to be owned in fee simple, that—

(A) are threatened by conversion to non-forest uses; and

(B) provide public benefits to communities, including—

(i) economic benefits through sustainable forest management;

(ii) clean water and wildlife habitat;

(iii) benefits from forest-based educational programs, including vocational education programs in forestry;

(iv) benefits from serving as models of effective forest stewardship for private landowners; and

(v) recreational benefits, including hunting and fishing

10. Utilization (Participation) Data

Not applicable at this time.

11. Duplication or Overlap with Other Programs

This program complements the Forest Legacy Program and the Urban and Community Forestry Program. CFP and FLP each engage unique partners and utilize different tools for land protection. While a few projects may align with the intent of both programs, most projects will qualify for only one. Unlike U&CF, CFP is a land protection program, which provides another tool to those entities that have demonstrated a sustained commitment to community forestry.

12. Waste, Fraud and Abuse

There are no examples or occurrences of waste, fraud, and abuse in Community Forest Program.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Forest Health Management—Forest Health Protection.

2. Subprograms/Department Initiatives

Forest Health—Federal Lands.
Forest Health—Cooperative Lands.
Forest Health—National Fire Plan Federal Lands.
Forest Health—National Fire Plan State Lands.

3. Brief History

The Forest Health Management (FHM) program provides insect, disease, and invasive plant survey and monitoring information and technical and financial assistance to prevent, suppress, and control outbreaks threatening forest resources. FHM utilizes science, active land management, and technology transfer expertise to restore and sustain forest landscapes—across urban, private, state, Tribal, and Federal forests. Recently completed State Forest Resource Assessments have, in many cases, identified forest health as a key state priority. These Assessments are being used to help guide priorities at the national and regional levels.

Prevention, detection, and suppression of native and non-native insects, disease, and invasive plant outbreaks make forest landscapes—and the communities that depend on them—more resilient to climate change and other abiotic factors. The technical and financial assistance FHM provides helps ensure that forests remain healthy and resilient by minimizing impacts of native and nonnative invasive insects and diseases, and invasive plants. Healthy forests which maintain their tree cover contribute to carbon sequestration processes. They also are a major force in the moderation of local and regional climates, as well as the conservation of high quality water and other resources. In addition, FHM works on facilitating assisted tree migration efforts and gene conservation that involve reforestation and afforestation in those areas where species have been identified as vulnerable to climate change.

4. Purpose/Goals

Protect trees, forests, wood products, and grasslands on Federal and state lands from invasive pests, diseases, and plants in cooperation with National Forest System, other Federal departments on other Federal lands, and with state foresters, or equivalent state officials, subdivisions of states, agencies, institutions, organizations, or individuals on non-Federal Lands.

5. Success in Meeting Programmatic Purpose/Goals

Acres protected on all lands:

FY 2008	1,303,420
FY 2009	1,383,804
FY 2010	1,258,512

6. Annual Budget Authority (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Health—Federal Lands	50,504	54,632	57,776	54,236	57,940	56,279	58,968	59,399	57,282	64,650
National Fire Plan—Forest Health—Federal Lands	9,144	8,783	16,014	14,892	19,249	17,974	16,596	19,899	20,752	23,182

* Excludes Transfers and Recoveries; includes carryover and supplementals.

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Health—Cooperative Lands	28,499	33,601	52,496	48,428	53,241	51,217	48,567	50,866	48,573	50,142
National Fire Plan—Forest Health—Cooperative Lands	5,100	9,914	10,347	12,007	10,755	10,647	10,586	10,685	11,428	13,003

* Excludes Transfers and Recoveries; includes carryover and supplementals.

7. Annual Outlays (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Health—Federal Lands	46,009	45,449	54,554	54,085	47,631	52,112	51,473	48,668	52,328	38,119
National Fire Plan—Forest Health—Federal Lands	5,531	5,083	10,303	14,476	13,248	15,520	14,138	13,176	20,755	11,133

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Health—Cooperative Lands	11,683	18,296	31,407	36,665	46,427	49,748	43,998	46,934	46,377	30,084

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
National Fire Plan—Forest Health—Cooperative Lands	3,164	2,738	4,788	8,327	12,399	9,414	10,998	11,011	9,630	6,895

Outlays are actual disbursements.

Funds that are obligated in one fiscal year may not be disbursed (for example, drawn down by a grantee) until a succeeding fiscal year or fiscal years. As such, the Outlays shown above are comprised of funds that were appropriated in that fiscal year and fiscal years prior. This is a standard practice for grants programs because grants generally cover a 5 year period and grantees may draw down that grant over that entire period.

8. Annual Delivery Cost (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011 Est.
Forest Health—Federal Lands (Indirect)	6,943	5,090	4,901	4,985	4,985
Forest Health—Federal Lands (Direct)	6,774	5,850	6,5450	6,592	5,074
National Fire Plan—Forest Health—Federal Lands (Indirect)	1,075	1,155	1,112	1,229	1,229
National Fire Plan—Forest Health—Federal Lands (Direct)	3,602	2,896	1,486	1,626	2,770
Forest Health—Cooperative Lands (Indirect)	775	723	696	797	797
Forest Health—Cooperative Lands (Direct)	756	596	930	1,053	1,192
National Fire Plan—Forest Health—Cooperative Lands (Indirect)	249	229	221	399	399
National Fire Plan—Forest Health—Cooperative Lands (Direct)	244	327	295	527	585

9. Eligibility Criteria

Cooperative Lands and National Fire Plan State Lands funding is sent to State Foresters; landowner eligibility is determined by state partners.

10. Utilization (Participation) Data

The Forest Service does not collect this data.

11. Duplication or Overlap with Other Programs

No.

12. Waste, Fraud and Abuse

There are no documented cases of waste, fraud or abuse in this program. The USDA OIG did complete an audit on the Invasive Species program in 2010. The agency is working to implement the OIG's Recommendations.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Forest Legacy Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

The Forest Legacy Program (FLP) was authorized in the Food, Agriculture, Conservation, and Trade Act of 1990. Initially only the four Northern Forest states (Maine, New Hampshire, Vermont, and New York) and Washington were eligible to participate. Congress appropriated funds for the program in Fiscal Year 1992.

Initially, only the Federal Government was authorized to hold title to lands or interests in lands. This changed with the 1996 Farm Bill. The 1996 Farm Bill amended the Forest Legacy Program, to include the State Grant Option. This allowed states as well as the Federal Government to acquire FLP tracts and conservation easements. In the 20 years since authorization, participation in the FLP has expanded to 49 states and four U.S. territories.

The Federal Government may fund up to 75% of project costs, with at least 25% coming from private, state, or local sources.

4. Purpose/Goals

The purpose of the FLP is to protect environmentally important private forest areas that are threatened by conversion to non-forest uses. In partnership with participating states and the Forest Service, FLP works to identify important forestlands and protect them for future generations. The FLP provides the opportunity for the continuation of traditional forest uses, including forest management activities and outdoor recreation. Using conservation easements and fee-simple purchases, FLP gives priority to lands that have important scenic or recreational values, riparian areas, fish and wildlife values, and other ecological values.

5. Success in Meeting Programmatic Purpose/Goals

More than 2.2 million acres have been conserved by the FLP.

6. Annual Budget Authority (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Legacy	65,000	69,941	70,813	65,240	70,870	63,746	61,984	60,903	75,960	56,363

* Excludes Transfers and Recoveries; includes carryover and supplementals.

7. Annual Outlays (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Legacy	29,604	25,730	51,684	54,018	61,989	53,041	53,966	54,252	60,714	47,422

Outlays are actual disbursements.

Funds that are obligated in one fiscal year may not be disbursed (for example, drawn down by a grantee) until a succeeding fiscal year or fiscal years. As such, the Outlays shown above are comprised of funds that were appropriated in that fiscal year and fiscal years prior. This is a standard practice for grants programs because grants generally cover a 5 year period and grantees may draw down that grant over that entire period.

Also, it often takes multiple years for real estate transactions to close.

8. Annual Delivery Cost (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011 Est.
Forest Legacy (Indirect)	304	297	286	384	384
Forest Legacy (Direct)	363	372	382	504	363

9. Eligibility Criteria

All states and territories of the United States are eligible to participate in the Program. To enter the Program states must first conduct an analysis and identify areas, known as Forest Legacy Areas (FLAs) where the state will target their efforts. Only lands within these FLAs are eligible to enter the FLP. In the past, this analysis was referred to as the Assessment of Need and was only tied to the FLP. Now this analysis is part of the Statewide Forest Resource Assessment and Strategy. This document identifies priority areas for all State and Private Forestry Programs.

Each year participating states submit projects to the Forest Service for consideration for funding. A panel of six Forest Service representatives and four participating state representatives score all projects submitted according to National Scoring Guidance. This scoring guidance is provided to the states to assist them in developing their project applications. The national panel meets in January to finalize a prioritized project list. This prioritized project list is then submitted to the Office of Management and Budget and is released as part of the President's Budget.

10. Utilization (Participation) Data

2.2 million acres are now part of the FLP. Not all funds are expended in the same year that those funds are appropriated. This is because land acquisition is often a lengthy and complicated process. Projects are funded through grants to states. These grants have an initial 2 year period. This can be extended up to 5 years.

11. Duplication or Overlap with Other Programs

There are no other programs with the sole purpose of identifying and permanently protecting environmentally important forestlands. The FLP differs from the agency's and Department of the Interior's Land Acquisition program in that it does not provide for acquisition of lands within the National Forest System or on Department of Interior lands. It differs from other easement programs, like conservation programs funded by the Natural Resources Conservation Service, because those are focused on protecting wetlands, wildlife habitat, and highly erodible cropland, not forests.

12. Waste, Fraud and Abuse

We are not aware of any instances of waste, fraud or abuse. USDA OIG did complete a report on the Forest Legacy Program in 2011. The agency is working to implement the OIG's Recommendations.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Forest Stewardship Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

The Forest Stewardship Program was authorized with the 1990 Farm Bill to encourage the long-term stewardship of "nonindustrial" private forestland, by assisting landowners to more actively manage their forest and related resources. During the program's early years, the Forest Service worked through state agency partners to build technical assistance delivery capacity and establish related programs. In recent years, the Program has employed new geospatial technologies and innovative planning tools, to become more focused and strategic, enabling the Forest Service to work more effectively on private forests and to better coordinate with state as well as National Forest lands. These coordinated efforts address pressing landscape-scale resource management concerns such as fire, water quality, forest products and renewable energy supply.

4. Purpose/Goals

The Forest Stewardship Program is the only Forest Service program focused on private forestland management. The program delivers assistance by leveraging an effective national network of forestry technical assistance providers and programs. Because of this unique role—and since most of America's forests are privately owned—the Forest Stewardship Program is essential to addressing any important forest resource management issue. Individual forest landowners are assisted within the context of forest resource management issues that cross boundaries and encompass multiple ownerships and jurisdictions. The Forest Stewardship Program plays a fundamental role in keeping forests as forests, preparing forest landowners for forest products and ecosystem services markets, qualifying them for incentive programs, and maintaining jobs and diverse forest products markets in rural communities.

5. Success in Meeting Programmatic Purpose/Goals

Since being authorized by the 1990 Farm Bill, the Forest Stewardship Program has:

- Served as the primary, most extensive (in reach and scope) private forest owner assistance program in the U.S.
- Successfully created and helped sustain a vast, effective network of forestry technical assistance providers and programs.
- Provided more that 330,000 comprehensive forest management plans covering more than 38 million acres nationwide.
- Reached more than five million forest landowners through a variety of technical and educational assistance programs.
- Established strong and effective partnerships with State Foresters, Conservation Districts and many other partners to provide for broader forest landowner participation in USDA conservation programs.

6. Annual Budget Authority (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Stewardship	34,128	35,630	34,119	52,988	36,978	42,517	31,667	30,522	29,369	35,941

* Excludes Transfers and Recoveries; includes carryover and supplementals.

7. Annual Outlays (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Forest Stewardship	33,024	32,398	33,328	35,313	43,604	40,873	38,345	30,103	29,502	20,720

Outlays are actual disbursements.

Funds that are obligated in one fiscal year may not be disbursed (for example, drawn down by a grantee) until a succeeding fiscal year or fiscal years. As such, the Outlays shown above are comprised of funds that were appropriated in that fiscal year and fiscal years prior. This is a standard practice for grants programs because grants generally cover a 5 year period and grantees may draw down that grant over that entire period.

8. Annual Delivery Cost (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011 Est.
Forest Stewardship (Indirect)	870	1,066	1,027	914	914
Forest Stewardship (Direct)	1,907	1,230	1,371	1,209	1,123

9. Eligibility Criteria

Essentially any private forest landowner is eligible to participate in the Forest Stewardship Program. However, the program strives, through its delivery partners, to reach landowners who might not otherwise have access to forest management information and assistance. Program outreach and extension activities are also focused on priority landscapes, such as those identified in State Forest Action Plans, where management is most likely to address pressing resource management concerns—or support the growth of local forest dependent markets and economies.

10. Utilization (Participation) Data

The following table details program utilization and participation for the past 3 years:

	2008	2009	2010
Number of landowners receiving assistance	149,260	145,976	132,348
Number of landowner education programs conducted	723,155	569,968	229,959
New or revised Forest Stewardship Plans (acres covered)	1,747,812	2,076,278	1,840,255
New or revised Forest Stewardship Plans (number of plans)	14,231	15,949	14,764
Base NIPF acres in *Important Forest Resource Areas*	315,309,885	315,220,112	438,202,042
Acres covered by current Forest Stewardship Plans (cumulative)	18,823,374	18,627,113	19,721,990
Acres in *Important Forest Resource Areas* covered by current Forest Stewardship Plans	8,088,291	8,559,798	9,180,010

11. Duplication or Overlap with Other Programs

This program is not duplicative with others. It is the only Forest Service program focused on private forestland management and it often works in concert with the USDA Conservation Title programs.

12. Waste, Fraud and Abuse

There are no documented cases of waste, fraud or abuse in this program.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Urban and Community Forestry.

2. Subprograms/Department Initiatives

None.

3. Brief History

For over 30 years, U&CF has provided assistance to cities, suburbs and towns, where more than 80% of Americans live, to improve the health of our urban and community forests for the benefit of all. The Urban and Community Forestry Program (U&CF) has some of the broadest authorities and mandates in the Agency to improve trees and forests across public and private lands where people live. All Americans benefit from the multitude of services that the urban tree canopy provides: improved human health and wellbeing, green jobs, energy conservation, improved air and water quality, carbon sequestration, recreation, and wildlife habitat. Urban and Community Forestry also provides support and funding for cutting-edge technologies and information, such as the "i-Tree" suite of local decision support tools that include urban forest benefits assessment, pest detection and storm response protocols.

4. Purpose/Goals

The Urban and Community Forestry Program promotes the benefits of tree cover in urban areas and communities; encourages maintenance of trees and community forests; and expands research and education efforts intended to improve the understanding of trees' economic, environmental, social and psychological, and energy conservation benefits. Technology advancements, such as i-Tree, educate communities about the local, tangible ecosystem services that trees provide and encourage the linkage of urban forest management activities with environmental quality and community livability.

5. Success in Meeting Programmatic Purpose/Goals

The Urban and Community Forestry Program uses the Community Accomplishments Reporting System (CARS) as a database to track state performance accomplishments and financial assistance provided to communities.

FY 2008 7,139 communities assisted, 177 million people

FY 2009 6,853 communities assisted, 173 million people

FY 2010 7,102 communities assisted, 177 million people

6. Annual Budget Authority (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Urban	37,908	39,726	39,955	49,607	32,023	31,404	29,063	33,505	30,377	35,225

* Excludes Transfers and Recoveries; includes carryover and supplementals.

7. Annual Outlays (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
Urban	33,363	31,504	34,106	35,727	38,208	34,562	39,576	27,529	29,513	22,188

Outlays are actual disbursements.

Funds that are obligated in one fiscal year may not be disbursed (for example, drawn down by a grantee) until a succeeding fiscal year or fiscal years. As such, the Outlays shown above are comprised of funds that were appropriated in that fiscal year and fiscal years prior. This is a standard practice for grants programs because grants generally cover a 5 year period and grantees may draw down that grant over that entire period.

8. Annual Delivery Cost (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011 Est.
Urban (Indirect)	804	677	652	705	705
Urban (Direct)	958	924	871	931	844

9. Eligibility Criteria

The Urban and Community Forestry Program is available to State Foresters or equivalent state agencies, interested members of the public, private nonprofit organizations and others. All states as well as the District of Columbia, Puerto Rico, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, American Samoa and Guam, and other territories and possessions of the United States are eligible. To fully qualify for support from the U&CF Program, states (including Washington D.C. and the U.S. affiliated islands) are required to maintain the following elements: Urban and Community Forestry Program Coordinator, Volunteer/Partnership coordination, an Urban and Community Forest Council, and state program strategic plan (5 year).

The Program is delivered through a continually expanding partnership network of state forestry agencies, local governments, nonprofit groups, the private sector, community organizations, volunteers, other Federal agencies, and other Forest Service programs. State forestry agencies are the primary partner in program delivery of financial, technical and educational assistance to communities. Their efforts include assisting communities to establish vital, sustainable urban forestry programs.

10. Utilization (Participation) Data

The Urban and Community Forestry Program uses the Community Accomplishments Reporting System (CARS) as a database to track state performance accomplishments and financial assistance provided to communities. UCF Program performance is measured on an annual basis by tracking the percentage of U.S. population living in communities that are "Managing" or "Developing" programs to plant, protect, and maintain their urban and community forestry trees and forests (as compared to total U.S. population living in communities). Communities "managing" programs have received state assistance to achieve all the following national performance measures: management plans, professional staff, ordinances/policies, and a local advisory group. Communities with "developing" programs have received state assistance to achieve at least one, but less than four of the national performance measures.

FY 2008 7,139 communities assisted, 177 million people

FY 2009 6,853 communities assisted, 173 million people

FY 2010 7,102 communities assisted, 177 million people

11. Duplication or Overlap with Other Programs

This program is not duplicative with other programs.

12. Waste, Fraud and Abuse

There are no documented cases of waste, fraud or abuse in this program.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

State Fire Assistance (SFA).

2. Subprograms/Department Initiatives

The SFA program is split into two subprograms, SFA–SPCF and SFA–SPS2.

SFA–SPCF funds are used to address critical preparedness needs for firefighter safety, increased initial attack capability, and training. An emphasis should be placed on funding areas that have developed or are developing Community Wildfire Protection Plans (CWPPs), FEMA hazard mitigation plans, or other collaboratively developed hazard mitigation plans. This is funded in the State and Private Forestry appropriation.

SFA–SPS2 funds designated for community protection on priority landscapes shall only be used on priority landscapes identified in state assessments. The funds shall only be used for hazardous fuel reduction projects adjacent to communities at risk with an emphasis on biomass utilization in locations with existing biomass utilization infrastructure. The funds will be allocated 60 percent to the Western States, 25 percent to the Southern States, and 15 percent to the Northeastern States. This is funded in the Wildland Fire Management appropriation.

3. Brief History

SFA (formerly Rural Fire Prevention and Control) has been funded annually since 1911 to provide technical and financial assistance to states to improve wildfire protection capabilities.

4. Purpose/Goals

The SFA program provides matching financial assistance through partnership agreements to State Foresters for all fire management activities including preparedness activities, planning, training, hazardous fuel treatments, and the purchase and maintenance of equipment. Funding enables state and local fire protection organizations to be effective first responders for initial attack on wildland fires and to respond effectively to all types of disasters.

5. Success in Meeting Programmatic Purpose/Goals

The SFA program has been very successful in meeting its purposes and goals. Additional communities at risk have been able to develop Community Wildfire Management Plans (CWPPs) and to complete hazardous fuels reduction projects. Detailed information on the number of communities assisted, acres treated and CWPPs developed in provided in the response to *Question 10.*

6. Annual Budget Authority (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
State Fire Assistance	27,106	27,566	36,089	36,077	63,108	34,751	33,846	37,211	39,147	35,891
National Fire Plan—State Fire Assistance	57,056	66,252	76,176	57,587	50,007	50,802	50,535	58,452	77,611	69,239

* Excludes Transfers and Recoveries; includes carryover and supplementals.

7. Annual Outlays (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2002	BFY 2003	BFY 2004	BFY 2005	BFY 2006	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011
State Fire Assistance	23,581	50,194	17,477	36,490	47,860	41,543	35,213	31,723	33,438	25,621
National Fire Plan—State Fire Assistance	19,492	34,632	41,477	45,455	44,416	37,061	43,813	47,403	37,924	39,885

Outlays are actual disbursements.

Funds that are obligated in one fiscal year may not be disbursed (for example, drawn down by a grantee) until a succeeding fiscal year or fiscal years. As such, the Outlays shown above are comprised of funds that were appropriated in that fiscal year and fiscal years prior. This is a standard practice for grants programs because grants generally cover a 5 year period and grantees may draw down that grant over that entire period.

8. Annual Delivery Cost (FY 2002–FY 2011): ***dollars in thousands***

	BFY 2007	BFY 2008	BFY 2009	BFY 2010	BFY 2011 Est.
State Fire Assistance (Indirect)	736	648	761	805	805
State Fire Assistance (Direct)	877	839	1,016	1,064	845
National Fire Plan—State Fire Assistance (Indirect)	62	45	30	22	22
National Fire Plan—State Fire Assistance (Direct)	73	58	40	29	86

9. Eligibility Criteria

State Forestry Agencies.

10. Utilization (Participation) Data

	FY 2008	FY 2009	FY 2010
Communities directly assisted with management plans, risk assessments, *etc.*	5,960	5,565	1,524
Hazardous fuels reduction or mitigation projects conducted	8,149	6,743	3,499
Acres treated to reduce hazardous fuels (direct Federal grant only)	292,804	179,544	156,804
Acres treated to reduce hazardous fuels (leveraged through Federal funding)	165,028	335,055	290,504
Communities at Risk covered by CWPP or equivalent	4,629	5,567	5,757

11. Duplication or Overlap with Other Programs

State Fire Assistance works in concert with the Volunteer Fire Assistance Program, which is limited to rural communities of 10,000 people or less. The State Fire Assistance program is duplicative of the Department of the Interior's Rural Fire Assistance Program. However, that program has been proposed for termination due to duplication. The Department of Homeland Security also administers programs that partially overlap with some SFA activities, including training and the purchase of equipment, though DHS programs are provided nationwide and not focused on rural communities.

12. Waste, Fraud and Abuse

There have been no documented cases of waste, fraud or abuse in this program.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Healthy Forests Reserve Program (HFRP), prepared by USDA's Natural Resources Conservation Service (NRCS).

2. Subprograms/Department Initiatives

None.

3. Brief History

Title V of the Healthy Forests Restoration Act of 2003 (Public Law 108–148) authorized the establishment of the Healthy Forests Reserve Program (HFRP) which was reauthorized by the 2008 Farm Bill.

HFRP provides financial assistance for specific conservation actions completed by the landowner. As funds are made available, the NRCS Chief solicits project proposals State Conservationists have developed in cooperation with partnering organizations. States selected for funding provide public notice of the availability of funding within the selected area. HFRP offers four enrollment options:

- *10 year restoration agreement* for which the landowner may receive 50 percent of the average cost of the approved conservation practices;
- *30 year contract* (equivalent to the value of a 30 year easement) for which the landowner may receive 75 percent of the easement value of the enrolled land plus 75 percent of the average cost of the approved conservation restoration practices. This option is available to Indian Tribes only;
- *30 year easement* for which the landowner may receive 75 percent of the easement value of the enrolled land plus 75 percent of the average cost of the approved conservation practices; or
- *Permanent easement* for which landowners may receive 100 percent of the easement value of the enrolled land plus 100 percent of the average cost of the approved conservation practices.

4. Purpose/Goals

HFRP assists landowners in restoring, enhancing, and protecting forest ecosystems to: (1) promote the recovery of threatened and endangered species; (2) improve biodiversity; and (3) enhance carbon sequestration. HFRP supports the NRCS Mission Goal of Healthy Plant and Animal Communities.

5. Success in Meeting Programmatic Purpose/Goals

The following provides examples of HFRP results:

Oregon: Partnership Protects Working Forest and Enhances Habitat. In FY 2010, NRCS partnered with the USFWS and the Oregon Department of Forestry (ODF) to provide private landowners the opportunity to create a northern spotted owl (NSO) habitat while maintaining a working forest. NSO habitat in the Pacific Northwest is an important criterion for defining healthy forests, making HFRP an excellent vehicle for this effort. NRCS developed HFRP long term management requirements and sideboards as a supplement to the ODF Forest Stewardship Plan on 11 properties being offered for permanent easements.

The supplements specify the long term management requirements and sideboards of each individual property; some properties opted for even-age stand management and others for the uneven-age stand management regime. The FSP–HFRP supplement recognizes the requirements of a State of Oregon Stewardship Agreement and will require that the landowner intends to meet or exceed all Oregon Forest Practices Act standards current at the time of approval including provisions for Riparian Management Areas. The information contained in the supplement provides guidance and requirements to reach landowner and program goals and objectives. The supplements include area regulation timelines and overall forest management practices for thinning, patch cuts, planting, canopy cover requirements and specific management regimes for each property.

NRCS worked closely with USFWS and ODF to ensure consistency among agencies' requirements while developing the supplements. The supplements use forest management to enhance future NSO habitat and maintain existing habitat. NRCS, USFWS, and ODF entered into a programmatic Safe Harbor Agreement to provide assurances to the landowner if they manage the property according to the Forest Stewardship Plan supplement. NRCS develops conservation plans and landowner conservation program contracts to implement the conservation practices necessary for restoration, enhancement, and management for NSO as planned in the Forest Stewardship Plan supplement. NRCS has completed the supplement plans for 11 properties in western Oregon totaling 1,852 acres of valuable habitat for the endangered NSO on these potential permanent easements. The HFRP work has been an excellent demonstration of one-on-one conservation planning resulting in detailed landowner decisions while allowing management flexibility for plans that will stretch into perpetuity. This has been an excellent model for all nonindustrial forest planning.

6. Annual Budget Authority (FY 2002–FY 2011)

FY	Funding (dollars in thousands)
2002	—
2003	—
2004	—
2005	—
2006	—
2007	—
2008	—
2009	$9,750
2010	$9,750
2011	$9,750

Note: Healthy Forests Reserve Program began Mandatory funding in 2009.

7. Annual Outlays (FY 2002–FY 2011)

FY	Outlays ($ in millions)
2002	—

7. Annual Outlays (FY 2002–FY 2011)—Continued

FY	Outlays ($ in millions)
2003	—
2004	—
2005	—
2006	—
2007	—
2008	—
2009	$1
2010	$3
2011	$6

Note: Healthy Forests Reserve Program began Mandatory funding in 2009.

HFRP FA funds support easement acquisition and restoration. Funds are expended when the easement is perfected or the practices necessary for restoration are installed and verified by NRCS personnel, both processes which may take over a year to complete. TA funds obligated in a given year are used for workload generated by the enrollment of new easements and workload generated by easements enrolled in prior years. The vast majority of TA funding tends to be expended in the year of obligation. FA funding represents the majority of program budget authority.

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Program / Program Items	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Healthy Forests Reserve Program					
Conservation Planning and Technical Consultation	19	12	180	187	301
Conservation Implementation	21	15	382	398	641
Financial Assistance—Program Administration	9	58	459	478	770
Indirect Costs	78	66	314	328	529
Sub-total Technical Assistance	127	151	1,335	1,391	2,241
Financial Assistance—Cost Share & Monetary Incentive	2,349	1,835	1,191	6,226	7,509
Total Costs	2,476	1,986	2,526	7,617	9,750
FTEs	1	2	5	6	23

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission. A copy of this section is an addendum to the Questionnaire.

Financial assistance funding is identified on the line titled, "Financial Assistance—Cost Share and Monetary Incentives." Funds associated with technical assistance are on the remaining four lines.

9. Eligibility Criteria

Only privately held land, including acreage owned by an Indian Tribe, is eligible for enrollment in HFRP. In addition, to be eligible, the landowner must commit to restoring, enhancing, or measurably increasing the likelihood of recovery of a threatened or endangered species or candidates for the Federal or state threatened or endangered species list, and must improve biological diversity or increase carbon sequestration. Land enrolled in HFRP must have a restoration plan that includes practices necessary to restore and enhance habitat for species listed as threatened or endangered or species that are candidates for the threatened or endangered species list. NRCS provides technical assistance to help owners comply with the terms of their HFRP restoration plans.

Landowners may receive safe harbor assurance for land enrolled in the HFRP who agree, for a specified period, to protect, restore, or enhance their land for threatened or endangered species habitat. In exchange, landowners avoid future regulatory restrictions on the use of that land under the Endangered Species Act.

10. Utilization (Participation) Data

Contract Fiscal Year 2010

	10 Year Restoration Agreements	30 Year Easements	Permanent Easements
Number [1]	1	2	9
Acres [1]	2,747	1,416	1,472
Dollars Obligated	$599,988	$882,139	$4,994,249

[1] Numbers currently reported in NEST are undergoing an intense quality assurance review.

11. Duplication or Overlap with Other Programs

To the extent that these programs each allow for 10 year restoration agreements to improve wildlife habitat, there is duplication and overlap with the WHIP program and the 10 year restoration agreement portion of HFRP.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Emergency Forest Restoration Program (EFRP).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Food, Conservation, and Energy Act of 2008 added EFRP which is intended to provide emergency disaster assistance for nonindustrial private forestland similarly to assistance provided for farm land by the Emergency Conservation Program.

4. Purpose/Goals

EFRP was authorized by the 2008 Farm Bill to provide financial assistance to owners of nonindustrial private forestland to carry out emergency measures to restore land that has been damaged by a natural disaster.

5. Success in Meeting Programmatic Purpose/Goals

A 2010 supplemental appropriation provided $18 million to be available until expended. Over $15 million has been allocated which reserves funding for errors, omissions, and appeals and technical assistance. There are unfunded requests of approximately $23.6 million.

6. Annual Budget Authority (FY 2002–FY 2011)

Funding was appropriated by the **2010 Supplemental Appropriations Act.** Funding for this program was obligated starting in FY 2011.

FY 2002 Through FY 2011 Budget Authority for Farm Service Agency Conservation Programs
(Dollars in thousands)

	BFY 2002 Actual	BFY 2003 Actual	BFY 2004 Actual	BFY 2005 Actual	BFY 2006 Actual	BFY 2007 Actual	BFY 2008 Actual	BFY 2009 Actual	BFY 2010 Actual	BFY 2011 Est.
Emergency Forest Restoration Program	0	0	0	0	0	0	0	0	18,000	0

7. Annual Outlays (FY 2002–FY 2011)

The EFRP is a discretionary program account.

FY 2002 Through FY 2011 Budget Authority for Farm Service Agency Conservation Programs
(Dollars in thousands)

	BFY 2002 Actual	BFY 2003 Actual	BFY 2004 Actual	BFY 2005 Actual	BFY 2006 Actual	BFY 2007 Actual	BFY 2008 Actual	BFY 2009 Actual	BFY 2010 Actual	BFY 2011 Est.
Emergency Forest Restoration Program	0	0	0	0	0	0	0	0	18,000	0

8. Annual Delivery Cost (FY 2007–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance						
Emergency Forest Restoration Program			0	0	0	18,000

9. Eligibility Criteria

Land that is eligible under EFRP includes NIPF land or which all of the following are true:

- is physically located in a county or portion of a county that has been approved for EFRP
- has existing tree cover (or had tree cover immediately before the natural disaster and is suitable for growing trees)
- has damage to natural resources caused by a natural disaster that, if not treated, would impair or endanger the natural resources on the land and would materially affect future use of the land.

10. Utilization (Participation) Data

Over $15 million in requests have been funded since the November 2010 publication of the EFRP rule in the *Federal Register*.

EFRP Allocations

State	Other—Winds	Wildfire	Tornado	Total
AL			$3,310,000	**$3,310,000**
AR			$2,000,000	**$2,000,000**
GA			$844,000	**$844,000**
ID	$726,000			**$726,000**
MN			$620,000	**$620,000**
MS			$6,631,900	**$6,631,900**
NH	$551,900			**$551,900**
OH	$80,000		$84,000	**$164,000**
VT	$140,000		$34,000	**$174,000**
Total	**$1,497,900**	**$0**	**$13,523,900**	**$15,021,800**

There are 33 requests for which funds are not available totaling $23.6 million for EFRP as of July 12, 2011. Requests are from Alabama, Georgia, Mississippi, North Carolina, Tennessee, and Virginia due to April southeastern tornados, and Massachusetts and Ohio for June tornados.

EFRP Unfunded Requests as of July 12, 2011

State	Counties	Amount Requested
MS	Attala, Clarke, Monroe, Neshoba, Newton	$1,750,000
NC	Bertie	$500,000
MS	Choctaw, Noxubee, Webster, Winston	$3,255,741
NC	Person	$15,000
AL	Elmore, Fayette, Lawrence, Tallapoosa	$1,600,000
GA	Jasper, Morgan	$176,100
NC	Johnston	$10,000
AL	Limestone	$100,000
MS	Lafayette	$50,000
GA	Bartow, Cherokee, Gordon, Harris, Pickens	$740,000
GA	Floyd, Polk	$600,000
GA	Catoosa, Dade, Walker	$1,830,000
NC	Harnett	$50,000
NC	Cumberland	$350,000
GA	Spalding	$500,000
MS	Alcorn, Tishomingo	$55,000
OH	Fulton	$8,250
TN	Bledsoe	$100,000
NC	Lee	$50,000
AR	Hot Springs	$60,000
NC	Jackson	$10,000
AL	Colbert	$75,000
TN	Marion, Sequatchie	$600,000
TN	Greene, Washington	$125,000
TN	Johnson	$150,000
AL	Washington	$5,000
TN	Bradley, Hamilton, Rhea	$5,000,000
MA	Hampden, Worcester	$4,400,000
VA	Smyth, Washington	$600,000
AR	Johnson	$250,000
MS	Lafayette	$463,812

EFRP Unfunded Requests as of July 12, 2011—Continued

State	Counties	Amount Requested
NC	Caldwell	$18,500
TN	McMinn	$65,000
Total		**$23,562,403**

11. Duplication or Overlap with Other Programs

There are no other current programs that duplicate or overlap the EFRP. The Conservation Reserve Program implemented the Emergency Forestry Conservation Reserve Program to restore land impacted by the 2005 hurricanes. The Emergency Conservation Program restores farmland impacted by Natural disaster but does not address nonindustrial forestland

12. Waste, Fraud and Abuse

No waste fraud or abuse has been documented at this time.

13. Effect of Administrative PAYGO

Not applicable.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—ENERGY

1. Program Name

Biobased Markets Program (BioPreferred® program—Section 9002).

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 9002 of the Farm Security and Rural Investment Act (2002 Farm Bill) and Section 9002 of the Food, Conservation, and Energy Act (2008 Farm Bill) established a Federal procurement preference and voluntary label for biobased products. As defined in the 2008 Farm Bill, a biobased product is ". . . determined by the Secretary to be a commercial or industrial product (other than food or feed) that is composed, in whole or in significant part, of biological products, including renewable domestic agricultural materials and forestry materials, or an intermediate ingredient or feedstock." Biobased products include such industrial products as cleaners, lubricants, biopolymers, building materials, insulation, roof coatings, fuel additives, and other sustainable industrial materials made from agricultural commodities.

4. Purpose/Goals

The mission of the BioPreferred® program is to develop and expand markets for biobased products through (1) preferred Federal procurement of biobased products government-wide and (2) a voluntary labeling program to raise consumer awareness and stimulate biobased product acquisition in the commercial sector.

5. Success in Meeting Programmatic Purpose/Goals

To date, USDA has promulgated BioPreferred® program guidelines and six rounds of regulations designating categories of biobased products for preferred Federal procurement. As a result, there are now 50 designated product categories. A seventh designation rule with 14 product categories should be promulgated later this month. When Round 7 is published, 64 categories and almost 9,000 products will be approved for preferred Federal procurement. USDA promulgated the voluntary labeling rule earlier this year; and over 430 products from 150 companies have been certified to carry the USDA Certified Biobased label to date. In FY 2010, 88 percent of all applicable USDA contracts included biobased clauses or purchases, up from 80 percent in FY 2008 and 84 percent in FY 2009. In addition, there are over 20,000 biobased products and the number and types of products continue to grow.

6. Annual Budget Authority (FY 2002–FY 2011)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
CCC Transfer	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000

Note: $2,000,000 was transferred from CCC annually to Departmental Management beginning in FY 2009 when Departmental Management took over the program from the Office of the Chief Economist.

7. Annual Outlays (FY 2002–FY 2011)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Outlays	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(2,000,000)	(2,000,000)	(1,626,015)
Balance	—	—	—	—	—	—	—	—	—	373,985

Note: Outlays as of July 12, 2011

8. Annual Delivery Cost (FY 2002–FY 2011)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
OCE BA Transfer	420,000	890,000	900,000	992,000	883,000	850,000	650,000	810,000	657,000	657,000
Outlays	(420,000)	(890,000)	(900,000)	(992,000)	(883,000)	(850,000)	(650,000)	(810,000)	(657,000)	(629,563)
Balance	—	—	—	—	—	—	—	—	—	27,437

Note: A one-time transfer of $810,000 in BA was made from the Office of the Chief Economist in FY 2009. Outlays as of July 12, 2011.

9. Eligibility Criteria

Private companies ranging from very small businesses to very large businesses, which make and/or distribute biobased products, are eligible to participate in the BioPreferred® voluntary labeling program. Federal agencies are required to participate in the Federal procurement preference program.

10. Utilization (Participation) Data

Over 1,600 companies currently participate in the BioPreferred® program. Approximately 150 companies have products certified for the USDA Certified Biobased label.

11. Duplication or Overlap with Other Programs

There are no other programs that share the mission of the BioPreferred® program.

12. Waste, Fraud and Abuse

There have been no Office of Inspector General or Government Accountability Office audits of the program conducted on the BioPreferred® program in the last 5 years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Biorefinery Assistance Program (Section 9003).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Biorefinery Assistance Program is authorized under Section 9003 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) as amended by Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). Through the 2008 Farm Bill, the Secretary of Agriculture is directed to make available:

- Grants to assist in paying the costs of the development and construction of demonstration-scale biorefineries to demonstrate the commercial viability of one or more processes for converting renewable biomass to advanced biofuels; and
- Guarantees for loans made to fund the development, construction, and retrofitting of commercial-scale biorefineries using eligible technology.

Because the 2008 Farm Bill and subsequent appropriations bills do not provide any funds for the grant portion of the program, only the guaranteed loan portion has been implemented to date.

As described below, the Biorefinery Assistance Program was initially implemented through a series of notices published in the *Federal Register* while a rule was being developed.

The Agency initiated that Biorefinery Assistance Program with the issuance of a Notice of Funds Availability (NOFA) on November 20, 2008. This NOFA announced the acceptance of applications for loan guarantees and the availability of $75 million of mandatory budget authority in Fiscal Year 2009 to support loan guarantees. In response to this November 20, 2008, NOFA, a loan guarantee was approved for Sapphire Energy for $54.5 million, in conjunction with a $50 million grant from the Department of Energy (DOE). In addition, a Loan Note Guarantee was issued on July 19, 2011, for a $12.8 million loan guarantee to Fremont Community Digester.

On May 6, 2010, the Agency issued another NOFA requesting applications for Fiscal Year 2010 funds of up to $150 million in budget authority. In response to this NOFA, the Agency issued three conditional commitments to INEOS New Plant Bioenergy, LLC, for $75 million, Enerkem Corporation for $80 million, and Coskata, Inc., for $87.85 million.

On April 16, 2010, USDA published a proposed rule on which the public was afforded the opportunity to comment. Comments were received from 42 commenters, yielding 352 individual comments on the proposed rule, which were grouped into categories based on similarity. Commenters included biorefinery owner/operators, community development groups, industry and trade associations, investment banking institutions, Rural Development personnel, and individuals. The Agency reviewed the comments and based, in part, on those comments developed an Interim Rule, which was published on February 14, 2011.

Following the publication of the Interim Rule, the Agency issued a NOFA on March 11, 2011, announcing the availability of approximately $129 million in mandatory budget authority for Fiscal Year 2011. This level of funding supports $463 million in available program level.

A NOFA of Application Deadline was published on June 6, 2011, extending the period of time for acceptance of applications for Fiscal Year 2011 program funds until July 6, 2011. The Agency is reviewing 11 applications requesting almost $1 billion in loan guarantee support.

Farm to Fly Project

In an effort to reach the Renewable Fuel Standard (RFS2) annual renewable fuel volume targets, culminating in an overall level of 36 billion gallons in 2022, USDA is examining air transportation fuel as a key component in achieving the mandate. Twenty-one (21) million gallons of the RFS2 mandate will come from advance biofuels other than corn kernel starch ethanol, which has nearly reached the 15 billion gallons allowed under RFS2.

The purpose of this effort is to support the Administration's plan to meet the RFS2 by identifying barriers associated with availability of aviation biofuel commercialization and provide recommendations on how to best overcome these barriers. The project seeks to develop a program to fund and install commercial-scale biofuel production that will provide aviation grade fuel.

USDA/Department of Navy Hawaii Project

The Department of the Navy (DON) plans to reduce its reliance on foreign oil to meet its energy needs and views the use of advanced biofuels as an important pathway to reach its energy security goals. The USDA and the DON have signed a Memorandum of Understanding (MOU) outlining the mutual effort to support the use of advanced biofuels and other forms of renewable energy. The State of Hawaii has been selected as a pilot for the development of a model for future mutual support for accomplishing the DON's energy goals.

4. Purpose/Goals

The 2008 Farm Bill identifies the purpose of this program as: "the development of advanced biofuels, so as to—

(1) Increase the energy independence of the United States;

(2) Promote resource conservation, public health, and the environment;

(3) Diversify markets for agricultural and forestry products and agriculture waste material; and

(4) Create jobs and enhance the economic development of the rural economy."

The program also supports Presidential Energy Independence and Security Goals:

- To Develop and Secure America's Energy Supplies
- To Provide Consumers with Choices to Reduce Costs and Save Energy, and
- To Innovate Our Way to a Clean Energy Future.

5. Success in Meeting Programmatic Purpose/Goals

To date, a total of $415.1 million has been obligated in loan guarantee authorities to leverage an estimated $1.5 billion in total project costs toward the construction and retrofitting of commercial scale advanced biofuel facilities.

When operational, these facilities are expected to produce 113 million gallons of advanced biofuels, generate 24.6 million kilowatts hours of renewable electricity, and reduce green house gas emissions by an estimated 0.6 million metric tons of carbon dioxide.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

Funding Levels:

The 2008 Farm Bill provided $75 million (budget authority) in FY 2009 and $245 million in FY 2010 for commercial-scale biorefinery loan guarantees. The farm bill also authorized discretionary funding of up to $150 million per year starting in FY 2009 and continuing through FY 2012 for both demonstration and commercial scale biorefineries.

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

The Biorefinery Assistance Program was enacted under the 2008 Farm Bill. Thus, there were no annual outlays in Fiscal Years 2002 through 2008. Annual outlays for Fiscal Years 2009 through 2011 are shown below.

FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
0	$27,000,000	$23,000,000

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

As noted above, the Biorefinery Assistance Program was enacted under the 2008 Farm Bill. Thus, there were no annual delivery costs in Fiscal Years 2002 through 2008. Annual delivery costs for Fiscal Years 2009 through 2011 are shown below.

	FY 2009 Amount (000)	FY 2010 Amount (000)	FY 2011 Amount (000)
Direct administrative costs	$474	$261	$261
Indirect administrative costs	$233	$671	$671

9. Eligibility Criteria

Being a guaranteed loan program, the Biorefinery Assistance Program has eligibility requirements for both borrower and lenders; it also identifies when an otherwise eligible borrower would be considered ineligible. Of these requirements, only those for eligible borrowers are specified in the 2008 Farm Bill.

A. Borrower Eligibility

Eligible borrowers. To be eligible, a borrower must meet the requirements the following requirements:

(1) The borrower must be one of the following:

(i) An individual;
(ii) An entity;
(iii) An Indian tribe;
(iv) A unit of State or local government;
(v) A corporation;
(vi) A farm cooperative;
(vii) A farmer cooperative organization;
(viii) An association of agricultural producers;
(ix) A National Laboratory;
(x) An institution of higher education;
(xi) A rural electric cooperative;
(xii) A public power entity; or
(xiii) A consortium of any of the above entities.

(2) Each borrower must have, or obtain before loan closing, the legal authority necessary to construct, operate, and maintain the proposed facility and services and to obtain, give security for, and repay the proposed loan.

The Biorefinery Assistance Program also identifies certain conditions under which a borrower will be considered ineligible for a guarantee. These are if the borrower, any owner with more than 20 percent ownership interest in the borrower, or any owner with more than three percent ownership interest in the borrower if there is no owner with more than 20 percent ownership interest in the borrower:

(1) Has an outstanding judgment obtained by the U.S. in a Federal Court (other than U.S. Tax Court),
(2) Is delinquent on the payment of Federal income taxes,
(3) Is delinquent on a Federal debt, or
(4) Is debarred or suspended from receiving Federal assistance.

B. Lender Eligibility

(1) An eligible lender is any Federal or state chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, and Bank for Cooperatives. These entities must be subject to credit examination and supervision by either an agency of the United States or a state. Credit unions subject to credit examination and supervision by either the National Credit Union Administration or a state agency, and insurance companies regulated by a state or national insurance regulatory agency are also eligible lenders. The National Rural Utilities Cooperative Finance Cor-

poration is also an eligible lender. Savings and loan associations, mortgage companies, and other lenders as identified in 7 CFR 4279.29(b) are not eligible.

(2) The lender must demonstrate the minimum acceptable levels of capital specified in paragraphs (c)(2)(i) through (c)(2)(iii) of this section at the time of application and at time of issuance of the loan note guarantee. This information may be identified in Call Reports and Thrift Financial Reports. If the information is not identified in the Call Reports or Thrift Financial Reports, the lender will be required to calculate its levels and provide them to the Agency.

(i) Total Risk-Based Capital ratio of ten percent or higher;

(ii) Tier 1 Risk-Based Capital ratio of six percent or higher; and

(iii) Tier 1 Leverage Capital ratio of five percent or higher.

(*NOTE: These three terms have the meaning given them under applicable Federal Deposit Insurance Corporation regulations.*)

(3) The lender must not be debarred or suspended by the Federal Government.

(4) If the lender is under a cease and desist order from a Federal agency, the lender must inform the Agency. The Agency will evaluate the lender's eligibility on a case-by-case basis given the risk of loss posed by the cease and desist order.

(5) The Agency, in its sole determination, will approve applications for loan guarantees only from lenders with adequate experience and expertise, from similar projects, to make, secure, service, and collect loans approved under this subpart.

10. Utilization (Participation) Data

To date, seven projects have been approved for Biorefinery Assistance guaranteed loans. Of the seven approved projects, one project entered into servicing and one project was de-obligated:

- **Range Fuels, Inc.** (cellulosic ethanol)—$80 million guaranteed loan approved 1/16/09. Loan closed on 2/10/10. On January 3, 2011, Range Fuels failed to make the scheduled payment for principal and interest on the Bonds. Range Fuels is current on deferred principal/interest only payments and working to find additional partners with capabilities of financial support. The Agency is reviewing a plan from the Lender outlining the potential transfer/sale.
- **SoyMor Biodiesel, LLC** (waste corn oil/distillers syrup from ethanol facilities)—$25 million application approved on 6/10/09. On September 1, 2010, RD received letter from (American Bank) stating the lender no longer qualifies as an eligible lender, having fallen below the minimum acceptable levels of capital. SoyMor was unable to obtain a new lender. The $25 million was de-obligated on 3/2/10.
- **Sapphire Energy** (algae to advanced aviation fuel)—$54.5 million guaranteed loan approved 12/03/2009. Agency continues to work with Lender to close the loan.
- **Freemont Community Digester** (anaerobic digester/will process community waste, mostly food and beverage; has a contractual arrangement to sell waste CO_2)—$12.75 million loan guarantee approved 10/15/2010. Loan closed; Agency issued a loan note guarantee on July 19, 2011.
- **Enerkem Corporation** (Cellulosic Ethanol)—$80 million guaranteed loan approved 1/4/2011.
- **INEOS New Planet BioEnergy, LLC** (Cellulosic Ethanol)—$75 million guaranteed loan approved 1/4/2011. Agency continues to work with Lender to close the loan.
- **Coskata, Inc.** (Cellulosic Ethanol)—$87.85 million guaranteed loan approved 6/3/2011. Agency continues to work with Lender to close the loan.

11. Duplication or Overlap with Other Programs

The Biorefinery Assistance Program is not a duplicate of any other USDA program. There are no other programs that have the sole purpose of funding biorefineries involved in advanced biofuel production, and that involve the private sector on each transaction.

12. Waste, Fraud and Abuse

The Biorefinery Assistance Program is a new program enacted with the 2008 Farm Bill. No Office of Inspector (OIG) or Government Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Repowering Assistance Program (Section 9004).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Repowering Assistance Program is authorized under Section 9004 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) as amended by Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). Through the 2008 Farm Bill, the Secretary of Agriculture is directed to "make payments to any biorefinery that meets the requirements of this section for a period determined by the Secretary." The 2008 Farm Bill provided $35 million over the life of the 2008 Farm Bill.

As described below, the Repowering Assistance Program was initially implemented through a series of notices published in the *Federal Register* while a rule was being developed.

The Agency initiated that Repowering Assistance Program with the issuance of a Notice of Funds Availability (NOFA) on June 12, 2009. This NOFA announced the acceptance of applications and the availability of $20 million to make payments for the conversion of biorefinery heating and power systems to renewable biomass. On May 6, 2010, the Agency issued a NOFA releasing another $8 million in budget authority for FY 2010.

On April 16, 2010, USDA published a proposed rule on which the public was afforded the opportunity to comment. Comments were received from eight commenters, yielding 30 individual comments, which were grouped into similar categories. Commenters included biorefinery owner/operators, Rural Development personnel, trade associations, and individuals. The Agency reviewed the comments and based, in part, on those comments developed an Interim Rule, which was published on February 11, 2011.

Following the publication of the Interim Rule, a NOFA was published on March 11, 2011, to announce the availability of approximately $25 million in assistance payments.

4. Purpose/Goals

The purpose of the program as encouraging eligible biorefineries that use fossil fuels to produce heat or power to operate the biorefinery to replace such fossil fuels with renewable biomass.

The program also supports Presidential Energy Independence and Security Goals:

- To Develop and Secure America's Energy Supplies;
- To Provide Consumers with Choices to Reduce Costs and Save Energy; and
- To Innovate Our Way to a Clean Energy Future.

5. Success in Meeting Programmatic Purpose/Goals

One applicant, Lincolnway Energy, LLC, received an award of $1.9 million in response to the FY 2009 funding notice. Two applications, which were recently received, are pending with the Agency and total $5.5 million. Thus, to date, approximately $7.5 million of the available $35 million for the program may be expended. The amount of energy that would be replaced at these three projects is: 983,436 dekatherms; 1,696,678 dekatherms; and 2,050 kilowatt hours per day.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

Funding Levels:

The 2008 Farm Bill provided $35 million to remain available until expended. The 2008 Farm Bill also authorizes additional discretionary funding of up to $15 million per year, from FY 2009 through 2012. To date, no discretionary funds have been appropriated.

	FY 2009 through FY 2011
Repowering Assistance Payments	35,000,000

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

The Repowering Assistance Program was enacted under the 2008 Farm Bill. Thus, there were no annual outlays in Fiscal Years 2002 through 2008. In addition, although the Agency has approved one application for payment, no outlays in Fiscal Years 2009 through 2011 have yet to be made.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

Because they are both Energy Assistance Payments, the Agency tracks the Repowering Assistance Program and the Advanced Biofuel Payment Program together. Thus, the Agency does not have information on Annual Delivery Cost per program. The following table presents the Annual Delivery Cost for both program combined. Please note that because these two programs were initiated with the 2008 Farm Bill, there are no delivery costs from Fiscal Years 2002 through 2008.

Energy Assistant Payments:
Repowering Assistance Payments & Bioenergy Program for Advanced Biofuels Payments

	2009	2010	2011
Program Level	$0	$20,503	$85,000
Budget Authority	0	20,503	85,000
Administrative Costs (Direct)	418	261	248
Administrative Costs (Indirect)	196	671	639
Total Costs	614	21,435	85,887

Note: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

9. Eligibility Criteria

As stated in the authorizing statute: "To be eligible to receive a payment under this section, a biorefinery shall demonstrate to the Secretary that the renewable biomass system of the biorefinery is feasible based on an independent feasibility study that takes into account the economic, technical and environmental aspects of the system." The Interim Rule requires the applicant to submit a such feasibility study that has been conducted by an independent qualified consultant, who has no financial interest in the biorefinery.

The authorizing statute also requires that the biorefinery at which the repowering project is to be implemented must have been in existence on or before June 18, 2008 (the date of the 2008 Farm Bill).

The Interim Rule also includes additional criteria for an applicant to be eligible for this program, as described below.

(1) TIMELY COMPLETE APPLICATION SUBMISSION. To be eligible for this program, the applicant must submit a complete application within the application period.

(2) MULTIPLE BIOREFINERIES. Corporations and entities with more than one biorefinery can submit an application for only one of their biorefineries. However, if a corporation or entity has multiple biorefineries located at the same location, the entity may submit an application that covers such biorefineries provided the heat and power used in the multiple biorefineries are centrally produced. For example, a *corporation or entity may make one application, that application may include multiple projects, so long as they are served by one repowering project. Example of an acceptable application: Three plants use process heat from a single Repowering Project located on the plant site. Example of an unacceptable application: Two plants owned by the same entity are located 10 miles apart and each is powered by a different system in which the applicant proposes two separate Repowering Projects to replace the two existing systems.*

(3) COST-EFFECTIVENESS. The application must be awarded at least minimum points *(at least five points)* for cost-effectiveness.

(4) PERCENTAGE OF REDUCTION OF FOSSIL FUEL USE. The application must be awarded at least minimum points *(at least five points)* for percentage of reduction of fossil fuel use.

(5) FULL PROJECT FINANCING. The applicant must demonstrate that it has sufficient funds or has obtained commitments for sufficient funds to complete the repowering project taking into account the amount of the payment request in the application.

In addition, a project is not eligible for this program if it is using feedstocks for repowering that are feed grain commodities that received benefits under Title I of the Food, Conservation, and Energy Act of 2008. This ineligibility provision is included to prevent payment to a feedstock that is an underlying commodity that received a payment under Title I.

10. Utilization (Participation) Data

Since the program's inception, the Agency received ten applications for repowering assistance. The current disposition of these applications is as follows:

- 1 applicant has accepted the conditional commitment
- 2 applicants are currently under review
- 4 applicants were issued conditional commitments, but elected to withdraw their applications
- 1 applicant accepted, but did not proceed with project implementation
- 2 applicants were determined to be ineligible

11. Duplication or Overlap with Other Programs

The Repowering Assistance Program is not a duplicate of any other USDA program. In addition, the Repowering Assistance Program does not duplicate any other Federal program, based on our understanding of those programs.

12. Waste, Fraud and Abuse

The Repowering Assistance Program is a new program enacted with the 2008 Farm Bill. No Office of Inspector (OIG) or Government Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Advanced Biofuel Payment Program (Section 9005).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Advanced Biofuel Payment Program is authorized under Section 9005 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) as amended by Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). Through the 2008 Farm Bill, the Secretary of Agriculture is directed to "make payments to eligible producers to support and ensure an expanding production of advanced biofuels."

As described below, the Advanced Biofuel Payment Program was initially implemented through a series of notices published in the *Federal Register* while a rule was being developed.

The 2008 Farm Bill provided $55 million in funding for 2009. A Notice of Contract Proposals (NOCP) for $30 million to make payments to biorefineries for the production of advanced biofuels (other than corn kernel starch) was published in the *Federal Register* on June 12, 2009. In December 2009, the Agency made payments to 141 producers totaling $14.7 million for FY 2009 awards. A NOCP was published on March 12, 2010, making the remaining funding from the 2009 NOCP of $15.2 million available; the application window closed on June 15, 2010. On August 18, 2010, the Agency issued another notice in the *Federal Register* that rescinded the March 12, 2010, notice to allow previously excluded advanced biofuel producers (*i.e.,* those that did not meet the rural area and citizenship requirements) to apply for and receive Fiscal Year 2009 program funds. Payments for Fiscal Year 2009 were made in August and December, 2010.

On April 16, 2010, USDA published a proposed rule on which the public was afforded the opportunity to comment. Comments were received from 1,090 commenters yielding over 165 individual comments, which were grouped into similar categories. Commenters included Members of Congress, Rural Development personnel, trade associations, state agencies, universities, environmental organizations, and individuals. The Agency reviewed the comments and based, in part, on those comments developed an Interim Rule, which was published on February 11, 2011.

A NOFA was published simultaneously with the interim rule to announce $80 million in payment assistance to eligible producers for FY 2010 production. A second notice was published to extend the application deadline until May 6, 2011. A NOFA to announce $85 million in payment assistance for FY 2011 was published on March 11, 2011. The Agency is currently reviewing the payment requests.

4. Purpose/Goals

The 2008 Farm Bill identifies the purpose of the program as providing payments to producers to support and expand production of advanced biofuels (refined from sources other than corn kernel starch.)

The program also supports Presidential Energy Independence and Security Goals:

- ◦ To Develop and Secure America's Energy Supplies
- ◦ To Provide Consumers with Choices to Reduce Costs and Save Energy, and
- ◦ To Innovate Our Way to a Clean Energy Future

5. Success in Meeting Programmatic Purpose/Goals

To date, all funds made available under this program have been either distributed or are to be distributed once final payment calculations have been made.

6. Annual Budget Authority (FY 2002–FY 2011)

Funding Levels:

The 2008 Farm Bill provides mandatory funding of $55 million in FYs 2009 and 2010, $85 million in FY 2011, and $105 million in FY 2012. Additionally, the 2008 Farm Bill authorizes discretionary funds of up to $25 million per year, from FY 2009 to 2012.

	2009	2010	2011
Advanced Biofuel Payment Program	$55 million	$55 million	$85 million

7. Annual Outlays (FY 2002–FY 2011)

The Advanced Biofuel Payment Program was enacted under the 2008 Farm Bill. Thus, there were no annual outlays in Fiscal Years 2002 through 2008.

	2009	2010	2011
Advanced Biofuel Payment Program	$0	$18,547,000	$136,000,000

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

Because they are both Energy Assistance Payments, the Agency tracks the Repowering Assistance Program and the Advanced Biofuel Payment Program together. Thus, the Agency does not have information on Annual Delivery Cost per program. The following table presents the Annual Delivery Cost for both programs combined. Please note that because these two programs were initiated with the 2008 Farm Bill, there are no delivery costs from Fiscal Years 2002 through 2008.

Energy Assistant Payments:
Repowering Assistance Payments & Bioenergy Program for Advanced Biofuels Payments

	2009	2010	2011
Program Level	$0	$20,503	$85,000
Budget Authority	0	20,503	85,000
Administrative Costs (Direct)	418	261	248
Administrative Costs (Indirect)	196	671	639
Total Costs	614	21,435	85,887

Note: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

9. Eligibility Criteria

As provided in the authorizing statute, to receive a payment under this program, the applicant must be an "eligible producer," which means a producer of advanced biofuels. In addition, to receive a payment under this program, an eligible producer must meet any other requirements of Federal and state law (including regulations) applicable to the production of advanced biofuels. In addition, the Interim Rule states that public bodies and educational institutions are not eligible for this program.

The Interim Rule also has eligibility requirements specific to the biofuel. For an advanced biofuel to be eligible, each of the following conditions must be met, as applicable. Notwithstanding the provisions for biofuel eligibility, flared gases are not eligible.

- The advanced biofuel must meet the definition of advanced biofuel and be produced in a state;
- The advanced biofuel must be a solid, liquid, or gaseous advanced biofuel;
- The advanced biofuel must be a final product; and
- The advanced biofuel must be sold as an advanced biofuel through an arm's length transaction to a third party.

The Interim Rule also identifies conditions under which an otherwise eligible producer will be determined to be ineligible. These conditions are, if the producer:

- Refuses to allow the Agency to verify any information provided by the advanced biofuel producer under this subpart, including information for determining applicant eligibility, advanced biofuel eligibility, and application payments;
- Fails to meet any of the conditions set out in this subpart, in the contract, or in other Program documents; or
- Fails to comply with all applicable Federal, state, or local laws.

The Agency will determine an applicant's eligibility for participation in this Program.

10. Utilization (Participation) Data

In FY 2010, 141 payments were disbursed providing $18.5 million in advanced biofuel assistance. In FY 2011, 122 payments have been disbursed to provide $11.5 million in advanced biofuel assistance. A total of $30 million in advanced biofuels payment assistance has been disbursed to date.

11. Duplication or Overlap with Other Programs

The Advanced Biofuel Payment Program is not a duplicate of any other USDA program. In addition, the Advanced Biofuel Payment Program does not duplicate any other Federal program, based on our understanding of those programs.

12. Waste, Fraud and Abuse

The Advanced Biofuel Payment Program is a new program enacted with the 2008 Farm Bill. No Office of Inspector (OIG) or Government Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Biodiesel Fuel Education Program (Section 9006).

2. Subprograms/Department Initiatives

Section 9004 of the Farm Security and Rural Investment Act of 2002 authorized competitive grants to educate governmental and private vehicle operators, and the public about the benefits of biodiesel fuel use. Section 9001 of the 2008 Farm Bill reauthorized the program and renumbered its authorization statute as section 9006 of the 2002 Act.

The Secretary of Agriculture delegated this authority to the Department's Chief Economist, who in turn formed the Biodiesel Education Oversight Committee to direct the program. The Committee includes members from USDA's Foreign Agricultural Service, Rural Development, Office of Energy Policy and New Uses, National Institute of Food and Agriculture (NIFA), and the Department of Energy. The Committee established the initial guidelines and goals of the Program, manages the grant selection process, and monitors the progress of the Program.

3. Brief History

The 2002 Farm Bill authorized funding of $1 million per year from FY 2003 through FY 2007 for competitively awarded education grants. With guidance from NIFA, which has extensive experience in implementing grant programs and rule making, the oversight committee drafted a request for proposals, which was submitted to the Office of General Counsel for clearance in January 2003. A notice of request for applications and the proposed rule were issued in the *Federal Register* July, 2003. The final rule was issued September, 2003. The oversight committee selected a panel of experts from within and outside government to review the proposals, identify eligible applicants, and make recommendations to awarding officials. Two continuation grants were awarded; one to the National Biodiesel Board (NBB) and the other to the University of Idaho to implement the Program through FY 2007.

Funding was reauthorized by Section 9006 of the 2008 Farm Bill for each fiscal year from 2008 through 2012. Once again with the help of NIFA, the oversight committee drafted a request for applications that was posted in August 2008. A panel of expert reviewers was selected by the committee to review the applications that were submitted. Two continuation grants were awarded; one to the National Biodiesel Board (NBB) and the other to the University of Idaho to implement the Program through FY 2012.

4. Purpose/Goals

The purpose of the Program is to provide education to the public, government, and private entities on the benefits of biodiesel use. Education raises the awareness of the benefits of using biodiesel, resulting in a rise in consumer demand. Increasing the use of biodiesel will help the U.S. diversify its transportation fuel supply and develop new domestic sources of energy. The program includes the following goals:

- Identify and document the benefits of biodiesel, including environmental and economic benefits
- Enhance current efforts to collect and disseminate information
- Coordinate with other biodiesel programs to avoid redundancy and leverage resources
- Create a nationwide networking system that delivers consistent information
- Help insure fuel quality, fuel safety, and consumer confidence

5. Success in Meeting Programmatic Purpose/Goals

Biodiesel production was minimal in the United States when this program began in 2003, but thanks to Federal and state policy initiatives, including the Biodiesel Education Program, the industry has grown rapidly. Awareness of biodiesel among Americans has increased markedly since the Biodiesel Education Program began in 2003—consumer awareness of biodiesel has grown from 27 percent to 86 percent. Much progress has been made over the past several years in garnering auto, engine and equipment manufacturers support for the use of biodiesel. At the onset of the Biodiesel Education Program, most engine manufacturers were apprehensive about using biodiesel, but now nearly 60% of U.S. manufacturers support the use of biodiesel blends in at least some of their equipment.

The Program helped the biodiesel industry grow by providing information to a broad spectrum of consumers and producers, including government fleet managers, truckers, petroleum marketers, automobile companies, and health groups. Education materials have been developed, including biodiesel technical reports to help users better understand the fuel properties of biodiesel, *e.g.,* lower greenhouse gas emissions compared to petroleum diesel. In addition, public radio and television programs demonstrating the benefits of biodiesel have been broadcasted nationally. The current grantees (the National Biodiesel Board and the University of Idaho) have become information clearing houses for biodiesel and have national reputations in providing expert guidance on producing biodiesel, maintaining fuel quality, and insuring fuel safety. Program funds have been used for organizing national conferences, conducting technical workshops, and developing partnerships with stakeholders, such as, biodiesel producers, engine manufacturers, health organizations, environmental groups, and State Department of Transportation Offices.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Biodiesel Education Program	0	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Biodiesel Education Program	0	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000

8. Annual Delivery Cost (FY 2002–FY 2011)

The cost to NIFA for administering the program is $40,000 per year.

9. Eligibility Criteria

Eligible entities are nonprofit organizations, institutions of higher learning that have demonstrated knowledge of biodiesel production, use, and distribution. Qualified entities have demonstrated the ability to conduct educational and technical support programs.

10. Utilization (Participation) Data

Two continuation grants were awarded in 2003 to conduct the program through 2007; and two continuation grants were awarded in 2008 to conduct the program through 2012.

11. Duplication or Overlap with Other Programs

The Biodiesel Education Program is not a duplicate of other USDA programs.

12. Waste, Fraud and Abuse

There have been no Office of Inspector General or Government Accountability Office audits of the program conducted on the Biodiesel Fuel Education Program in the past 5 years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Rural Energy for America Program (Section 9007).

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 9006, Title IX, of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) established the Renewable Energy Systems (RES) and Energy Efficiency Improvements (EEI) Program. On October 5, 2004, the Agency proposed a loan and grant program for renewable energy systems and energy efficiency improvements under Section 9006 of the 2002 Farm Bill. Based on comments received, the Agency developed a final rule, which was promulgated on July 18, 2005. This rule established the RES and EEI program for making grants, loan guarantees, and direct loans to farmers and ranchers (agricultural producers) and to rural small businesses to purchase renewable energy systems and make energy efficiency improvements. Funds were never authorized for the direct loan program, such that the Agency never implemented the direct loan portion of the program.

Subsequent to the 2002 Farm Bill, Congress passed the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), which amended Title IX of the 2002 Farm Bill. Under the 2008 Farm Bill and Section 9007 of the amended 2002 Farm Bill, the Agency was authorized to continue providing to agricultural producers and rural small businesses loan guarantees and grants for the development and construction of RES and EEI projects. In addition to the current set of renewable energy projects eligible for funding (*i.e.,* bioenergy, anaerobic digesters, electric geothermal, direct geothermal, solar, hydrogen, and wind), the 2008 Farm Bill expanded the program to include two new renewable energy technologies: hydroelectric and ocean energy. Further, the 2008 Farm Bill authorized the Agency to provide grants specifically for energy audits, renewable energy development assistance, and RES feasibility studies.

As provided in the 2008 Farm Bill, the expanded program is referred to as the Rural Energy for America Program (REAP), which continues the Agency's assistance to the adoption of both renewable energy systems and energy efficiency improvements through Federal Government loan guarantees and grants.

REAP has been operating since 2005 under 7 CFR part 4280, subpart B, and, since the 2008 Farm Bill, through a series of *Federal Register* notices implementing the provisions in the 2008 Farm Bill for RES feasibility studies, energy audits, and renewable energy development assistance. For the RES feasibility studies, these notices were published on May 26, 2009 (74 FR 24769) and August 6, 2010 (75 FR 47525).

A Notice of Solicitation of Applications (NOSA) soliciting applications for about $2.2 million in grants for Energy Audits and Renewable Energy Development Assistance was published in the *Federal Register* on March 11, 2009. A NOSA for the remaining portion of the $60 million available for FY 2009 was published in the *Federal Register* on May 26, 2009. This funding was used for guaranteed loans and grants for a wide range of energy efficiency improvements and renewable energy systems and feasibility studies.

The Agency published a NOSA to solicit applications for the purchase of renewable energy systems and to make energy efficiency improvements in the *Federal Register* on April 26, 2010. A separate Notice of Funding Availability (NOFA) for $2.4 million in funding to conduct Energy Audits and Renewable Energy Development Assistance was published in the *Federal Register* on May 27, 2010.

An Interim Rule was published on April 14, 2011. The Interim Rule established a consolidated REAP program by including each part of the program in a single subpart. The Agency also published on April 14, 2011, a NOFA announcing the availability of $70 million in mandatory budget authority for FY2011 grants and guaranteed loans for renewable energy systems (including flexible fuel pumps) and energy efficiency improvements. A NOFA announced an additional $5 million in REAP discretionary budget authority is pending.

Flex Fuel Infrastructure Project

The Rural Business and Cooperative Service (RBS) launched the FY11 REAP program making Flexible Fuel Pumps Eligible for funding through an annual notice of funding availability (NOFA). Dispensers, tanks, components and labor are eligible project costs. The application window closed for energy programs on June 15th and for feasibility support on June 30th.

The purpose of this effort is to support the investment, and infrastructure necessary to implement a nationwide biofuels industry. The scope of the project is to establish the necessary infrastructure for ethanol fuel by supporting the development and deployment of flex fuel pumps to meet increasing demand.

Anaerobic Digesters/Dairy Innovation Center Initiative

The Anaerobic Digesters Project Team has, with the help of EPA's AgStar, developed a complete list of USDA programs that can be used to support the Dairy MOU Agreement.

The Anaerobic Digester team is currently reviewing Renewable Energy System applications and Feasibility grant applications under REAP and awards should be delivered in the coming months. The purpose of this project is to embark on a campaign to promote the development of anaerobic digesters on dairy farms. The scope of the project is to focus on applying REAP funding for anaerobic digesters and digester feasibility studies to fulfill the 2009 Memorandum of Understanding (MOU) between Dairy Innovation Center and USDA.

4. Purpose/Goals

The purpose of the renewable energy system and energy efficiency improvements portion of the program is to provide financial assistance, in the form of loan guarantees and grants, to agricultural producers and rural small businesses to purchase and install renewable energy systems and make energy-efficiency improvements. REAP funds can be used for renewable energy systems including wind, solar, biomass, geothermal sources, or that produce hydrogen from biomass or water using renewable energy, and ocean and hydroelectric source technologies. Energy-efficiency projects typically involve installing or upgrading equipment to significantly reduce energy use.

The purpose of the Energy Audits, and Renewable Energy Development Assistance portion of REAP is to provide financial assistance to such entities as units of state, tribal, and local governments and land-grant colleges and universities, among others, in the form of grants, to assist agricultural producers and rural small businesses to become more energy efficient; and to use renewable energy technologies and resources.

The purpose of the Feasibility Studies portion of REAP is to provide assistance, in the form of grants, to an agricultural producer or rural small business to conduct a feasibility study for a project for which assistance may be provided under REAP.The program also supports Presidential Energy Independence and Security Goals:

- ◦ To Develop and Secure America's Energy Supplies
- ◦ To Provide Consumers with Choices to Reduce Costs and Save Energy, and
- ◦ To Innovate Our Way to a Clean Energy Future

5. Success in Meeting Programmatic Purpose/Goals

Energy Division, Energy Investments, Fiscal Years 2003–10, with Performance Measures

7/14/2011

Fiscal Year	Projects	Guaranteed Loans Only (millions)	Combination Guaranteed Loans and Grants (millions)	Grant Only (millions)	Jobs Saved-Created	Businesses Assisted	Energy Saved/Generated (1,000 kWh)	Btu Equivalent * (1,000 Btu)	GHG Reduced ** (metric tons of CO_2)
2003	114			$21.2	736	108	974,320	3,324,517	979,408
2004	163			$22.7	411	186	503,645	1,718,507	642,599
2005	158	$10.1		$22.2	289	103	589,771	2,012,381	611,455
2006	412	$24.2		$21.2	1,357	285	997,133	3,402,359	1,303,951
2007	436	$47.5	$18.1	$10.8	2,122	331	1,956,390	6,675,479	1,968,525
2008	764	$0	$30.2	$19.6	1,797	537	2,438,378	8,320,092	2,642,665
2009	1,557	$8.5	$76.8	$26.6	5,894	2,922	1,407,832	4,803,523	1,589,570
2010	2,400	$9.7	$98.4	$51.1	2,311	5,107	2,958,404	9,508,310	3,255,490
Totals	6,004	$99.9	$223.5	$196.0	14,917	9,579	11,825,872	39,765,167	12,993,664

* 1 kWh = 3,412.1416 Btu.
** No CO_2 was sequestered with these activities.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

Funding Levels:

The 2008 Farm Bill provides mandatory allocations of $55 million for FY 2009, $60 million for FY 2010, and $70 million for FYs 2011 and 2012. The 2008 Farm Bill also authorizes additional discretionary funds of up to $25 million per year, from FY 2009 through 2012. The 2010 Appropriation Act provided $39 million in funding for grants and loan guarantees in addition to the $60 million of farm bill mandatory funding.

Funds Available in FY 2011: $70 million in mandatory authority
$5 million in discretionary authority

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
$16,416,000	$16,821,000	$26,685,000	$59,578,000	$76,000,000

Note: Actual disbursements percentages based on obligation.

8. Annual Delivery Cost (FY 2002–FY 2011)

Business and Cooperative Programs
Full Cost by Department Strategic Goal

Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving.

Program Items	2007 Amount ($000)	2008 Amount ($000)	2009 Amount ($000)	2010 Amount ($000)	2011 Amount ($000)
Rural Energy for America Loans and Grants					
Program Level [2]	$49,806	$333,644	$524,664	$66,238	$7,877
Budget Authority	35,748	60,000	128,130	39,325	4,990
Administrative Costs (Direct)				1,127	1,172
Administrative Costs (Indirect)				2,897	3,014
S&E	6,931	8,999	9,782		
Total Costs	42,679	68,999	137,912	43,349	9,176
FTEs	62	80	84	34	34
Performance measure:					
mKWH produced (in Millions)					
Target:	680	1,725	3,029	1,183	148
Cost per Measure (unit cost)	62.76	40.00	45.53	36.64	62.00
Rural Energy for America Loans and Grants—Mandatory					
Program Level [2]				$93,088	$109,200
Budget Authority				56,959	70,000
Administrative Costs (Direct)				1,690	1,758

Program Items	2007 Amount ($000)	2008 Amount ($000)	2009 Amount ($000)	2010 Amount ($000)	2011 Amount ($000)
Administrative Costs (Indirect)				4,346	4,521
Total Costs				62,995	76,279

[2] Guaranteed Renewable Energy Loans and Grants funding contingent on farm bill for FY 2009.

Notes: These numbers are consistent with the published "Full Cost by Secretary's Strategic Priorities" section of the Explanatory Notes for Fiscal Years 2009 through 2012 President's Budget submissions. In the table above, Fiscal Years 2007 through 2010 amounts are actual; Fiscal Year 2011 is an estimate from the Fiscal Year 2012 President's Budget submission.

9. Eligibility Criteria

Under REAP, there are applicant eligibility and project eligibility criteria for each of the grant programs, while there are borrower eligibility, lender eligibility, and project eligibility for the guaranteed loan program.

Renewable Energy System or Energy Efficiency Improvement Grant

Applicant Eligibility. As required by the authorizing statute, to receive a Renewable Energy System or Energy Efficiency Improvement Grant under this subpart, an applicant must be an agricultural producer or rural small business.

Project Eligibility. For a renewable energy system or energy efficiency improvement project to be eligible to receive a RES or EEI grant under this subpart, the proposed project must meet the following criteria, as applicable:

- The project must be for the purchase of a renewable energy system or to make energy efficiency improvements. Energy efficiency improvements to existing renewable energy systems are eligible energy efficiency improvement projects.
- The project must be for a pre-commercial or commercially available, and replicable technology.
- The project must have technical merit.
- The facility for which the project is being proposed must be located in a rural area in a state if the type of applicant is a rural small business, or in a rural or non-rural area in a state if the type of applicant is an agricultural producer. If the agricultural producer's facility is in a non-rural area, then the application can only be for renewable energy systems or energy efficiency improvements on integral components of or that are directly related to the facility, such as vertically integrated operations, and are part of and co-located with the agriculture production operation.
- The applicant must have a place of business in a state.
- The applicant must be the owner of the project and control the revenues and expenses of the project, including operation and maintenance. A third-party under contract to the owner may be used to control revenues and expenses and manage the operation and/or maintenance of the project.
- Sites must be controlled by the agricultural producer or rural small business for the financing term of any associated Federal loans or loan guarantees.
- Satisfactory sources of revenue in an amount sufficient to provide for the operation, management, maintenance, and debt service of the project must be available for the life of the project.
- For the purposes of this subpart, only hydropower projects with a rated power of 30 megawatts or less are eligible. The Agency refers to these hydropower sources as "small hydropower," which includes hydropower projects commonly referred to as "micro-hydropower" and "mini-hydropower."
- The project has demonstrated technical feasibility.

In addition to these requirements, no renewable energy system or energy efficiency improvement, or portion thereof, can be used for any residential purpose, including any residential portion of a farm, ranch, agricultural facility, or rural small business. However, an applicant may apply for funding for the installation of a second meter or provide certification in the application that any excess power generated by the renewable energy system will be sold to the grid and will not be used by the applicant for residential purposes.

Renewable Energy System or Energy Efficiency Improvement Guaranteed Loan

Borrower Eligibility. To receive a Renewable Energy System or Energy Efficiency Improvement Guaranteed Loan, a borrower must meet the same requirements as for the RES/EEI grant program.

Project Eligibility. The requirements are the same as for RES/EEI grants except that guaranteed loan funds may be used for necessary capital improvements to an existing renewable energy system. In addition, the grant provision concerning residential purposes does not apply.

Lender Eligibility. An eligible lender is any Federal or state chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, Bank for Cooperatives, or Savings and Loan Association. These entities must be subject to credit examination and supervision by either an agency of the United States or a state. Eligible lenders may also include credit unions provided, they are subject to credit examination and supervision by either the National Credit Union Administration or a state agency, and insurance companies provided they are regulated by a state or national insurance regulatory agency. Eligible lenders include the National Rural Utilities Cooperative Finance Corporation.

Renewable Energy System Feasibility Study Grants

Applicant Eligibility. As required by the authorizing statute, to be eligible for a renewable energy system feasibility study grant, the applicant must be an agricultural producer or a rural small business. In addition, the Interim Rule requires the applicant to be the prospective owner of the renewable energy system for which the feasibility study grant is sought.

Project Eligibility. Only renewable energy system projects that meet the requirements specified in this section are eligible for feasibility study grants under this subpart. The project for which the feasibility study grant is sought shall:

- Be for the purchase, installation, expansion, or other energy-related improvement of a renewable energy system located in a state;
- Be for a facility located in a rural area if the applicant is a rural small business, or in a rural or non-rural area if the applicant is an agricultural producer. If the agricultural producer's facility is in a non-rural area, then the feasibility study can only be for a renewable energy system on integral components of or directly related to the facility, such as vertically integrated operations, and are part of and co-located with the agriculture production operation;
- Be for technology that is pre-commercial or commercially available, and that is replicable;
- Not have had a feasibility study already completed for it with Federal and/or state assistance; and
- The applicant has a place of business in a state.

Energy Audit and Renewable Energy Development Assistance Grants

Applicant Eligibility. To be eligible for an energy audit grant or a renewable energy development assistance grant, the applicant must meet each of the following criteria:

- The applicant must be, as required by the authorizing statute, one of the following:
    - A unit of state, tribal, or local government;
    - A land-grant college or university, or other institution of higher education;
    - A rural electric cooperative;
    - A public power entity; or
    - An instrumentality of a state, tribal, or local government.
- The applicant must have sufficient capacity to perform the energy audit or renewable energy development assistance activities proposed in the application to ensure success. The Agency will make this assessment based on the information provided in the application.
- Each applicant must have, or obtain, the legal authority necessary to carry out the purpose of the grant.

Project Eligibility. To be eligible for an energy audit or a renewable energy development assistance grant, the grant funds for a project must be used by the grant recipient to assist agricultural producers or rural small businesses located in a state in one or both of the purposes specified in paragraphs (a) and (b), and must also comply with paragraphs (c) through (e), and, if applicable, paragraph (f).

(a) Grant funds may be used to conduct and promote energy audits that meet the requirements of the energy audit as defined in this subpart.

(b) Grant funds may be used to conduct and promote renewable energy development assistance by providing to agricultural producers and rural small businesses recommendations and information on how to improve the energy efficiency of their operations and to use renewable energy technologies and resources in their operations.

(c) Energy audit and renewable energy development assistance can be provided only to a facility located in a rural area unless the owner of such facility is an agricultural producer. If the facility is owned by an agricultural producer, the facility for which such services are being provided may be located in either a rural or non-rural area. If the agricultural producer's facility is in a non-rural area, then the energy audit or renewable energy development assistance can only be for a renewable energy system or energy efficiency improvement on integral components of or directly related to the facility, such as vertically integrated operations, and are part of and co-located with the agriculture production operation.

(d) The energy audit or renewable energy development assistance must be provided to a recipient in a state.

(e) The applicant must have a place of business in a state.

(f) For the purposes of this subpart, only small hydropower projects are eligible for energy audits and renewable energy development assistance. Per consultation with the U.S. Department of Energy, the Agency is defining small hydropower as having a rated power of 30 megawatts or less, which includes hydropower projects commonly referred to as "micro-hydropower" and "mini-hydropower."

10. Utilization (Participation) Data

Since its inception, utilization of REAP has grown each year, except in 2008 when fewer funds were made available to the program. Program utilization and growth are illustrated in the following figures and table.

REAP Utilization—Fiscal Years 2003–2010

Fiscal Year	Projects	Guaranteed Loans Only	Combinations Grants and Guaranteed Loans	Grant Only	Grant Totals
2003	114			$21,707,233	$21,707,347
2004	163			$22,692,325	$22,692,488
2005	158	$10,100,000		$22,237,267	$32,337,425
2006	412	$24,158,882		$21,209,435	$45,368,729
2007	436	$47,500,000	$18,114,430	$10,782,434	$76,397,300
2008	764	$0	$30,172,387	$19,633,418	$49,806,569
2009	1,557	$8,451,638	$76,782,101	$26,625,502	$111,860,797
2010	2,400	$9,675,613	$98,395,192	$51,117,265	$159,190,470
Total	**6,004**	**$99,886,133**	**$223,464,110**	**$196,004,879**	$519,361,125

Note: All numbers in this table represent Program Level.

11. Duplication or Overlap with Other Programs

There are four other programs within USDA under which certain types of energy projects may be financed. These are the Value-Added Producer Grant (VAPG) program, Community Facilities, Business and Industry Program, and the Environmental Quality Incentives Program (EQIP).

The project eligibility category related to renewable energy under the VAPG program was set by the 2008 Farm Bill and states that a Value-Added Agricultural Product is "a source of farm- or ranch-based renewable energy, including E85 fuel." Thus, the VAPG can provide funds to a limited set of energy-related projects—where an agricultural commodity is used to generate renewable energy on a farm or ranch owned or leased by the independent producer applicant that produces the agricultural commodity. On-farm generation of energy from wind, solar, geothermal, or hydro sources are not eligible for VAPG. Because of the differences in eligible entities, there is little overlap with the Community Facility program.

The Business and Industry (B&I) Program provides guaranteed loans to a wide range of projects, including energy projects. There have been a number of projects financed under the B&I Program that could have been financed under REAP.

While NRCS also offers energy audits through the EQIP, the agencies have entered into an agreement to avoid duplication by cross-checking the locations and recipients of energy audits.

Beyond these few programs, REAP does not overlap or duplicate of any other USDA program. The Department of Energy's Energy Efficiency and Renewable Energy program offers financial assistance for biorefineries, geothermal technologies, hydrogen technologies, solar, wind, and hydropower. The focus of these programs is mainly on research and development for these technologies (*e.g.,* to improve the efficiency of power generated through wind). With regard to biorefineries, USDA/RBS through its guaranteed loan program has co-funded several biorefinery projects that use DOE grant funds, however these programs work in a complementary manner to provide support for this nascent industry.

12. Waste, Fraud and Abuse

No Office of Inspector (OIG) or Government Accountability Office (GAO) audit of the program was conducted in the past 5 years.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Biomass Research and Development Initiative Program (BRDI).

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 9001(a) of the Food, Conservation, and Energy Act of 2008 (FCEA) (Pub. L. 110–246), re-authorized the Biomass Research and Development Initiative (BRDI) competitive grants program by amending section 9008 of the Farm Security, and Rural Investment Act of 2002 (2002 Farm Bill), as amended, (Pub. L. 107–171) (7 U.S.C. 8108). Collaboration between DOE and USDA on BRDI is directed under section 9008(e)(1) of the 2002 Farm Bill, as amended.

4. Purpose/Goals

Both DOE and USDA have been given responsibility to support the development of a biomass-based industry in the United States. The objectives of this responsibility are specified in section 9008(e) of FSRIA, as amended, which requires the development of: (a) technologies and processes necessary for abundant commercial production of biofuels at prices competitive with fossil fuels; (b) high-value bio-based products to enhance the economic viability of biofuels and biopower, to serve as substitutes for petroleum-based feedstocks and products, and to enhance the value of coproducts produced using the technologies and processes; (c) a diversity of economically sustainable domestic sources of renewable biomass for conversion to biofuels, bioenergy, and bio-based products; and (d) use of waste streams to reduce environmental footprint or impact, niche, opportunity to improve economics of conversion processes and enhance the economic viability of the production facility. The 2002 Farm Bill then stipulates several programmatic requirements that are intended to help ensure that goals (a)–(d) above are accomplished. These requirements include:

- Distribution of funding among three technical areas (minimum 15% of funds per area):
    - Feedstock Development
    - Biofuels and Biobased Product Development
    - Biofuels Development Analysis
- Cost Share: 20% of total project costs for Research and Development and 50% for Demonstration projects
- Multi-institution and multi-disciplinary consortia awards
- Geographic distribution of awards

5. Success in Meeting Programmatic Purpose/Goals

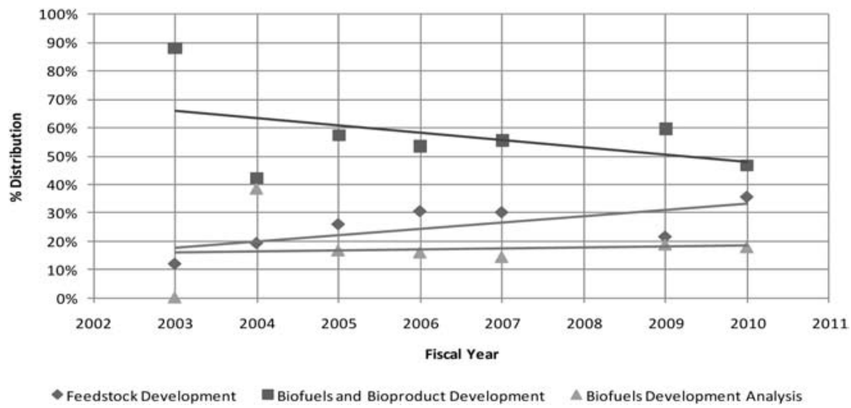
USDA has executed the BRDI Program as prescribed by 2002 Farm Bill and subsequently the Program is meeting the research, development, and demonstration needs of the emerging market. The BRDI Program has always maintained the minimum 15% distribution of program funds across the three legislated technical areas as shown in *Table 1.*

Table 1. Funding Distribution by Technical Area FY 2003–2010

Technical Area Distribution	Distribution	% Distribution
Feedstock Development	$35,625,430	27%
Biofuels and Bioproduct Development	$73,646,642	56%
Biofuels Development Analysis	$23,241,965	18%

The trend in funding distribution, as shown in *Figure 1* is toward a convergence of emphasis on both feedstock development and appropriate conversion technologies. BRDI has the flexibility to allow the balance of investment to shift toward technical challenges of increasing importance in the market. The availability and densification of biomass is key to the growing bioeconomy.

Figure 1. Trends in Technical Area Investment



The BRDI Program has also been effective in developing multi-institutional and multi-disciplinary consortia awards, as required in the legislation, as a means of increasing technology transfer and commercialization. Over its 8 year history, BRDI awards have averaged over four collaborating organizations per award. In FY 2010, BRDI awards averaged over six collaborating organizations as the Program now allows larger and more comprehensive grant opportunities. The Program also supports a diversity of types of organizations in terms of project leaders and project collaborators. *Table 2* demonstrates that while BRDI project leadership is dominated by Academia and Small Business, the Program fosters balanced collaboration among different types of organizations, indicating a high level of interdisciplinary work.

Table 2. Project Lead and Collaborator Type Distribution (2002–2010)

	Project Lead Type *	Collaborator Type †
NGO	12%	17%
Academia	43%	28%
Small Business	29%	27%
Industry	9%	11%
Federal	7%	13%
State	1%	4%

* distribution based on funding amount.
† distribution based on the count of collaborator types.

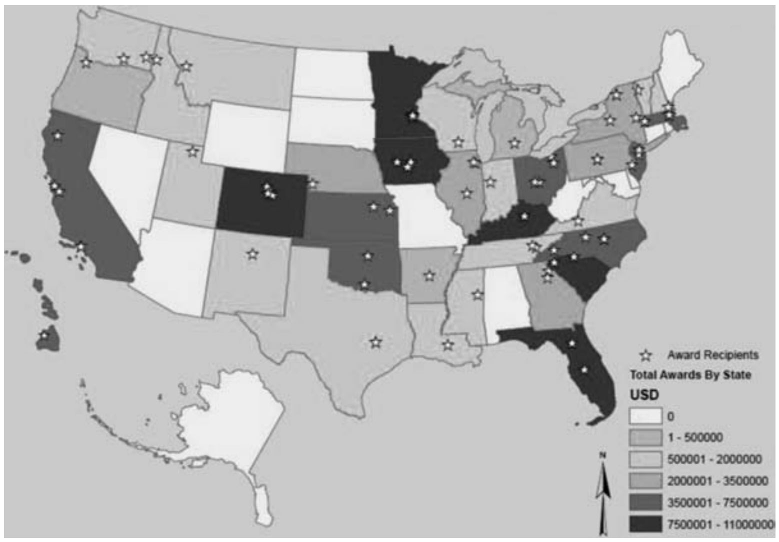
BRDI awardees have contributed 32% of total program funding as cost-share since the program's inception in 2002. BRDI program funds have been used to leverage over $61 M over the life of the Program.

Program awards have also been geographically diverse. Each year the Program touches more than 18 states and in FY 2010 there were three states per award. The Program is beginning to be effective in creating extremely dynamic regional and national consortia to address our nation's energy demand. *Figure 2* illustrates the geographic distribution of BRDI awards.

Figure 2. BRDI Geographic Distribution FY 2002–2010

Biomass Research and Development Initiative

Geographical Distribution of Grant Awards FY 2002–2010



Map created by Gregory Sixt, USDA–NIFA.

Since FY 2009, USDA has placed increased emphasis on technology commercialization by offering larger and more comprehensive grants that are intended to allow awardees to address challenges throughout the life-cycle of their technologies. In the early years of the BRDI Program, grants were more focused and intended to address specific technical challenges and new product development issues.

The Program now requires awardees to develop new products and technologies in the context of the supply chain and target markets; therefore, projects must address all three technical areas. Additionally, the program has adopted an overarching theme of sustainability, requiring awardees to address the environmental, economic and social implications of the technology throughout its life cycle. The intent of larger, comprehensive projects is to move technologies to commercialization more quickly, and to ensure the technologies have a positive impact on markets, the environment, and rural development.

Examples of successful projects:

Adding Value to Commercial Polymers through the Incorporation of Biomass Derived Chemistries (Iowa Corn Promotion Board)

- The BRDI Program supported projects to develop isosorbide-based polymers in FY 2002 and again in FY 2006.
- The Iowa Corn Promotion Board has been developing this technology not only in collaboration with USDA, but also with DOE, General Electric, and others.
- Several major end-users and customers are working to commercialize the technology and have had success in developing isosorbide as a replacement for bisphenol A, in the epoxy market, and as an additive for PET hot fill bottles.

Biomass Gasification: A Comprehensive Demonstration of a Community-Scale Biomass Energy System (University of Minnesota—Morris)

- The project team constructed the Morris Gasification Plant to generate combined heat and power for the University and the Morris community using locally sourced biomass.
- The project overcame significant technological barriers in testing and selecting the appropriate feedstocks to power the community. The project tested corn stover, corn cobs, prairie grass, soybean residue, wheat straw, and wood each with appropriate densification techniques. Corn cobs were determined to be the most viable and sustainable feedstock for the Morris community.

- Emissions permits and appropriate densification technology will be secured by the Fall of 2011 to initiate ongoing gasification plant operation.
- The University and its partners developed an extensive outreach and education component to the project, which includes a web-portal that reports real-time facility performance monitoring so that students and the community can access information and understand their energy usage on a daily basis. The project also generated an undergraduate Renewable Energy curriculum, three K–12 modules, 14 student research projects, 32 conference presentations, and over 200 community and regional presentations.

Evaluation of the feasibility of sustainably achieving President's Biofuel production goals (University of California—Santa Barbara)

- University of California-Santa Barbara is designing a dynamic tool to evaluate the feasibility of meeting renewable fuel production goals in a sustainable manner.
- Tool embodies an innovative combination of scenario development, system dynamics modeling, Geographic Information System (GIS), Life Cycle Costing (LCC) and Life Cycle Assessment (LCA).
- Results have been used to inform the United Nations Environmental Program (UNEP), International Panel for Sustainable Resources, Biofuel Working Group report, "***Towards Sustainable Production and Use of Resources: Assessing Biofuels.***"
  - *http://www.unep.fr/scp/rpanel/pdf/assessing_biofuels_full_report.pdf*
  - *http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=599&ArticleID=6347&l=en&t=long*

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
6. Annual Budget Authority *								20,000	28,000	30,000
7. Annual Outlays										
8. Annual Delivery Cost										

* In addition to mandatory funding, $35M/yr is authorized for appropriation FY 2008–2012

Note: This program has only been operated in its current form starting in FY 2009.

9. Eligibility Criteria

Eligible entities per section 9008(e)(5) of the 2008 Farm Bill, as amended (7 U.S.C. 8108(e)(5)) include: (A) an institution of higher education; (B) a National Laboratory; (C) a Federal research agency; (D) a state research agency; (E) a private sector entity; (F) a nonprofit organization; or (G) a consortium of two or more entities described in subparagraphs (A) through (F).

10. Utilization (Participation) Data

Since 2003 the BRDI Program has been one of the most competitive Federal grant programs. The annual success rate (of applications funded) has always been less than 5%, In fact, in FY 2009 USDA and DOE received over 800 pre-applications and made nine awards; a success rate of 1%. In FY 2010, the Program success rate remained low at 1.6%. While the low success rate indicates that there is tremendous demand for Biomass energy research, development, and demonstration, the competition through NIFA's rigorous peer-review process has ensured projects of extraordinary quality.

11. Duplication or Overlap with Other Programs

There is no duplication or overlap with other programs. BRDI supports projects in the applied/developmental and demonstration phases of development.

12. Waste, Fraud and Abuse

There have been no Office of Inspector General or Government Accountability Office audits of the program conducted on the Biomass Research and Development Initiative Program in the past 5 years.

13. Effect of Administrative PAYGO

None.

1. Program Name

Feedstock Flexibility Program (FFP—Section 9010).

2. Subprograms/Department Initiatives

The Feedstock Flexibility (or "sugar-to-ethanol") Program (FFP) was first authorized under the 2008 Farm Bill. USDA has not implemented this program because the sugar market conditions required for its operation have not yet occurred. FFP requires the Commodity Credit Corporation (CCC) to purchase domestic sugar when U.S. supplies are large and forfeitures are threatened under the sugar price support loan program. Under the FFP, CCC will sell the surplus sugar to bioenergy producers for use as a fuel feedstock. However, the U.S. sugar market has been undersupplied since the program was authorized. Domestic sugar prices have been significantly above the program support level and there has been no threat of price support loan forfeitures, preempting program operation. The FFP language also includes a prohibition on the sale of CCC sugar for human consumption.

3. Brief History

CCC operated a sugar for ethanol program in the early 2000s as one of many outlets for the million-ton CCC sugar inventory acquired when the sugar market crashed in 2000. FSA sold 10,000 tons of sugar to the highest-bidding ethanol producers in multiple auctions. All of the purchasers mixed sugar into corn prior to fermentation. Ethanol producers only bid an average of 4¢ per pound for the sugar, which the CCC had acquired at an average of 22¢ per pound. These ethanol producers bid less than the energy value of the sugar, citing the experimental nature of the process, the lack of a guaranteed future supply, the requirement of a material handling investment and other factors. In addition, the CCC sold over a hundred thousand tons for human consumption in 2003, when prices were at higher levels, at almost no loss to the CCC. (Sales for human consumption are no longer an option under the FFP language, as noted above.)

4. Purpose/Goals

The purpose of the FFP is to prevent the accumulation of government-held stocks of sugar that impede price recovery. This was the situation after the sugar market crash of 2000, when ending stocks were over 20 percent of annual use, with CCC owning more than half of that total. Normal carryover is 14–15 percent of annual use.

5. Success in Meeting Programmatic Purpose/Goals

Not applicable, as there has been no need to activate the program.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

Not applicable.

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Outlays are zero over the FY 2002–FY 2011 time horizon, for the reasons discussed above.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

Delivery costs are zero over the FY 2002–FY 2011 time horizon, for the reasons discussed above.

9. Eligibility Criteria

The FFP regulation is under development.

10. Utilization (Participation) Data

The FFP has not been implemented.

11. Duplication or Overlap with Other Programs

No overlap anticipated.

12. Waste, Fraud and Abuse

The FFP has not been implemented.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Biomass Crop Assistance Program (BCAP—Section 9011).

2. Subprograms/Department Initiatives

BCAP has two components:

- Establishment and annual payments for production of new biomass crops (Project Areas); and
- Matching payments for the collection, harvest, storage and transportation (CHST) of existing biomass.

3. Brief History

BCAP was authorized by the 2008 Farm Bill. On June 11, 2009, a Notice of Funds Availability (NOFA) was published to make available matching payments for the collection, harvest, storage, and transportation of eligible material for conversion to bioenergy at biomass conversion facilities. The 2008 Farm Bill provides "such sums as necessary" for BCAP. However, subsequent appropriation acts have capped the amount of funding available. The Department of Defense and Full-Year Continuing Appropriations Act of 2011, enacted on April 14, 2011, limits funding for BCAP to $112 million in FY 2011.

In February 2010, a proposed rule was published in the *Federal Register* which also terminated the NOFA. Over 24,000 comments were received.

On October 27, 2010, a final rule was published and by January 2011, three qualified biomass conversion facilities were approved and matching payments for herbaceous materials were authorized.

For the project area component of BCAP, proposals could be submitted beginning October 27, 2011. With the enactment of funding limitations on April 14, 2011, FSA announced on April 20, 2011 that project proposals could be submitted no later than May 27, 2011, to be considered for FY 2011 funding. Over 40 project area proposals were received by the deadline. The proposals outlined projects that would support the establishment and production of 1.5 million acres of dedicated energy crops requesting more than $1 billion. The range of feedstock proposed included camelina, algae, short rotation woody crops, grasses, energy cane, kenaf, and sweet sorghum.

The first approved project area is located in a thirty-nine county area in central and western Missouri and eastern Kansas and supports the establishment of mixtures of perennial native grasses and forbs, such as Switchgrass, Big Bluestem, Illinois Bundleflower and Purple Prairie Clover. Additionally, the project allows enrollment of existing suitable stands of native grasses, legumes and forbs; existing native grass stands can be located on expired Conservation Reserve Program (CRP) fields. The target enrollment for 2011 is 20,000 acres of cropland and other agricultural land with targeted crops within the approved area surrounding the biomass conversion facility. When fully enrolled, this project area may have up to 50,000 acres, producing roughly 3 tons of biomass per acre per year, or a total of 150,000 tons per year from land enrolled in BCAP contracts. FSA has allocated about $15 million for implementation of this project area in FY 2011.

Other project areas will support production of the perennial *Miscanthus giganteus* (Giant Miscanthus) for energy biomass. Only the planting of rhizomes of the "Illinois Clone," a sterile cultivar of Giant Miscanthus, is authorized for these project areas.

One of the projects is located within Clay, Craighead, Greene, Jackson, Lawrence, Mississippi, Poinsett, and Randolph counties in the State of Arkansas. FSA has allocated about $5.2 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 5,588 acres. This biomass may be used to produce pellets that may be co-fired.

Another project area is located within Audrain, Boone, Callaway, Cole, Cooper, Howard, Moniteau, Monroe, and Randolph counties in the State of Missouri. FSA has allocated about $3.5 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 3,000 acres.

Another project area is located within Barry, Christian, Dade, Jasper, Lawrence, Newton, and Stone counties in the State of Missouri. FSA has allocated about $5.9 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 5,250 acres.

The remaining project area is located within Ashtabula, Geauga, Lake, and Trumbull counties in the State of Ohio, and Crawford, Erie, and Mercer counties in the State of Pennsylvania. FSA has allocated about $5.7 million for implementation of this project area in FY 2011. The target for enrollment in FY 2011 is 5,344 acres.

4. Purpose/Goals

BCAP provides financial assistance to owners and operators of agricultural and nonindustrial private forestland to establish, produce, and deliver biomass feedstocks under two types of assistance:

- Establishment and annual payments to produce eligible biomass crops on contract acres within approved BCAP project areas, and
- Matching payments for the delivery of eligible material to qualified biomass conversion facilities by eligible material owners. Qualified biomass conversion facilities produce heat, power, biobased products, or advanced biofuels from biomass feedstocks.

5. Success in Meeting Programmatic Purpose/Goals

BCAP is the only energy program that is dedicated to the expansion of the diversity of cellulosic feedstock for commercial conversion. The program has demonstrated, through project area proposal submission and designations and matching payment distribution, that the demand for such diversity and feedstock support exists.

BCAP made over $250 million in matching payments to eligible material owners in FY 2009 and FY 2010 for the supply of biomass to over 400 biomass conversion facilities for the generation of heat, power, biobased products and advanced biofuels under the NOFA. The biomass supply was predominantly woody materials.

During FY 2011, about $2.65 million has been allocated to help support producers who supply herbaceous materials (corn crop residues) to three qualified biomass conversion facilities. Additionally, the allocation of $35 million for the designated five project areas, will support the establishment and production of up to 250,000 acres dedicated energy crops for conversion to an advanced biofuel. The remaining funding of about $75 million is expected to be allocated by September 30, 2011.

BCAP has generated support and incentives for numerous biomass conversion facilities to enhance their bioenergy output, much of which has been accomplished through facility retrofits and entrepreneurial startups. Project area designations have strengthened numerous cooperatives and bioenergy startups and expanded the diversity of available long term feedstocks.

The expansion of project area designations in FY 2011 may assist many states in meeting Renewable Electricity mandates. BCAP incentives for conversion to liquid biofuels have encouraged the submission of proposals for drop-in fuel production and various advanced biofuels.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority for Farm Service Agency Conservation Programs
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Biomass Crop Assistance Program	0	0	0	0	0	0	0	25,015	244,075	112,000

7. Annual Outlays (FY 2002–2011)

Budget authority for CCC programs is based on obligations. Funds that are obligated in one fiscal year may not be disbursed until a succeeding fiscal year or fiscal years.

FY 2002 Through FY 2011 Outlays for Farm Service Agency Conservation Programs
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Biomass Crop Assistance Program	0	0	0	0	0	0	0	2,147	248,202	112,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	[1] 199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**

FTEs	***8,905***	***8,620***	***9,529***	***8,355***	***8,140***

[1] BCAP funding for Fiscal Year 2011 was subsequently capped at $112 million by the Department of Defense and Full-Year Continuing Appropriations Act of 2011, Public Law 112–10.

9. Eligibility Criteria

Project Areas and Producers

Project areas are established based on proposals submitted to FSA by either a group of producers or an entity that converts biomass to heat, power, a biobased product or an advanced biofuel.

Producers within a designated BCAP project area may apply to enroll land into the program and receive assistance to grow eligible biomass crops. Biomass must be established, produced and harvested or collected according to an approved conservation, forest stewardship, or equivalent plan to ensure that soil, water and other resource concerns are adequately addressed on the enrolled land.

Matching Payments

Matching payments provide payments to eligible material owners at a rate of $1 for each $1 per dry ton paid by a qualified biomass conversion facility (BCF), in an amount up to $45 per dry ton. An eligible material owner may be a producer of an eligible crop or a person or entity with the legal right to collect or harvest eligible material. Matching payments may be made to eligible material owners for a maximum of 2 years.

To qualify for a matching payment, the biomass must be an eligible material that also is collected or harvested directly from the land before transport to the facility, in accordance to an approved conservation or forest stewardship plan, and if woody biomass, must not have a previously existing market, and must also be a removal to reduce forest fire threats, disease or insect infestation, or to restore ecosystem health.

10. Utilization (Participation) Data

To date, three BCF's have been qualified from the 141 BCF applications submitted for qualification. These three qualified BCF's convert herbaceous materials.

Approximately 105 eligible material owner applications for matching payments have been approved and more than $1.5 million in matching payments have been disbursed. FSA has allocated $2.65 million to the states where these eligible material suppliers are located.

Of the 138 pending BCF applications to become qualified for matching payment purposes, a sample of 47 BCF applications provides evidence of an estimated quarterly supply rate of more than 1 million dry tons of woody biomass. The matching payment estimates for the approximate 1 million dry tons is over $45 million.

As of May 27, 2011, project area sponsors have submitted 46 project area proposals:

- Five of the project proposals have been reviewed and approved (see table below); and
- Forty-one project proposals were forwarded from state FSA offices on June 24, 2011, and are under review at the National FSA office.

Five project areas have been designated as follows:

Project Area Name	Location	Number of Counties	Eligible Crop	Targeted FY 2011 Acreage Enroll-ments	Tar-geted Acreage Total	Cur-rently Enrolled Acreage	Acreage Offers Pending
Project Area 1	Kansas, Missouri	39	Warm season grasses.	20,000	50,000	[1] 7,500	7,000 to 8,000
Project Area 2	Arkansas	8	Giant Miscanthus.	5,588	50,000	([2])	* 0
Project Area 3	Missouri (Columbia).	9	Giant Miscanthus.	3,000	50,000	([2])	* 619
Project Area 4	Missouri (Aurora)	7	Giant Miscanthus.	5,250	50,000	([2])	* 1,707
Project Area 5	Ohio, Pennsylvania.	7	Giant Miscanthus.	5,344	50,000	([2])	* 219
Totals		[3] **66**		**39,182**	**250,000**	**7,500**	**10,545**

[1] Sign up for Project Area 1 began on May 9, 2011 and acreage offers pending are undergoing the development of required conservation plans.
[2] Sign up for Project Areas 2 through 5 began on June 20, 2011 and acreage offers pending are undergoing the development of required conservation plans.
[3] Four counties in Project Areas 1 and 3 overlap: Boone, Callaway, Cooper, and Howard.

The total number of acreage targeted for producer signup in the five Project Areas:

- 39,182 acres for FY 2011.
- 250,000 acres at full-production-sign up.

The estimated yield of biomass, at full project performance:

- Project Area 1 is 3 tons per acre, 150,000 tons annually; and
- Project Areas 2 through 5 is 10 to 12 tons per acre, 2.4 million tons annually.

11. Duplication or Overlap with Other Programs

BCAP complements other state and Federal programs that support biomass conversion facility infrastructure by supporting the production of crops and materials that these facilities convert. In addition, the program's achievements help support the Renewable Fuel Standards Program by providing states with output to meet state renewable mandates and encourage renewable registrations.

12. Waste, Fraud and Abuse

Occasional cases of producer misconduct may have been identified and addressed through investigations; no current systemic waste, fraud, or abuse has been identified related to this program.

The Office of Inspector General (OIG) in December 2010 provided the following recommendations in a Fast Report pursuant to the review of BCAP matching payments administered in FY 2009 and FY 2010 in the States of California, Maine, Alabama, and Missouri:

- Develop a program handbook setting forth policies and procedures governing program administration;
- Develop forms specifically tailored to facilitate day-to-day administration and capture relevant program data; and
- Develop a data system with applied edit checks and a designed structure to facilitate data validation, management reporting, and data analysis.

BCAP responded to these recommendations and provided the following adjustments to the program for FY 2011:

- Release of the 1–BCAP Handbook with a second amendment in May 2011;
- Development of the forms BCAP–10 and BCAP–11 which track the tracts and fields where harvest and collection occurs and conservation, forest stewardship or equivalent plans are required via technical service agreements with NRCS and a developing agreement with USFS and State Foresters; and
- A web based system was designed to automate the new forms, moving away from the previously used System 36 or Conservation, Reporting, and Evaluation System (CRES).

13. Effect of Administrative PAYGO

None.

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF TITLE IV NUTRITION PROGRAMS)

THURSDAY, JULY 21, 2011

SUBCOMMITTEE ON NUTRITION AND HORTICULTURE,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10 a.m., in Room 1300, Longworth House Office Building, Hon. Jean Schmidt [Chairwoman of the Subcommittee] presiding.

Members present: Representatives Schmidt, King, Southerland, Lucas (*ex officio*), Baca, Pingree, Sablan, Peterson (*ex officio*), and McGovern.

Staff present: Tamara Hinton, Brandon Lipps, Pam Miller, Mary Nowak, Matt Perin, Heather Vaughan, Liz Friedlander, Keith Jones, Lisa Shelton, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. JEAN SCHMIDT, A REPRESENTATIVE IN CONGRESS FROM OHIO

The CHAIRWOMAN. Good morning. Thank you all for being here today.

I especially want to thank Ms. Audrey Rowe, the Administrator of the USDA's Food and Nutrition Service, for joining us and enlightening me, and I look forward to a great working relationship.

I also want to thank my good friend Ranking Member Baca in joining me in holding this hearing today. It is well known that a certain degree of comity and bipartisanship exists here on the Agriculture Committee, and I look forward to working with my friend as we go through this farm bill process.

This hearing on nutrition programs in Title IV of the farm bill is part of a series of audits of farm programs. We are holding these audits to gather information and data on each of the programs we operate, and to give all the Committee Members a chance to learn more about how each program fits into the broader picture of farm policy. We will be looking at how programs use their funds, how effectively they serve their stakeholders, and whether there is duplication or waste that can be eliminated.

These audits are very critical for every farm bill program, but perhaps nowhere more so than the nutrition title. The USDA's Food and Nutrition Service is the agency charged with administering Title IV nutrition programs. Major programs they administer are the Supplemental Nutrition Assistance Program, commonly referred to as SNAP; the Emergency Food Assistance Program, commonly referred to as TEFAP; the Commodity Supplemental Food Program, CSFP; the Fresh Fruit and Vegetable Program, FFVP; the Senior Farmers Market Nutrition Program, SFMNP; and the Food Distribution Program on Indian Reservations, FDPIR. FDPIR, if you want to call it that.

Two weeks ago this Subcommittee heard from AMS and APHIS about how they operate Title X Specialty Crop Programs. I enjoyed the review of how the programs are being administered and operated today. Likewise, I look forward to hearing from FNS with a general snapshot of the spending of each program that they administer. We will study the financial aspects of these programs and consider whether or not the programs' goals are being met and whether the programs are financially prudent.

More than 75 percent of the Agriculture Committee's budget goes to nutrition programs, which serve a broad range of people throughout our country. The largest of our nutrition programs is the SNAP Program. SNAP provides assistance to low-income households to supplement food budgets. Although it is administered by the USDA's Food and Nutrition Service, each state has a great deal of flexibility in how the program is implemented. SNAP has become an integral part of our country's overall social support system for families in need. It is, in fact, the fourth largest needs-tested program in our country.

The size and scope of SNAP has dramatically increased over time. Participation in SNAP has risen by nearly 70 percent, from 26 million in 2007 to more than 44 million as of April 2011, and I think there is a direct correlation with our economic recession and this dramatic growth, although there might be some other reasons. This increase is due to the economy, the stimulus bill, and less strict eligibility requirements.

The SNAP Program is designed to adjust to the needs of our population, increasing when more people need food assistance and decreasing when the economy improves. However, this dramatic growth has strained our resources. The average monthly benefit was $226 in 2008. Today it is $289. That is a 27 percent increase. In total, we spent $33 billion on SNAP in 2007, but we are on pace to more than double that to more than $69 billion in Fiscal Year 2011. Sixty-nine billion dollars is a substantial sum, and given our current budget situation, we have a responsibility to examine whether we can reduce the amount without compromising the integrity of the SNAP Program.

I look forward to hearing Administrator Rowe's testimony on the quality control system that FNS has in place to ensure accuracy in payments and target fraud. The program is there to help those truly in need, and it is unfortunate when abuses like this occur. I plan to look into the program more to see how we can stop abuse and fraud in the program. Of particular interest to me is how FNS works with other agencies in the Federal Government to monitor, investigate, conduct, and prosecute those traffickers.

As I listen to our witness today, I encourage my fellow Members to consider how we can find savings in these programs while continuing to provide nutrition assistance to our families in need.

Ms. Rowe, I look forward to your testimony, and I hope to learn how we can make our nutrition assistance program more effective and efficient.

[The prepared statement of Mrs. Schmidt follows:]

PREPARED STATEMENT OF HON. JEAN SCHMIDT, A REPRESENTATIVE IN CONGRESS FROM OHIO

Good morning, and thank you all for being here today. I especially want to thank Ms. Audrey Rowe, the Administrator of USDA's Food and Nutrition Service, for joining us.

I also want to thank my friend, Ranking Member Baca, for joining me in holding this hearing today. It is well known that a certain degree of comity or bipartisanship exists here on the Agriculture Committee and I look forward to working with my friend as we go through this farm bill process.

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Two weeks ago this Subcommittee heard from AMS and APHIS about how they operate title X specialty crop programs. I enjoyed the review of how the programs are being administered and operated today.

Likewise, I look forward to hearing from FNS with a general snapshot of the spending of each program that they administer. We will study the financial aspects of these programs and consider whether or not the programs' goals are being met and whether the programs are financially prudent.

More than 75 percent of the Agriculture Committee's budget goes to nutrition programs, which serve a broad range of people throughout the country.

The largest of our nutrition programs is the Supplemental Nutrition Assistance Program, or SNAP for short.

SNAP provides assistance to low-income households to supplement food budgets. Although it is administered by USDA's Food and Nutrition Service, each state has a great deal of flexibility in how the program is implemented.

SNAP has become an integral part of our country's overall social support system for families in need. It is, in fact, the fourth-largest needs-tested program in the country.

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This increase is largely due to the economy, the stimulus bill, and less strict eligibility requirements. The SNAP program is designed to adjust to the needs of our population; increasing when more people need food assistance and decreasing when the economy improves.

However, this dramatic growth has strained our resources. The average monthly benefit was $226 in FY 2008. Today it is $289. That's a 27% increase. In total, we spent $33 billion on SNAP in FY 2007, but are on pace to more than double that to nearly $69 billion in FY 2011: $69 billion is a substantial sum, and given our current budget situation, we have a responsibility to examine whether we can reduce that amount without compromising the integrity of the SNAP program.

I look forward to hearing Administrator Rowe's testimony on the Quality Control system that FNS has in place to ensure accuracy in payments and target fraud. The program is there to help those truly in need, and it's unfortunate when abuses like this occur.

I plan to look into the program more to see how we can stop abuse and fraud of the program. Of particular interest to me is how FNS works with other agencies in the Federal Government to monitor, investigate, combat, and prosecute traffickers.

As we listen to our witness today, I encourage my fellow Members to consider how we can find savings in these programs while continuing to provide nutrition assistance to families in need.

Ms. Rowe, I look forward to your testimony, and I hope to learn how we can make our nutrition assistance more effective and efficient.

The CHAIRWOMAN. And with that, I will now turn to the Ranking Member, Mr. Baca, for opening remarks.

OPENING STATEMENT OF HON. JOE BACA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. BACA. Thank you very much, and good morning to all of you. And thank you, Chairwoman Schmidt, for holding this hearing. And thank you, Audrey Rowe, for being here this morning. I would also like to welcome our Chairman from the Agriculture Committee for being here this morning, Frank Lucas.

As a legislator, a husband, a father, and a grandfather, the effectiveness of Federal nutrition programs is of the utmost importance to me. Throughout my years serving on the Agriculture Committee, I have worked to build a bipartisan record that links the importance of nutrition and health.

In 2007, we held a hearing that demonstrated the importance of food stamp benefits to the overall health and long-term success of children. Then in the 2008 Farm Bill, we provided record funding for safety net programs like SNAP and TEFAP for food banks. We also worked to promote healthy eating by funding new pilot programs and expanding the Fresh Fruit and Vegetable Snack Program to all 50 states.

In July of 2008, the Subcommittee heard testimony on the economic costs of poor nutrition in the United States. We learned that hunger costs our country $90 billion a year in lost work productivity. So we have to look at the balance of costs and benefits.

We also learned that poor participation in nutrition programs means lost revenues for our local communities and counties. When people use the SNAP Program, money and sales tax goes right back to the community. With a record number of participants— up from 26 million to 44 million people—it is clear that this is a result of the economic situation that we are in right now.

I know many of the individuals who are on the program don't want to be on it. They want to be sustaining themselves. I know because I personally was on food stamps myself at one point. I know there are times when we have no choice; when you have to feed your family, and put food on the table.

So we have established a clear body of evidence linking the ties between the Federal nutrition programs, health, and the economic well-being of our communities. Make no mistake, in these tough times, the Federal nutrition programs are the safety net between hunger and health for millions of Americans.

In my home of San Bernardino County, California, we face an unemployment rate of 17 percent countywide. Programs like SNAP, WIC, and TEFAP are putting food on the table for many of my neighbors.

Despite economic stress, nutrition programs continue to meet the needs of our constituents. This speaks to the basic strength of these programs. But nothing is perfect, and especially in these difficult times, we must to work to make these programs as effective and efficient as possible. And there must be accountability so we can stop fraud.

As we prepare for the 2012 bill, I am committed to working with all of my colleagues to strengthen and improve Federal nutrition programs.

I want to thank, again, our witness, Audrey Rowe, for being here this morning. I look forward to hearing your testimony.

I yield back the balance of my time.

The CHAIRWOMAN. Thank you.

The CHAIRWOMAN. And before I ask our Chairman of our Agriculture Committee if he would like to have some opening remarks, I would like to ask for unanimous consent to have the gentleman from Massachusetts, Mr. McGovern, who is not a Member of this Subcommittee but has joined us today, to allow him to sit here and take part in this process. Do I have unanimous consent? Thank you.

Mr. Lucas.

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

Mr. LUCAS. Thank you, Madam Chairman, and I would like to thank both you, Chairwoman Schmidt, and Ranking Member Baca for holding this hearing, and I would also like to welcome Administrator Rowe to the Subcommittee today.

I believe that we would be holding these audits regardless of the time period in which we will be writing the next farm bill. With 14 separate titles covering a variety of programs ranging from nutrition to forestry, it is important for all of us to understand why our current policies are structured as they are. We also need to know how our separate programs work together to form a comprehensive framework to support America's farmers, ranchers, and consumers. These audits are meant to develop a deeper knowledge of agricultural policy so our Committee Members are better able to develop the next farm bill.

But in our current fiscal climate, the audits have taken on greater significance. There are proposals for billions and even trillions of dollars' worth of cuts to get our fiscal house in order. The farm bill programs will not be spared the chopping block.

Considering that farm and nutrition programs together make up less than three percent of the national budget—yes, less than three percent of the national budget—large cuts will be challenging. This Committee is charged with supporting our country's agricultural industry and ensuring that our consumers have a safe, high-quality, and affordable food supply. To meet that responsibility, we must ensure we have well-designed farm programs that can function efficiently in the face of budget cuts.

As Chairman Schmidt mentioned, nutrition programs make up more than 75 percent of farm bill spending. The SNAP Program is the largest of these programs. In 2008, we worked to improve the integrity of the nutrition assistance under SNAP, but there is still room for improvement. For instance, many states are using broad-based categorical eligibility which makes most, if not all, households categorically eligible for SNAP if they receive any noncash Temporary Assistance for Needy Families benefit. And of the 42 states that have adopted broad-based categorical eligibility, only one state has imposed an asset limit. That means there is no limit on the amount of assets a household can hold while still receiving nutrition assistance. Categorical eligibility is meant to simplify program administration, but I know that it also raises some questions about whether we are really targeting the families most in need.

Certainly, we shouldn't be sacrificing the integrity of this program for the ease of administration. We all need to eat, and when families fall on hard times, SNAP is a valuable resource that helps ensure that no one goes hungry. In the current economic environment, we need to ensure that SNAP benefits are going to those families that truly need support.

I am concerned that the broad-based categorical eligibility increases opportunities for waste, fraud, and abuse. We are spending more than twice the amount of SNAP now than we were in 2007. Program participation has nearly doubled in that time. We have a responsibility to ensure that the $69 billion we are spending on nutrition assistance is being properly used and is helping the people it is meant to help. That is exactly the type of information we need to gather in these audits.

Are the Title IV programs being targeted effectively? Are the taxpayers dollars being spent properly? Are there areas that we can streamline or eliminate? It won't be easy, but we need to find savings throughout all the farm bill programs.

I look forward to learning more about the Food and Nutrition Service's perspective on these challenges, Administrator Rowe, and again, I thank you for your testimony here today, and yield back the balance of my time, Madam Chairwoman.

The CHAIRWOMAN. Thank you, Mr. Chairman.

And I would ask other Members to submit their opening statements for the record so that our witness may begin her testimony and that there is great time, ample time for questions.

So, with that, I would like to introduce Ms. Audrey Rowe, who is the head of this program. And you come from Connecticut via Washington, D.C., so you have great experience. And having said that, I want to give you the microphone.

STATEMENT OF AUDREY ROWE, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. ROWE. Good morning, and thank you, Madam Chairwoman, Ranking Member Baca, other Members of the Committee. It is indeed an honor and an opportunity to appear here before you today to discuss the progress we have made since enactment of the Food, Conservation, and Energy Act of 2008, also known as the farm bill.

I want to begin by commending the Committee on the last farm bill. This strong legislation, passed by wide margins in the House and the Senate, reflects the Committee's long-standing bipartisanship. No matter who holds the gavel, you have consistently worked across the aisle and with the Administration to make nutrition programs successful. USDA appreciates this commitment and is committed to administering the bill in accordance with the intent and the vision of the Congress.

Achieving ongoing success in the program under your jurisdiction is at the heart of reauthorization, an opportunity for Congress and the Administration to take stock of the last farm bill and find potential improvements to pursue and enact.

As Administrator of the Food and Nutrition Service, I bring 20 years of state government and private-sector experience in human service policy, fiscal management and accountability, program design, and service delivery, with a focus on vulnerable populations, low-income, children and youth. That background frames my thinking about USDA's nutrition programs and their mission to reduce hunger and improve diets.

Roughly one in four Americans currently participate in these programs over the course of a year. The programs work together as a safety net to ensure that whatever challenges we face due to economic disruption, national disaster, disease, or disability, we can meet our basic nutritional needs.

These programs are vitally important today. Even as signs emerge that the economy is beginning to improve, families continue to struggle with the aftermath of the worst economic downturn since the Great Depression. This dynamic fuels record demands for programs like SNAP, with roughly 45 million Americans participating as of this past April.

You may wonder who are these 45 million people. The answer may surprise you. In SNAP, half of all clients are our children; one in six households have elderly members; one in five have one or more disabled people. These are hardworking Americans who may be facing furloughs or underemployment, and who need resources to put food on their table until they can get back on their feet. Again, that mission, the FNS mission, has never been more important.

The farm bill improves access and accountability in the Supplemental Nutrition Assistance Program, also known as SNAP; the Fresh Fruit and Vegetable Program; the Food Distribution Program on Indian Reservations; the Commodity Supplemental Food Program; the Emergency Food Assistance Program; the Senior Farmers Market Nutrition Program. While my written statement addresses each one of these programs, I will focus my oral remarks primarily on SNAP, the largest Federal program.

Formerly known as Food Stamps, SNAP received its new name as part of the 2008 Farm Bill. SNAP is our nation's front line of defense against hunger, providing low-income individuals and families an electronic benefit debit card to buy food at authorized stores. Its flexible, responsive structure is central to its success.

When the economy takes a downturn, more families struggle, and more tend to become eligible for SNAP. When they apply, SNAP responds to make sure they do not go hungry until they get back on their feet. As the economy improves, fewer families are eligible and apply, and our investment tends to decrease, a hallmark of an efficient and an effective program. Congress has maintained this key feature throughout many previous farm bills.

As SNAP provides food to participants, it also provides economic benefits to communities across the nation. Our research shows that for every $5 in new SNAP benefits, it generates as much as $9 in economic activity. Every time a family uses SNAP to put healthy food on the table, it benefits the store, the employees where the purchase was made, the truck driver who delivered the food, the warehouses that stored it, the plant that processed it, and, of course, the farmer who produced the food.

SNAP's success also extends to integrity, which relies on a cooperative partnership between FNS and the states that operate the program. SNAP's quality control system is part of a payment accuracy approach which uses state bonuses and sanctions to achieve continuous and sustained improvement. This approach delivers real results for taxpayers.

Payment accuracy in SNAP has increased to over 96 percent, an all-time high, even as participation has increased to record levels. Payment errors are less than half what they were 10 years ago, reducing improper payments by $3.3 billion.

FNS is also responsible for authorizing the over 200,000 retailers that accept SNAP and monitoring them for compliance with program rules. The program is designed to operate through normal channels of trade, and the overwhelming majority of businesses and benefits are redeemed in responsible grocery businesses that play by the rules.

That said, the agency takes any noncompliance very seriously. We have made major strides in reducing trafficking, the sale of SNAP benefits for cash, which is an illegal activity punishable by criminal prosecution. Over the last 15 years, our aggressive surveillance and enforcement have helped to reduce the prevalence of trafficking down to about one percent. The 2008 Farm Bill provided new anti-trafficking tools, including the authority to disqualify recipients for such activities as selling food purchased with SNAP benefits or dumping contents of returned deposit bottles in order to get cash, as well as new sanctions for noncompliant retailers.

We must also ensure that the program promotes healthy eating. The *N* in S*N*AP is for *Nutrition*, and it is essential that we make use of its great reach to reduce the risk of diet-related disease. Almost every American's diet is in need of improvement, and the SNAP-specific nutrition strategies mandated by Congress and administered by FNS reinforce efforts to foster healthy diets across the general population.

Let me turn briefly to the Emergency Food Assistance Program, TEFAP, which provides food and administrative funds to state agencies to local emergency feeding organizations such as food banks, soup kitchens, and food pantries. They play a critical part in the hunger safety net. The farm bill increased funds for TEFAP food to $250 million annually, indexed to inflation in future years.

While USDA provided the authorized funding for SNAP, market conditions have limited the availability of surplus food beyond this amount in recent years. USDA will provide more surplus food to the program should it become available. USDA also published a farm bill rule in 2009 to streamline operations by making TEFAP state plans permanent.

Let me conclude by thanking you again for this opportunity and reiterating that the nutrition assistance mission has never been more important. The Administration is committed to maximizing transparency, access, accountability, and integrity, and Secretary Vilsack has directed the Department to provide all Americans with the excellence they deserve from our government. I am personally committed to ensuring that we live up to those expectations as we manage these programs to meet the needs of eligible families and individuals who rely on them during challenging economic times.

Let me mention in closing that in my career I have never held a job at the state level where budgets were not tight, so it is not a new experience for me to face an extremely tight Federal budget and consideration of significant program changes. Reauthorization allows us to carefully assess the impact of potential changes so we can preserve our successes while meeting new challenges and improving performance, and in that light, I am happy to review these programs and answer your questions.

I have with me a number of staff people who I may call on from time to time. As I mentioned to some of you, I am in my fourth month in the position of Administrator. I want to give you the best information that I possibly can, so I have brought the resources to make sure we can do that.

[The prepared statement of Ms. Rowe follows:]

PREPARED STATEMENT OF AUDREY ROWE, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Madam Chairwoman, Ranking Member Baca, and Members of the Committee, thank you for the opportunity to be here today to discuss the United States Department of Agriculture's (USDA) nutrition programs and the progress we have made since enactment of the Food, Conservation and Energy Act of 2008—the 2008 Farm Bill.

I want to begin by commending the Committee for its hard work in crafting the 2008 Farm Bill. I understand that this Committee had to go through a lot of hard-fought battles and make some really tough decisions, and the end result was a strong, bipartisan piece of legislation that passed by overwhelmingly large margins in both the House and Senate. We understand how hard it was to accomplish that task, and the Food and Nutrition Service at USDA is strongly committed to ensuring that the legislation is administered in accordance with the intent and vision of Congress.

I also want to express my appreciation for the bipartisan approach that this Committee has taken over the years when it comes to supporting USDA nutrition assistance programs. No matter which party holds the gavel, there has always been a shared commitment to working across the aisle and with the Administration to ensure that these programs are successful.

The goal of ensuring success in the programs under your jurisdiction is at the heart of the 5 year reauthorization cycle for farm bill programs, which offers Congress and the Administration a great opportunity to take stock of where we are at today, what we did in the last farm bill, and what we need to do in this farm bill to get where we need to be. Like you all, we in the Administration appreciate very much the political and budgetary climate in which we find ourselves as the reauthorization process gears up. Federal programs are under heightened scrutiny right now. Members of Congress, the public, and this Administration all want to know that scarce resources are being used wisely.

I understand that context as the Administrator of the Food and Nutrition Service, where I am responsible for the operations of the Federal nutrition assistance programs. I bring with me over 20 years of experience in both state government and the private sector working in human services policy development, fiscal management, program design, service delivery and marketing with a particular focus on vulnerable populations, low income women, children and youth. That background inevitably shapes and guides my thinking about administering USDA nutrition programs, which work both individually and in concert with one another to reduce and prevent hunger and improve the diets of children and low-income households. While about one in four Americans currently participate in Federal nutrition programs over the course of a year, these programs are a critical safety net for every American, designed to ensure that, whatever other challenges they face due to economic disruption, natural disaster, or personal challenges such as disease and disability, they need not experience food insecurity and hunger.

We see the vital importance of these programs today. Even as signs emerge that the economy is beginning to recover, families across the country continue to struggle with the aftermath of 3 years of recession. The unemployment rate is down substantially from the recent peak of 10.1 percent in since October 2009, but remained unacceptably high at 9.2 percent as of June. Census Bureau figures shows that the poverty rate in 2009 was 14.3 percent, the highest rate since 1994. There were 43.6 million people in poverty in 2009—the largest number in the 51 years for which poverty estimates are available.

And demand for the nutrition assistance programs remains extremely high. In April 2011, 44.6 million people received SNAP benefits. Participation in the school meals programs remains at near-record levels, with about 32 million children receiving a meal through the school lunch program on an average school day, and two out of three served free or at reduced price.

Who are today's nutrition assistance clients? The answer may surprise you. In SNAP, about half of all clients are children, and about ¾ of benefits go to households with at least one child. Nearly ⅓ of participants are in households that include elderly people or people with disabilities. And the SNAP clientele has undergone a major shift in its focus from welfare to work over time. Many are hardworking families who may be facing furloughs or underemployment in these difficult times. All need assistance with money for food until they can get back on their feet.

These sobering statistics underscore the fact that the nutrition assistance programs have never been more important to our nation. Title IV of the 2008 Farm Bill resulted in changes that improved access and accountability in many of these programs, including the Supplemental Nutrition Assistance Program (SNAP), the Fresh Fruit and Vegetable Program (FFVP), Food Distribution Program on Indian Reservations (FDPIR), the Commodity Supplemental Food Program (CSFP), the Emergency Food Assistance Program (TEFAP), and the Senior Farmers Market Nutrition Program (SFMNP). In my statement I will describe our progress in implementing these changes as I review some of the key issues facing our programs today.

I also want to underscore at the outset my strong focus on proper management of resources—a fundamental strategy in ensuring both program access and integrity. Secretary Vilsack has charged all the USDA mission areas to ensure our services are accessible and properly administered; to work collaboratively with our partners; and to seek opportunities for efficiency and effectiveness in all our programs. Additionally, Undersecretary Concannon recently testified before the Senate that Americans deserve excellence from their government. That is not just a slogan. The leadership team at USDA Food, Nutrition and Consumer Services takes that charge seriously when it comes to effective accountability in the nutrition assistance programs. We are committed to a long-term, sustained effort, working closely with our program partners, and my team and I are seeking every opportunity to build on our successes with new strategies to tackle the challenges that remain. I believe that we can improve accountability without compromising service to those in need, and we look forward to working with you in this effort.

Supplemental Nutrition Assistance Program (SNAP)

Let me begin with SNAP—the largest and most widely used nutrition program authorized in the farm bill, the former Food Stamp Program, which received its new name as part of the 2008 Farm Bill, supplements the food purchasing power of low income individuals and families by providing an electronic debit card which is used at authorized stores. Benefits are 100 percent federally-financed, while administrative costs are shared between Federal and state governments.

One of the most important aspects of SNAP is that it is structured to respond quickly to the needs of the hardest-hit households, based on national eligibility standards. Benefits flow into communities as economic conditions worsen, providing an economic boost even as they meet the nutrition needs of low-income people. Research shows that every $5 in new SNAP benefits generates as much as $9 in economic activity. Every time a family uses SNAP benefits to put food on the table, it benefits the store and the employees where the purchase was made, the truck driver who delivered the food, the warehouses that stored it, the plant that processed it, and the farmer who produced the food.

I raise this in part to underscore that while this flexible, responsive program structure leads the program to expand when need is greatest, it also causes program participation, and expenditures, to contract as conditions improve and needs lessen. We see this dynamic at work in SNAP. When the economy takes a downturn, more families struggle, and more families look to SNAP until they can get back on their feet. When that happens, the program responds to make sure that families do not go hungry. The opposite is also true though. As the economy improves, and more Americans find jobs, fewer families need the program in the first place. When that happens, our investment tends to decrease. This efficient and effective aspect of SNAP is one of the keys to its success.

State agencies are responsible for the administration of the program according to national standards set by Federal law and regulations. Applicants must meet certain financial, non-financial and citizenship or immigration status requirements, including gross and net income tests, and resource limits. States have the flexibility to modify some of these requirements to align SNAP with their Temporary Assistance for Needy Families (TANF) policies. Forty-two state agencies have implemented an optional policy called broad-based categorical eligibility (BBCE), which allows states to utilize their TANF income and resource limits for their SNAP applicants, providing administrative simplification for states, and allowing the same gross income and resource policy to apply for both programs.

The SNAP eligibility and certification changes made in the 2008 Farm Bill were implemented quickly after passage starting on October 1, 2008 by all states via an implementation memorandum; a proposed rule which promulgates these provisions into regulation was published in the *Federal Register* in May, and the comment period closed July 5. A final rule is expected to be published by the end of this calendar year. These changes were important for program access and integrity.

With regard to work requirements, able-bodied adults without dependents (ABAWDs) between 18 and 50 who do not have any dependent children can get SNAP benefits only for 3 months in a 36 month period if they do not work or participate in a workfare or employment and training program other than job search. This requirement is waived in some locations in accordance with unemployment rates and job availability triggers determined by the Department of Labor. With some exceptions, all adults participating in SNAP between 16 and 60 must register for work, accept suitable employment, and take part in an employment and training program to which they are referred by the local office. Failure to comply with these requirements can result in disqualification from the program.

It is worth noting in this regard that a large proportion of SNAP households are working families. In fact, the primary source of income among SNAP participants has shifted from welfare to work over time. For these working poor households, SNAP provides an important resource to see them through tough economic times.

In cooperation with FNS, each state agency is responsible for monitoring and improving its administration of SNAP. As a part of this requirement, SNAP's Quality Control System is used to measure the accuracy of the states' certification process. The Quality Control system is part of a payment accuracy approach which uses bonuses and sanctions to encourage states to continuously improve performance. This approach has helped to deliver real results, and payment accuracy in SNAP is at an all-time high—over the last decade participation among eligibles has gone from 57% to 66%, while payment errors have gone from 8.91% to a record-low of 3.81%. Over 98 percent of those receiving SNAP benefits are eligible to receive benefits; the overall payment accuracy in FY 2010 was 96.19 percent. Payment error rates are less than half what they were 10 years ago, which has reduced improper payments by $3.3 billion. That said, any error is too much, and for that reason we do not intend to rest on this success. The President's November 2009 Executive Order directed all agencies to further rein in improper payments while making sure that those eligible for government assistance continue to have access to these programs, and we are working with states to meet his ambitious goals for ongoing improvement.

SNAP Retailer Operations

Our program responsibilities do not end once the benefits have been issued; SNAP must also manage the program so that benefits are used effectively and with integrity. FNS authorizes retailers to accept and redeem SNAP benefits in accordance with Federal statute and regulations, monitors them through ongoing systems analysis and undercover on-site investigations, and manages an administrative review of those firms that contest a disqualification or civil money penalty. Over 220,000 retailers are currently authorized to redeem SNAP benefits through electronic benefit transfer (EBT). EBT works like a debit transaction—SNAP participants scan their EBT card at the point of sale and the funds are deducted from the food account on the card. Eighty-three percent of all SNAP transactions happen at super markets, super stores, and large grocery stores, while the majority of the stores authorized are smaller stores.

FNS is also responsible for monitoring participating retailers for compliance with SNAP rules. The sale or purchase of SNAP benefits for cash is called trafficking, an illegal activity punishable by criminal prosecution. Over the last 15 years, FNS has aggressively implemented a number of measures to reduce the prevalence of trafficking in SNAP from about four percent down to its current level of about one percent. Despite this significant decline in trafficking USDA continues to implement aggressive measures to improve program integrity and to detect and stop fraud. SNAP uses a fraud detection system, the Anti-Fraud Locator for Electronic Benefit Transfer Transactions (ALERT), to monitor electronic transaction activity and identify suspicious retail grocers for analysis and investigation. FNS also works closely with its state and Federal partners to investigate and prosecute trafficking.

The 2008 Farm Bill provided some significant tools for SNAP in this area including revised definitions of trafficking that provide for disqualification of recipients for such activities as selling food purchased with SNAP benefits, and dumping contents of return deposit bottles in order to get cash; as well as new sanction authority for non-compliant retailers. These provisions are in various stages of implementation, but all provided strong tools to deal with misuse and abuse of program funds.

SNAP and Food Choices

We are also charged with ensuring that the program does all that it can to promote good nutrition and reduce or prevent obesity among its clients. As we all know, the "N" in SNAP is for nutrition, and it is essential that we make use of its great reach to promote better nutrition and reduce the risk of diet-related disease.

It is important to recognize in this context that almost every American's diet is in need of improvement. Virtually all of us eat too few whole grains, dark green and orange vegetables, and too much fat and added sugar. Our SNAP-specific nutrition strategies must complement and reinforce efforts directed to foster healthy diets across the general population.

The 2008 Farm Bill codified nutrition education as a component of the program. Recently, the Healthy, Hunger-Free Kids Act (HHFKA) of 2010 reformed the nutrition education component of SNAP (known as SNAP-Ed) to provide for a focus on obesity prevention and nutrition education, expanding reach and providing states increased flexibility. FNS has spent the months since the passage of the HHFKA meeting with state partners, nutrition education providers, public health officials, universities, the Health and Human Services' Center for Disease Control and Prevention, the White House Task Force on Childhood Obesity, and others to get input into the implementation of this important provision. A rule is scheduled to be published in January 2012.

As this Committee knows, some have suggested that SNAP rules should restrict the use of benefits so that only "healthy" foods can be purchased. USDA has long held a preference for strategies to support and encourage healthy choices rather than restricting access to particular foods. Congress has also preferred this approach, and most recently spoke to this issue in the 2008 Farm Bill by authorizing and funding a demonstration and rigorous evaluation of the impact of financial incentives at the point of sale on purchases of fruits and vegetables. We have been working carefully to design and implement this project—the Healthy Incentives Pilot—to maximize the chance of its success, and to ensure that, whatever the results, the test will provide clear evidence that will support policy decisions made by Congress and the Administration. Operations will begin in Massachusetts later this year.

The Department is also working to increase the number of farmers' markets that accept SNAP benefits. These outlets help introduce low-income households to a variety of fresh and nutritious foods, and expand opportunities for small farmers. Our goal is to authorize an additional 200 farmers or farmers' markets and increase redemptions by $750,000 each year. In addition, a number of farmers' market incentive projects work in coordination with SNAP by providing privately-funded bonus dollars to clients for purchases made with SNAP benefits.

We think that these positive and proactive strategies are the most effective way for USDA and its partners to address the challenges of poor diets and obesity. We look forward to working with the Committee to advance and strengthen these strategies into the future.

Let me turn now to the other nutrition assistance programs authorized under the farm bill.

Fresh Fruit and Vegetable Program (FFVP)

The Fresh Fruit and Vegetable Program (FFVP) provides free fresh fruits and vegetables in elementary schools with high percentages of children receiving free and reduced price school meal benefits to help children develop positive dietary habits during their formative years. FFVP began as a pilot program authorized by the 2002 Farm Bill, operating in 25 schools in each of four states and seven schools in one Indian Tribal Organization (ITOs). Following nationwide expansion under the 2008 Appropriations Act, the 2008 Farm Bill permanently authorized FFVP and increased its funding from $40 million in 2008 to $150 million in 2011. USDA was able to get this increased funding out timely, and is working to publish a regulatory proposal on the program in the near future. The 2008 Farm Bill also mandated and funded an evaluation to assess the impact of the FFVP on fruit and vegetable consumption. The project is underway, and we expect the results to be available in 2012.

Food Distribution Program on Indian Reservations (FDPIR)

The Food Distribution Program on Indian Reservations (FDPIR) was first authorized in 1977 as an alternative to SNAP for low-income households living on Indian reservations, and was subsequently expanded to include American Indians living in other approved areas near reservations or in Oklahoma. The program provides a monthly package of USDA Foods, including fresh fruits and vegetables, to participating households. Households may not participate in FDPIR and SNAP in the same month. FDPIR currently serves about 77,000 individuals each month.

The 2008 Farm Bill directed USDA to study the nutritional quality of the FDPIR food package. Our review concluded that the package provides a nutritious variety of foods, and sufficient calories to meet the energy needs of most sedentary individuals and many moderately active children. While as for American diets in general, there is room for improvement in the quantities of fruits, vegetables, low-fat dairy products and whole grains, the nutritional content of the package is considerable. Individuals consuming FDPIR foods in the quantities provided would achieve a Healthy Eating Index score, which measures consistency with the *Dietary Guidelines,* of 81 out of 100, considerably better than Americans in general (58 out of 100) and SNAP participants (52 out of 100).

The 2008 Farm Bill also authorized the purchase of bison and traditional and locally-grown foods for FDPIR participants, but specific appropriations have not yet been made for these items.

Commodity Supplemental Food Program (CSFP)

CSFP was first authorized under the Agriculture and Consumer Protection Act of 1973 to distribute USDA-purchased food to low-income women, infants, and children to supplement their nutritional needs. Legislation permitted individuals age 60 or more to participate beginning in the 1980s, and with the expansion in available of WIC, the program's caseload transitioned so that today, almost 97 percent of the over 580,000 individuals that participate in CSFP each month are elderly.

As of 2011, 39 states, two Indian Tribal Organizations (ITOs), and the District of Columbia are participating in CSFP. CSFP monthly food packages are good sources of the nutrients typically lacking in the diets of participants. The 2008 Farm Bill removed the priority status for women, infants, and children in receiving CSFP service; USDA published a final rule to implement this provision in February 2010.

The Emergency Food Assistance Program (TEFAP)

The Emergency Food Assistance Program (TEFAP) began in 1981 as a means of reducing stocks of surplus food held by the Federal Government by distributing it to households in need. In 1998, Congress authorized appropriations for USDA to purchase food specifically for TEFAP. Through TEFAP, USDA provides food and administrative funds to state agencies which distribute them to local emergency feeding organizations such as food banks, soup kitchens and food pantries.

The 2008 Farm Bill increased funds for TEFAP food purchases to $250 million annually, indexed to inflation. The 2008 Farm Bill also authorized up to $100 million annually for administrative costs and up to $15 million annually for TEFAP infrastructure grants. In addition, the Secretary has authority to provide food that USDA acquires through certain price or market support activities (*i.e.,* bonus food) to TEFAP. TEFAP currently operates in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands.

While USDA has provided the 2008 Farm Bill's increased appropriated funding for TEFAP, market conditions have limited the availability of surplus food for TEFAP in recent months. USDA will continue to provide surplus food to TEFAP should more become available and the President's FY 2012 budget requests the authorized level for TEFAP food purchases. Legislation provided $6 million in 2010 for TEFAP infrastructure grants which USDA awarded to 39 emergency feeding organizations in rural and urban areas to help improve their ability to provide food to low-income individuals. USDA also published a final regulation in November 2009, to implement the 2008 Farm Bill requirement to make TEFAP state plans permanent; this rule has streamlined TEFAP operations.

Senior Farmers' Market Nutrition Program

The Senior Farmers' Market Nutrition Program (SFMNP) was created as a pilot program in FY 2001; it was established by Congress as a permanent program through the 2002 Farm Bill, and has been reauthorized through 2012 under the 2008 Farm Bill. The program provides low-income seniors with coupons that can be used to purchase fresh fruits, vegetables, honey and herbs from farmers at authorized farmers' markets or roadside stands, or with shares in community supported agriculture (CSA) programs for regularly distributed bags or boxes of eligible foods. Fifty one state agencies and federally recognized Indian tribal governments received grants to operate the SFMNP in FY 2011. Over 20,000 farmers at 4,600 farmers' markets as well 3,800 roadside stands and 163 CSAs participated in the program in FY 2010, enabling over 844,000 seniors to receive fresh fruits and vegetables during the 2010 market season.

Conclusion

Let me conclude by thanking you all again for this opportunity and by reiterating that the mission and the work of the nutrition assistance programs have never been more important to our nation. The Administration is committed to a more responsible government that maximizes transparency, accountability, and integrity. I am committed to ensuring that we live up to those expectations as we continue to manage these programs to meet the needs of the eligible people who rely on them, especially in these times of fiscal and economic challenges.

I should also mention that I have never come into a job at the state level where budgets were not tight, so I guess I should not be surprised that in this new Federal role I come together with you all at a moment where budgets are extremely tight, and when substantial and significant changes are being considered for many Federal programs. As the Committee begins its work in writing the next farm bill, it is important to recognize that such changes can have both intended and unintended consequences. That is what is so valuable about the reauthorization process. It allows us to carefully work through and consider those impacts before we move forward so that we can preserve our successes while moving to meet new challenges and improve performance. In that light, I am particularly appreciative of the opportunity to join you today and review these programs, and I look forward to any questions that you may have.

The CHAIRWOMAN. Thank you.

The sign of a good Administrator is when they bring their team so that they can look really, really smart.

I would like to remind the Members that they will be recognized for questioning 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 do appreciate the Members' understanding in this. And now I would like to begin my own set of questions.

Ms. Rowe, on the questionnaire, I found it interesting that the Department did not offer many details in regards to how programs might be duplicative or have overlap. Does this mean the Department didn't find any duplication or overlap in the farm bill nutrition programs or something else?

Ms. ROWE. Well, thank you for that question. When we looked at the programs, certainly they serve different vulnerable populations. They provide a safety net for individuals who may not qualify for certain programs, but still need food assistance. The Congress, in the past, in its wisdom, has undertaken various program initiatives to close some of these gaps so that we can have a safety net that provides benefits to our youngest, to our seniors, to those who are disabled, and to those who face employment challenges.

The CHAIRWOMAN. Okay. It seems you did not find any duplication?

Ms. ROWE. We did not find duplicates. There are individuals who may participate in more than one program. For example, you may have individuals that benefit from the FDPIR Program, but also benefit from the School Lunch Program. So there are different populations that benefit for different purposes.

The CHAIRWOMAN. Okay. And in your testimony, you said payment error rates are less than half of what they were 10 years ago, which has reduced improper payments by $3.3 billion.

Ms. ROWE. Correct.

The CHAIRWOMAN. Could you clarify for me if this is a reduction of $3.3 billion over 10 years, 1 year?

Ms. ROWE. It is over 10 years.

The CHAIRWOMAN. Okay. While I can appreciate the fact that the Department has reduced improper payments by $3.3 billion over 10 years, I think it is still troubling that the GAO reports that there was $2.2 billion in overpayments in Fiscal Year 2009 alone. What is FNS doing to rein in improper payments?

Ms. ROWE. We have undertaken a number of strategies. For example, in states where there are or there have been improper payments, either overpayments or underpayments, to an individual, we have provided technical support and assistance to those states. We have identified best practices in other states that can help a state that is having some challenges in those areas, provide a number of additional resources to the state so that they can look at how they are administering their program, and can target and be strategic in where they need to devote their resources to reduce the improper payments. We have been very aggressive in working with states to help them understand both how to reduce improper payments and the importance of continuing to reduce improper payments.

The CHAIRWOMAN. And along that same line, what is the process in recovering overpayments made to SNAP participants?

Ms. ROWE. It is a state function. States can—as a former administrator, a state does have the ability to either take an action to reduce, if the person is continuing to be on the SNAP Program—to reduce their benefits to recoup. There are other recoup options that states have before them, and different states administer it in different ways.

The CHAIRWOMAN. Following up on that a little bit more, we are giving all this money to states to create the program, and there might be some problems. Do you think we need to have more oversight at the Federal level to make sure that when there are bad actors, that the states are doing due diligence to, A, go after the bad actors, and, B, get whatever resources they can get back from those bad actors?

Ms. ROWE. Well, when I was on the state side, I would have had a different answer, but on the Federal side, I can honestly say that we have been very focused in reminding states—Under Secretary Concannon, not only in visiting states and meeting with Governors and state commissioners and administrators—has reiterated again and again the importance of maintaining integrity in the various programs. He has sent letters to all the states. We have worked with the states to remind them—at a time when caseloads are increasing, states are facing fiscal challenges—it is not time to take your eye off the mark. We have to stay focused.

And I think states have been very responsive. They have sought consultation. They have asked us to send in staff to help them manage some of the challenges they have. We do management reviews. Our regional office staff go out to the states, pull records. We look at information that states have available to help us determine how well they are doing.

The CHAIRWOMAN. Thank you.

And I see that my time has expired, so I am going to ask Mr. Baca if he has any questions for this witness.

Mr. BACA. Yes, I do. Thank you very much, Madam Chair.

Thank you again, Ms. Rowe, for testifying this morning, and I appreciate your efforts to ensure the integrity of SNAP and other programs at FNS.

I will start with a statement. Nutrition education and access to healthy food are two key components necessary for improving the health of all Americans, especially those who rely on SNAP benefits to feed their families. In my district there is a huge problem with obesity amongst the Latino population, particularly children. The First Lady has done a great job in highlighting these problems, but I am also encouraged that new data from the *Journal of Nutrition Education and Behavior* showed that California has seen a 37 percent increase in fruits and vegetable consumption among low-income adults. This is the kind of information that helps us make good policy decisions. So, with this and other data out there, can you tell me about FNS's evaluation of nutrition educational efforts?

Ms. ROWE. Well, yes, certainly, Congressman. As you know, the Healthy, Hunger-Free Kids legislation required us to rethink and relook at our SNAP Education Program, to engage in much more collaboration, to provide additional opportunities for states to learn what is going on in another state and how effective it has been. The kind of research that you are talking about we would disseminate to states so that they can see the importance of staying very focused on nutrition.

We have created within FNS a Latino outreach plan which is going to focus not only on California, but on Latino communities around the country, making sure that they understand the program, what is available to them, the importance of nutritious eating, healthy lifestyles, and healthy habits.

We continue to share information. When I was in California and had an opportunity to see some of the outreach and SNAP education programs there, I immediately grabbed the information and brought it back to our other states. We have talked to states about what California is doing and encouraged them to adopt similar strategies and similar activities.

Mr. BACA. Okay. As part of a follow-up, how would the changes made to SNAP nutrition and in the child nutrition bill passed in December 2010 affect these numbers?

Ms. ROWE. That I am not really sure, Congressman. I would like to get back to you on that. I think what we are hoping is that it would allow us to do nutrition education in a more strategic way, in a more collaborative manner, but the impact on numbers, I really can't answer that.

Mr. BACA. Okay. Thank you.

And I know you elaborated a little bit on this. Does FNS have any specific outreach plans to include nutrition education in minority communities?

Ms. ROWE. Yes. As I had mentioned, we have designed the Latino outreach plan. We have been working with a number of national organizations, such as the National Urban League and others, to have them focus and provide information through their networks on nutrition education. We are developing new messages, messages that we have developed with focus groups, that help to focus individuals and remind individuals of nutritious feeding; not only nutritious feeding, but how to prepare food. It is one thing to buy the food and bring it into your home, but if you don't have the tools and skills to prepare the food, so we are doing a number of things to help educate individuals.

Mr. BACA. Thank you.

I understand that the SNAP national enrollments are at an all-time high of 45 million people. Do you have any of the latest enrollment numbers for California?

Ms. ROWE. We do have those, and I certainly can get those to you, sir.

Mr. BACA. Okay. And how has the recession affected the sign-ups in states with traditionally low enrollments?

Ms. ROWE. I beg your pardon, I am sorry?

Mr. BACA. How has the recession affected sign-ups in states with traditionally low enrollments in the SNAP Program?

Ms. ROWE. Well, we have encouraged states to reach out to populations that previously have not participated in these programs. We are doing—we have just talked to the Labor Department and other Federal agencies to look for ways in which we can get information out to individuals who participate in their programs about the availability of SNAP. One of the things that we find quite often is individuals don't realize that they are eligible for a SNAP benefit even while they are receiving some level of unemployment compensation.

Mr. BACA. Okay. I know that my time has run out, but you mentioned earlier that trafficking has gone down to about one percent.

Ms. ROWE. Correct.

Mr. BACA. What else, then, can we do to limit abuse and fraud? Is there anything else that we might need to implement both at the Federal or state level that would stop abuse and fraud that still occurs?

Ms. ROWE. Well, one of the areas that we are looking at is the definition of retailers who can participate in the program. We have been able to develop profiles, if you will, on the types of businesses that may be prone to have trafficking activity, but we also want to make sure that we don't limit access. And so that is one of the areas that we may want to come back and talk to you about.

Mr. BACA. I know my time has run out.

The CHAIRWOMAN. Thank you, and I am sure we will have more questions on that, so you will get a better clarification, sir.

I am now going to give 5 minutes to my good friend from Iowa, Mr. King.

Mr. KING. Thank you, Madam Chair.

Administrator Rowe, thank you for your testimony and for coming prepared. I would just like to back us up historically a little bit and ask you if you could inform us as to what the original reason for the nutrition program at its inception?

Ms. ROWE. For the SNAP Program?

Mr. KING. Well, for the nutrition program all together. I could call it food stamps. I think that might be historically more accurate.

Ms. ROWE. Well, the original statutory purpose was to alleviate such hunger and malnutrition, which will permit low-income households to obtain a more nutritious diet through normal channels of trade by increasing purchasing power for all eligible households who apply for participation.

Mr. KING. And what year was that policy established?

Ms. ROWE. 1977.

Mr. KING. And prior to that, we didn't have any Nutrition or Food Stamp Program?

Ms. ROWE. No, and I am leaning back—no, we did have a Food Stamp Program, but the policy cited was from 1972.

Mr. KING. Fair enough. I guess I grew up in an environment that didn't have this program, and I wasn't aware that it didn't exist prior to 1977. So thanks for that information on it, and the basis of it would be to alleviate hunger and malnutrition.

Now, then, in the current environment, can you statistically identify children that are suffering from malnutrition?

Ms. ROWE. I would like to get you that. We do have that information. I did not come with that information available today, but I can get you that information in terms of food insecurity.

Mr. KING. What about malnutrition? That is two different things, isn't it?

Ms. ROWE. Right, right. And in terms of malnutrition, we can certainly talk with our sister agency, the Center for Nutrition Policy and Promotion, to see if they have statistics.

Mr. KING. Okay. I would ask you formally to produce that data for the Committee to statistically identify children that are suffering from malnutrition.

Mr. KING. I think it is important that we anchor ourselves on the basis for this program originally, and hunger is another statistic that can be measured. I would expect everybody has been hungry at one time or another. I don't know how you quantify that. If there is a means, I would like to know what that data is.

Ms. ROWE. Well, there is—we do have a study that was released last year. I know the Food Research Action Council has released studies. We have looked at the food insecurity, and that is a data set that we have not only by state, but we can give it to you by Congressional districts. We can break down the food insecurity population for children and families.

Mr. KING. Okay. And I would just—let us expand this if we can, as I focused on children, but as we look at this data, I presume it will be also equally available for adults and then perhaps seniors separated from that as a group as well. I would like to know in percentages of children that are suffering from malnutrition, adults, and then senior adults, and maybe perhaps three separate categories. And if it gives me some information by region, even by Congressional district, that would be useful.

And I say this because I am concerned that we might have gotten away from our original mission. In fact, we have gotten away from our original mission, because I have heard you say a couple of times the words *food insecurity,* and that is a different definition. And I remember the testimony that we had here in 2007 about food insecurity, and I happen to have saved it in my BlackBerry.

This is a witness before this Committee March 13, 2007, who said, "There is also mounting evidence that the overweight and obesity trends in the United States are due in part to high levels of food insecurity." That is a bit of a concept that is difficult for a lot of my constituents to get their mind around, that people are overweight because of food insecurity, and presumably if we can resolve the insecurity, we can resolve some of the obesity. Do you adhere to that position statement?

Ms. ROWE. Sir, when people have limited resources, and they need to put food on their table, the prevalence is for them to buy those foods that are high in starch, that will fill the need for hunger, which then increases their tendency to be overweight, to have obesity issues, as well as diabetes and other health-related issues.

Mr. KING. Thank you. I do know these arguments, and they are the ones that I had anticipated. But I just make the point that it is hard for taxpayers to understand that more food stamps solves obesity. That is a messaging problem; however, there might be a basis in it in fact, and I could take issue with that.

I would ask also are illegals—are they eligible for the SNAP Program?

Ms. ROWE. No, they are not.

Mr. KING. And do you have a verification program?

I would ask unanimous consent for an additional minute.

The CHAIRWOMAN. No, I will give you a chance later, because I want everybody to have a good 5 minutes.

Mr. KING. Noting the objection, then I yield back the balance of my time.

The CHAIRWOMAN. I hate to be hard about that, but I do want to be fair to everybody on the Committee, and I will now give 5 minutes to Mr. Sablan.

Mr. SABLAN. Thank you, Madam Chair, and to you and the Ranking Member for holding this hearing.

Good morning, Ms. Rowe. My name is Kilili. I am from the most remote part of the United States. It takes you a day to get there, so you can just imagine how much it costs to ship things there, whether it is the chicken from Arkansas or the rice from California. Or we should actually ship more apples from Washington maybe and less SPAM from Minnesota.

But I have several questions. Unlike all the other United States Territories, the Northern Mariana Islands has no statutory mandate to receive nutrition assistance other than the Secretary's authority to extend USDA programs at his discretion under Public Law 96–597. The Secretary has decided it would be in a block grant, and you just testified earlier the difficulties of block grants at the time when people are having the most difficult time.

I come from a place where one of the islands I represent, it costs $4 a pound for frozen chicken, $4. You can buy a chicken at less than a dollar a pound in many of the places here in the United States.

I need to work with you, Ms. Rowe, on this issue, because, again, besides the high cost of those products, my government in the past 3 years has lost almost 50 percent of its GDP. Many people are either laid off—if you are not laid off and lucky, you get furloughed, your hours are reduced, and the world economic conditions, everything is going up.

I look at myself and I say, when I go home and I see the difficulties, the way for me to console myself is I thank God I am not in Haiti, because I can't compare it to any part in the United States.

You said the fundamental mission of FNS is to ensure that people have food. Now, we have—they reduced the program, the Block Grant Program you have afforded the Northern Mariana Islands where an individual gets an average of $111 a month. Fifty miles away in Guam, an individual gets $281 a month. We have just a couple of months ago reduced by 36 percent the benefits to everyone in the program and see an increase of 500 on the wait list now.

I need to work with you before I go into my questions, really, because you, FNS, review and approve the integrity of the programs for the Northern Mariana Islands, and you know all of these things that violates what the fundamental mission is, and you won't lift a finger to fix it. You should.

I really need to work—I need your commitment right now, Ms. Rowe, that you will work with me on this. We have reached out to the Secretary. Mr. McGovern was kind enough to sign the letter for us to send to Secretary Vilsack, and I have not even received a response, and maybe it is because I don't have a vote here.

I hope that when you look at me, you see an American here, because those Americans out there that I live with are going hungry, seriously, and I know because I go to their homes. And I need your commitment, Ms. Rowe, please, to work with me on this. And I will move on to my questions, and hopefully there is enough—thank you, thank you. May I have your commitment?

Ms. ROWE. I was going to say you have my commitment, sir. I would——

Mr. SABLAN. Because we have in the past—I will be very honest. Under Secretary Concannon has really been gracious to us, and we need to address this, get into the food program, because I think that is where Americans need the most help. I am just trying—there are more details. If you want more details, I can share it to you. I am just a little embarrassed that I am telling the whole world that Americans in my district are not getting enough to eat, because the Americans are supposed to carry out the program, fulfill the number one reason it exists, approves plans that they know doesn't serve the program. That is where I need your commitment. I appreciate it, and I yield back.

The CHAIRWOMAN. Now, I would like to give Mr. Southerland from Florida, another Member of the Committee, a full 5 minutes.

Mr. SOUTHERLAND. Thank you, Madam Chair. I would like to yield as much time as my friend from the Northern Mariana Islands needs to finish his point.

Mr. SABLAN. Thank you, Mr. Southerland. I have Ms. Rowe's commitment. She will work with me. I shouldn't be airing any more of this. I am really grateful that you consider that. Thank you. I yield back.

Ms. ROWE. You have my commitment on the record.

Mr. SABLAN. Thank you very much.

Mr. SOUTHERLAND. Ms. Rowe, thank you for appearing today. I am going to ask just some basic fundamental questions.

I am one of the newest Members of the Committee, so I am trying to get my arms around all of this. Tell me if you would, what is the average length of time SNAP recipients participate in the program?

Ms. ROWE. The average length of time that new recipients are participating in the program is about 8 months, 8 or 9 months.

Mr. SOUTHERLAND. Is there a—is there a maximum amount of time? Are there any limits on that?

Ms. ROWE. There are no time limits on participating for most eligible people.

Mr. SOUTHERLAND. Okay. And tell me about in calculating benefits, can you tell me what is excluded from household income and what deductions are allowed?

Ms. ROWE. I am going to need some assistance from——

Mr. SOUTHERLAND. That is fine, and I understand.

Ms. ROWE. Let me just confer with the staff.

Mr. SOUTHERLAND. Sure.

The CHAIRWOMAN. Ms. Rowe, if you would like to have one of your assistants answer for you, that might be better.

If you could state your name for the record, and I will give you an extra 20 seconds.

Ms. SHAHIN. My name is Jessica Shahin, and I am the Associate Administrator for SNAP at the Food and Nutrition Service.

I believe your question was around the eligibility requirement.

Mr. SOUTHERLAND. Yes, it was. In calculating benefits, what is excluded from household income, and what deductions are allowed?

Ms. SHAHIN. Oh, okay. If I could start with the household income in the regular program, it is 130 percent of poverty, and then to receive benefits you need to get to a net of 100 percent of poverty. The deductions are around things like if a state uses a standard deduction that looks at shelter, utilities, those kinds of things. So the deductions are related to their household expenses.

Mr. SOUTHERLAND. Okay. So those are all deducted. Tell me those again. Housing, utilities?

Ms. SHAHIN. Shelter deduction, utilities.

Mr. SOUTHERLAND. Okay. All right. And what is—I heard—what is the average? I see on here that the budget for Fiscal Year 2010 was $68 billion. What is the average benefit at any given time of the people that are recipients of the program? What is the average benefit?

Ms. SHAHIN. I think the average benefit for a family of four is around—for an individual person, it is around $130. You don't multiply that by four people, because you get less and less as the family grows.

Mr. SOUTHERLAND. Sure. So that would be $100——

Ms. SHAHIN. Thiry dollars more per person average.

Mr. SOUTHERLAND. Okay. And then finally, I noticed, Ms. Rowe, we were talking or discussions earlier about the states. What is the incentive for the states to track and prosecute, in your term, bad actors? Where is—well, what is the incentive? What is the penalty if they don't?

Ms. ROWE. Well, first of all, states will face a fiscal penalty for failing to achieve an error rate at a certain level based on the national error rate. You must maintain your error rate at or below the national error rate. States receive penalties. That is not something that any state wants to have to explain to the legislature or to their Governor, that they are going to receive a fiscal penalty for failure to perform. States also receive bonuses, and it is the bonuses that encourage states and—encourage states to not only stay focused in this area, but to have additional resources to apply, whether it is for additional investigators, additional staff, outreach.

I will tell you, when I was a state administrator both in the District of Columbia and for the State of Connecticut, we were competitive among our colleagues. We wanted to have as low an error rate as possible. We wanted to be able to go to our Governors and our legislatures and talk about the efficiency in which we were operating the programs. Not only are you here in Congress concerned, but legislatures are concerned, and members of state legislatures and Governors, about the error rate and ensuring that the program is operated efficiently.

So it is the efficient operation of the program, as well as staying very focused on what you need to do to maintain your error rate and to continue to have it drop.

Mr. SOUTHERLAND. Okay. Thank you, Madam Chair, and I yield back.

The CHAIRWOMAN. Thank you.

And, Mr. McGovern, you are recognized for 5 minutes. And I would like to—before the clock begins—to recognize that the Ranking Member of the full Committee, Mr. Peterson, is here, and because I am a tough nut, you are going to be number 5 on the list, but we will give you a chance to make a statement as well as a chance to ask questions, sir.

Mr. MCGOVERN. Well, thank you very much, and thank you, Madam Chair, for letting me participate in this hearing. Thank you, Administrator Rowe, for being here.

You know, I just want to say a couple of things. First of all, when the Chairman of the full Committee opened up, he talked about the fact that we are in tough economic times, we all have to make difficult choices, but I would like to state for the record that I don't think all programs are equal, and certainly programs that provide nutrition and food to people in this country to ensure that they don't go hungry I think need to be prioritized.

And the problem we have here, quite frankly, is we still have a hunger problem in America. There is not a community in this country that is hunger free. What we need is a holistic plan that involves, quite frankly, more than just the programs in your Department and in USDA, but we need a holistic approach to try to eradicate this problem once and for all.

It was mentioned that we are spending more on the SNAP Program than ever before. That is because more people are falling into poverty, more people are out of work, more people are eligible. If the economy gets better, the amount we spend goes down.

The Chairman of the full Committee also talked about the Categorical Eligibility Program, or Cat El, I guess, is what they call it, which I think helps make SNAP a more efficient program, and I think repealing Cat El would decrease participation and make it more difficult and costly for states to administer the SNAP Program, and I think would result in increased error rates, exactly the opposite of what our goal should be. So I guess I don't want to— I hope this Committee doesn't go down that road.

I would appreciate your comments on that. You mentioned how the SNAP Program is now more efficient than at any other time in its history, and when you compare it to a lot of other government programs, it looks really, really efficient. And amongst the error rate, is included in that number the number of cases of underpayments; in other words, where people who are eligible for a benefit don't get the entire benefit?

Ms. ROWE. Correct.

Mr. MCGOVERN. I appreciate your comment on that.

And then finally, there are a lot of people still who are eligible who are not in this program, and I would be—I would like you to answer the question of how many people are eligible but are not participating, and are they senior citizens, or are they children, or where does that—you know, where do those numbers fall?

But look, these are really vital programs. I am sorry my colleague from Iowa left. I have to tell you, I think all of us when we go into our districts, we see people who are in really tough situations, who—quite frankly, these are the programs that actually put food on the table to allow their kids to have enough to eat. So in any event, I will yield to you to answer the questions.

Ms. ROWE. Well, you are absolutely right, the problem is hunger. People need to be able to put food on their table, and this program allows them to be able to do that; not only to put food, but to put healthy food on their table.

With regard to broad-based categorical eligibility, it just allows states the ability to simplify their SNAP administration by aligning the income and the resource limits with their TANF Program, something I wish I would have had when I was administering programs. It is a simplified way of making the application process easier for both clients and states.

I also should mention that the household must still have a net income low enough to receive SNAP benefits, so even though they are categorically eligible, they still have to have a household net income low enough to receive benefits.

In looking at some of the data, almost 98 percent of those receiving SNAP benefits have an income at or below the regular SNAP income limit of 130 percent, even in states with broad-based categorical eligibility. So it hasn't opened up. What it has done is made it easier for people who want to participate to understand what is necessary for them to participate, and also to support the staff in terms of the administration and the application of the program.

Underpayments and overpayments are all part of that payment error. We continuously work to ensure that we have neither underpayments nor overpayments, again, something that states are very focused on. And there are those who think that we are more focused on the overpayments, but my experience is we are focused on both. We want the right amount of money to go to the family and individual who is participating in the program. So we focus a great deal on underpayments and overpayments.

Those who are eligible who are not in the SNAP Program—and I was hoping somebody was pulling that data together and was going to hand me a note—but I will make sure, but it is a large percentage, and we can give it to you by the percentage of elderly and other individuals who are eligible but not participating.

Mr. MCGOVERN. Thank you.

The CHAIRWOMAN. Thank you.

I would like to now recognize my friend from Maine, Ms. Pingree, for 5 minutes.

Ms. PINGREE. Thank you, Madam Chair. I appreciate that, and I appreciate both of you holding this hearing today. Thank you very much for the work that you do and the way that you help some of our most vulnerable citizens. Welcome to your job after 4 months. I am also new on this job. I am a new Member of the Committee and am very pleased to be here.

This is a tough economy, as many of my colleagues have stated, and I appreciate the thinking that my other colleagues are putting in on helping you think about how to make sure we reduce fraud and abuse in this program. And in tough times I think we do have to make sure that all the states are spending their money wisely and there is sufficient oversight. So I appreciate that discussion.

I also know in my State of Maine, where we are 38th in per capita income, we have lost a tremendous number of manufacturing and other natural resource jobs, about 250,000 residents of our state take advantage of the SNAP Program, and that is a lot of people in a state of 1,300,000 people. I also know that we do have many vulnerable citizens who do still not receive access to the program, so I do appreciate the importance of outreach, I think particularly to seniors who often don't take sufficient advantage of the program.

I have a lot of concerns about this, and I will try to get a couple of questions out. One of my issues in Maine that you have helped us deal with—and we are very appreciative of the work that Secretary Concannon did. As you may know, he spent some time in Maine, and we think highly of him, and I hope that doesn't ruin his reputation in the Department. We really struggle with high heating costs and other excessive expenses. As I am sure you know, as one of 17 states to obtain a standard utility assistance waiver offered by the USDA in 2009, I really appreciate the 40,000—on behalf of the 40,000 Mainers who benefited from the Administration's decision to extend that waiver twice so Mainers could get through the winter, but the final adjustment came down to many people losing $20 a week in benefits. I know to many people that doesn't sound like a lot of money, but I know too many seniors and other very vulnerable citizens who are out of work, who have been out of work for a long time, have depleted their benefits, they are at the end of the line, and that was very difficult.

I guess one of my questions, which goes counter to some of the concerns that people have, is when was the last time we updated the SNAP formula, and how does the Department plan to deal with assuring adequate nutrition for those people who I think in a state like mine where we are the most oil-dependent state in the country, we pay high heating oil costs, tough winter like the last one, a lot of people just couldn't make ends meet, and we didn't feel the cost adjustment was sufficient or representative for us?

Ms. ROWE. Again, I am going to ask Jessica if she would join me with regard to the last time that we looked at the standard utility allowance and made any updates.

Ms. SHAHIN. Actually, yes, ma'am. The standard utility allowance is adjusted by states on an annual basis in accordance with what their rates are, so it is updated every year. Each state does their own methodology, but it does have to be approved by FNS as a methodology for determining that year's standard utility allowance, and its basis is the cost that the state has incurred in the previous year.

Ms. PINGREE. I am sure we will end up having more conversation on that over time, but I thank you for that. And I just wanted to reiterate that it is a continuing challenge for my state, and I am sure in other places as well.

I want to switch gears here a little in the time I have available. One of the things that I am particularly interested in is this convergence, particularly being on the Agriculture Committee where we think about the interests of farmers. And I represent a lot of small farmers in my state, and I know how important it is to work as efficiently as possible in your Department, but we are very interested and excited about the idea that there are many programs in Maine and other states that are utilizing the SNAP Program for participants at local farmers markets.

I may have to discuss some of this in my second round, but let me just sort of put it out there, and we can follow up on it later. It all seems like a win-win idea. To me, it gets into this issue of adequate nutrition, how do we make sure that people have access to healthy foods. It is good for our farmers. They sell more at the markets, and, frankly, many of them are excited to see seniors and other people in vulnerable populations coming in, buying fresh food, learning how to cook them, and a whole variety of other things.

I do sense that there are some challenges in working with the program. There is some overlap in the departments, there is some difficulty in getting EBT readers in many of our farmers markets, and some of that has to do with what we see as a little bit of overlap between FNS and AMS, not to get into too many initials.

I am about to run out of time, so I may just put this out there when I get back to my second round, which I assume we are going to have a second round probably. I would like to talk more about that because that seems like a solvable problem and deals with a lot of the things that we are talking about today.

The CHAIRWOMAN. Thank you.

Now I would like to recognize the Ranking Member of the full Committee, Mr. Peterson.

You may give an opening statement and ask follow-up questions if you choose.

Mr. PETERSON. No, Madam Chair. I just have a couple questions.

Ms. Rowe, you proposed regulations for school nutrition standards that are supposed to keep the standards current within *Dietary Guidelines* and consider the recent IOM report, yet your proposed rule would significantly change the way tomato sauce and tomato paste is counted, which would substantially increase the cost of serving school lunches and generally make pizza uneconomical for schools to serve. As I understand it, you are miscounting tomatoes. Apparently there is nothing about crediting tomato products in the *Dietary Guidelines,* and there is nothing about it in this IOM report. We don't think there is any scientific justification for the proposal, so could you explain to me why you proposed a change in accrediting tomato products?

Ms. ROWE. Well, what I can say is that it was—as we looked at the standards of the *Dietary Guidelines,* as well as the standards within the IOM recommendations, it was a determination by our staff that that was a necessary change to make, which is why we included it in our proposal. Now, we did receive over 130,000 comments on those proposed rules. Just yesterday I received an executive summary of the comments, which was about 150 pages. We will be looking very closely at that issue as well as other issues that have been raised and make some determinations as to how to move forward.

Mr. PETERSON. I don't see what justification there is, and if you are going to go ahead with this, then maybe what I will propose is we will reduce the funding for this program by whatever the increased cost of this is, if that is how people want to operate.

The second thing on the categorical eligibility issue, can you tell me how many more people became qualified for this program through categorical eligibility?

Ms. ROWE. As I understand, based on looking at some preliminary data, it is about 2 to 2½ percent.

Mr. PETERSON. So that is—what is it, 44 million people?

Ms. ROWE. So it is about 2 or 2½ percent of that number.

Mr. PETERSON. But do you have any idea how much cost that added to the system, these 2, 2½ percent? I guess they have to go through this benefit formula calculation to figure out what they are going to get, like everybody else does, but——

Ms. ROWE. The comment that my staff is sharing with me is it is about one percent of the benefits, so it would be about $100 million.

Mr. PETERSON. And we——

Ms. ROWE. About $600 million, I am sorry.

Mr. PETERSON. We had the IG in here talking about the fraud issue. From what I could tell, a lot of the problem are these small mom-and-pop operations that only have a cash register and a tape. We have had the problem before where they were selling these food stamps outside the door for half price. Now apparently they are ringing this up and giving whoever has the card half of the money, and they keep half the money. Is that, in fact, the case? And what are you doing about this? I am not even sure we should let people buy food in some of these places because it is two or three times as expensive as it is in a grocery store.

Ms. ROWE. Well, in response to your question, we have—that is trafficking. We have been looking very carefully, very closely at that issue. We do have identification through our ALERT system. We identify the stores where we see trafficking patterns that may exist. We are looking at our retailer definitions, who participates in the SNAP Program. We are working with the IG on some investigations. Many of the things, investigations and notoriety, that has arrived in the newspaper are stores that we already have been looking at. So trafficking, understanding what the profile is of stores who are trafficking, that are possibly trafficking, who are in the program, but also having some understanding of those—sorry, applying that knowledge to stores who are interested in participating in the program will also address some of the challenges that we face in not having stores come into the program who we think may very well be coming in, and the end result is they would participate in trafficking.

We are also increasing the penalties for stores who are found to be conducting these unethical business practices. We have increased our working relationship and our coordination with the OIG's office, as I have said. We are looking at specialized investigators. We have investigators who are very adept at looking at the data that we have, the data mining that we are doing. To profile a store, we can go in, we can determine through our own undercover investigation whether or not this activity is going on. So there is a lot going on.

Even though we are at one percent, we do not find that satisfactory. So we are doing a number of things within the agency to continue to take that number down and to target those stores who are participating in these unethical practices.

Mr. PETERSON. Could I just follow up?

The CHAIRWOMAN. Since you are the Ranking Member of the full Committee, absolutely.

Mr. PETERSON. What percentage of these stores that don't have the current technology, are a problem? Is it one percent of them or ten percent of them? Do you have any idea?

Ms. ROWE. I am not quite clear what you mean by *the current technology*.

Mr. PETERSON. Well, I mean they don't have electronic scanners.

Ms. ROWE. The electronic scan card.

Mr. PETERSON. So they just have a tape. And so they don't have to ring anything up.

I was talking to the IG about whether you could set this system up so that as they ring up the groceries, the items actually are put on the card so you could have an audit trail, and one of the answers I received is that some of them don't have the technology, so you can't do that.

I understand all these things that you are doing, but errors and fraud are still hard to catch. So the question is, are we getting at 95 percent of the problem, or is this much bigger? Should we actually look at limiting the ability of some retailers to be in the program if you haven't got a way to control it? That is the question I have.

Ms. ROWE. As I understand it, there are very few stores that don't have the EBT electronic devices, the point-of-sale devices. And those stores that don't have the point-of-sale devices would be stores—as I said, we have stores that we set up.

Mr. PETERSON. How many are there out of the total? I mean, do you have any idea what percentage of the total food stamp retailers are that kind of a store?

Ms. ROWE. We can certainly get back to you on the percentage and the number of stores that do not have the point-of-sale devices. But I will say that as we look at strategically how do you think about managing this program, those would be stores that may be a store that is on a high-profile alert that we watch more carefully than stores that do have the electronic benefit device.

Mr. PETERSON. I would like to have that information if you could get it.

Ms. ROWE. Certainly.

Mr. PETERSON. Thank you.

Thank you, Madam Chair.

The CHAIRWOMAN. And thank you, sir.

Now we will go to the second round of questions.

Ms. Rowe, Administrator Rowe, the 2010 *Dietary Guidelines for Americans* published by the USDA in January of this year specifically list four new trains of concern: potassium, dietary fiber, calcium, and vitamins. Unfortunately, Americans young and old are not getting enough of these important nutrients. One medium-sized potato has 18 percent of the daily recommendation of potassium and eight percent of dietary fiber. For potassium, potatoes are considered to be an excellent source, and for dietary fiber they are considered to be a good source. Knowing this, do you think potatoes are unhealthy? Yes or no.

Ms. ROWE. Within our program for children who participate, no, I don't think potatoes are unhealthy.

The CHAIRWOMAN. Okay. If so, if they are not unhealthy, do you think Americans, and kids in particular, should reduce their consumption of potatoes as proposed by the USDA's meal plan, also issued in January?

Ms. ROWE. What we have said in that plan in looking at it is that children have meals outside of the school meals; that they would have access and the opportunity to have sufficient potato consumption and consumption of other vegetables that are limited under our guidelines. So we do not think that it is necessary to have unlimited white potatoes, within our dietary guidelines, in our meal pattern guidelines.

The CHAIRWOMAN. Well, I am kind of surprised at that assumption, ma'am, because in my city of Cincinnati that I represent, there are some kids that the only food they get all day long is the School Lunch Program and maybe the School Breakfast Program. So to think that they are going to get these things outside of going to school is just not going to happen.

And I really work to try to eradicate poverty in my district, and in some cases the only meals they get are when they are at school. In fact, I just read a book by Jeannette Walls about her issue with poverty, and she now works for MSNBC, and she talked about the fact that the only time she ever got a hot meal was when she was in school, and she is now into her 40s. So it is the school, whether we have had a SNAP Program or another nutrition program, that has really been the baseline for our children.

But having said that, some proponents of the current USDA proposed meal plan rule believe that other revenue sources authorized in the child nutrition reauthorization will offset the cost increase contained in the proposed rule. USDA's analysis indicates that schools will have to develop innovative solutions to the funding gap created by the proposed rule. In other words, they are talking about $5 billion over 10 years, of which 80 percent of the schools that have to bear that cost are the ones in my district that can least afford to do it.

Does the USDA continue to stand by their estimates of the impact of the proposed rule, or do you now believe that revenues from paid meals and other administrative changes will be sufficient to make schools whole as they attempt to implement the proposed rule? And if you continue to believe that schools will face a revenue shortfall as they implement the proposed rule, do you have any suggestions that I might pass on to the schools in my district? And by the way, I have a district that has got a lot of poverty.

Ms. ROWE. Well, let me answer the end of your question first. We continue to work with schools to help them identify strategies that they can use to meet the meal pattern guidelines. There are many schools who, at the time the IOM issued their recommendations, started changing their School Meal Program to try and meet those guidelines, identifying ways in which they could use more farm-to-school products that would maybe reduce their food costs. It may have an initial increase in their prep costs and their personnel costs, but eventually they were able to see some savings and be cost-efficient.

In addition, by allowing schools to now charge the adequate amount for both the paid meals as well as their *à la carte*, it is an additional revenue source that is coming into schools.

We are prepared to work with schools to ensure that they are able to manage the new meal patterns within the budget constraints that they face within their schools, and we are doing that now. We are working with the National Food Service Management Institute. We have been working with a number of other organizations, School Nutrition Association, *et cetera*, to help schools think about how they can meet these guidelines and still be within their budget constraints.

The CHAIRWOMAN. Okay. And because I am a strict timekeeper, I am going to now yield to my good friend Mr. Baca.

Mr. BACA. Thank you.

Again, Ms. Rowe, thank you very much for providing us with a lot of information. I am intrigued with the statistic mentioned, that one percent of the total fraud is trafficking. That is quite low, particularly now that there are record enrollments. And it seems like we are focusing a lot on this number. But, when we stop to look at one percent, consider that is less than the rate of fraud in Federal contracts. There is a lot more fraud and abuse in contracts. And it seems like we are not concentrating on the need to feed people here in the United States. We have a lot of people that are abusing our defense contracts and monies that are being wasted. If all we care about is fraud, we should be focusing a lot more in that area than on SNAP.

But getting back to one of the questions I want to ask, what are your thoughts about the recent movement by some localities, most notably in the City of New York, to limit the choice of food available with SNAP benefits?

Ms. ROWE. Well, as I said, we are looking at the New York waiver that they have submitted. We have it under careful review, and we will be making a determination. I would be happy to share the outcome of that decision with all of you.

With regard to the other—your question in terms of the dietary behavior of most Americans, most Americans, I know myself, do not have a good diet, and we are constantly looking for ways to increase information to Americans so that they can improve their dietary habits and lifestyles. So I think what we see happening in state after state, the states are becoming more and more concerned about the diets of their citizens, states are taking actions. We are looking for ways to incentivize activities within states to reinforce, provide incentives that reinforce positive food—positive habits around healthy nutrition and healthy lifestyles. That is an approach that we have been taking.

Mr. BACA. Okay. Do you feel that these initiatives will either improve health or save money?

Ms. ROWE. Well, I think the initiatives—and the final information is still not available to us, but as we look at incentives, we certainly see greater participation in individuals who are purchasing fresh fruits and vegetables. As we look at availability, farmers markets, *et cetera*, particularly farmers markets where we do have—where they are able to use SNAP benefits, or use the Senior Farmers Market vouchers, or the WIC vouchers, or any of those programs, we are seeing greater consumption and participation in fresh fruits and vegetables. We think that does carry over into people's buying habits as well.

Mr. BACA. Thank you.

One of the programs that I am very much concerned about is the Food Distribution Program on Indian Reservations, FDPIR. Too many times we ignore that many of these tribes are very poor and don't have adequate access to food. What role does USDA play in helping tribes reach out to promote FDPIR?

Ms. ROWE. We work very closely with tribes. One of my first visits when I came onboard was to one of the major meetings of tribal leaders. We work very closely with them. We have an overview work group that looks at the types of foods that are distributed. We keep trying to make sure that the foods are healthy, but also meet tribal needs and tribal guidelines. We have continued to expand, work with the tribes members to explain to them the importance of the food package that we have available and how healthy that food package can be for themselves and for their families.

Mr. BACA. Okay. I am also curious to know how FDPIR and SNAP work side by side, since, as I understand it, no one can be enrolled in both programs at the same time. Is FDPIR only used in areas that are remote and have little or no access to stores?

Also, do you know the percentage of reservations that contain food stores that accept SNAP benefits?

I had to throw in both questions because I am running out of time.

Ms. ROWE. With regard to the participation in SNAP and FDPIR, it is operating in locations where there is not easy access to any other food stores and members who live on Indian reservations can participate in. So, yes, it is that individuals can participate in SNAP, or they can participate in FDPIR. They are not able to participate in both.

With regard to the second part of your question, the availability of stores. That information we can get back to you on. I am sorry. The availability of stores. We can get that.

The CHAIRWOMAN. Thank you so much.

And before I turn it over to Mr. Southerland, I would just like to recognize that we have students in the audience from the Future Farmers of America in my district at Fayetteville-Perry, and they are seeing democracy in action. And I think it is very timely that they are here while we are discussing the merits of the food safety program—or I mean the food nutrition program in the farm bill.

And so with that I will give 5 minutes to my friend from Florida.

Mr. SOUTHERLAND. Thank you, Madam Chair.

I would like to recognize the efforts of Florida Partnership to End Childhood Hunger and Florida Impact. Both organizations are based in my Congressional district in Florida, and I am proud of their efforts to work with over 50 organizations committed to work collaboratively to address childhood hunger and those in need. The partnership leverages public and private partnerships and Federal nutrition dollars to reach low-income families.

What is your—and I know you are new in your post here. What is, in your opinion, the role between these public and private partnerships and what they—how they should work together to really address hunger?

Ms. ROWE. The role of these partnerships is critical, particularly as they work together in a state leveraging both their resources and their knowledge, being able to target their resources, being able to be strategic in thinking through how do we reduce, how we move the dial, as I often call it, from where it is today to where we want it to be to reduce hunger, to improve nutrition.

We support these partnerships. Many of them, our regional offices work closely with them. We provide staff support to them. They are an integral part of the work that we do at the regional level and at the national level. It is very important to have these public-private partnerships.

Mr. SOUTHERLAND. I am assuming you have similar partnerships around the country in states everywhere and communities everywhere?

Ms. ROWE. We have them around the country, and just for summer feeding alone, the partnerships, the work that goes on in a state with these major partnerships to get information out, to recruit families, to get them involved, but also to provide information and data, those partnerships are extremely important.

Mr. SOUTHERLAND. Very good.

I also want to mention, I know that our Florida Agriculture Commissioner Adam Putnam, a colleague of many of those on this panel this past year, I know he has a current pending application before USDA Food and Nutrition Service, and it is basically the Healthy Schools for Healthy Lives Act, and so I just would like on behalf of my state to just ask for your consideration in that application.

Ms. ROWE. Absolutely.

Mr. SOUTHERLAND. And I know that we are eager to work to make a difference not just in my district, but in the State of Florida.

Madam Chair, I know I have 2½ minutes, but we want to be good stewards of our time, so I don't want to just ramble, so I am going to yield back.

The CHAIRWOMAN. Let me now give 5 minutes to my good friend who may not feel that he has a vote, but he always has a voice, from the farthest part of our Americas, Mr. Sablan for 5 minutes.

Mr. SABLAN. Thank you very much, Madam Chairman. Thank you for your kind words. I say I have a voice right now, but I prefer to vote actually eventually.

Ms. Rowe, again, 4 months on the job, and I am asking you so many details about this place that you probably never have heard of maybe 4 months ago unless you have been there, right?

Ms. ROWE. I will tell you that I have heard a lot about it since I have been in this position.

Mr. SABLAN. I am sure.

Anyway, I want to compliment you. WIC is one of the best programs that has happened to the Northern Mariana Islands, and on behalf of the babies and women and children, it is just a wonderful program.

I have—the School Lunch Program, you see, because we are again from the territories, like I said earlier, almost ½, a decrease of almost ½, 50 percent of our GDP, increase in layoffs, increase in furloughs, but our Census count won't come up until the summer of 2012. That is a year away from now. But all of these economic conditions have seen an increase of students eligible for the School Lunch Program, and I have my education people on my back all the time asking for the release of the Census because they know, they know that there is an increase of eligible students for the school lunch. They also know that without that increase in numbers, they can't justify to you an increase in the need for increased funding for the program. So, again, I would like to ask you to join me again in looking into that, and I am just associating this new issue in food commitment we have to work together earlier.

I am also going to ask, if possible, to ask for a response to the letter that Mr. Jim McGovern, Mr. Sam Farr, and I wrote on June 24th to Secretary Vilsack, and I appreciate that.

And let me just—let me give you a little information on how much attention—and this is not specific to your Department, this is to many Federal offices—how much attention they have for the Northern Mariana Islands. Yesterday I went to your website. I wanted to find out in your public affairs, government affairs, who I should talk to. And did you know that in your website as of yesterday, I don't know if they made changes today, that under Region

9 they are still listed as covering the Trust Territory of the Pacific Islands. The Trust Territory of the Pacific Islands ceased to exist 25 years ago, but it doesn't cover the Northern Mariana Islands, which became a part of this nation in 1978, over 30 years ago.

This, Miss Rowe, with all due respect, and in all sincerity, is what I am saying when I say—and you are not the only one. Don't think you are exclusive in this. The absence of the necessary attention that Federal agencies need to give to the territories, and in particular to America's newest territory, the Northern Mariana Islands, and those are Americans out there. Thirty percent of our high school graduates put on a uniform. I don't know if that happens anywhere else in America. Thirty percent of our high school graduates. And we are talking about a very small population. They deserve the attention from Federal Government employees, and it breaks my heart.

And I am the most grateful person from the Northern Mariana Islands to all Americans. My gratitude and appreciation for the American people has grown exponentially in the little over 2 years that I have been here. Grateful. I tell my people back home, if you see an American taxpayer, by God say thank you, and I mean that from the bottom of my heart.

But Federal offices, I know we are all busy, going through this 175 page report and all these statistics that I don't read basically. But those are Americans, and they are entitled to no less than the attention that we give Americans, we give Members of Congress. No less; not more, but no less.

For that, I yield back, and I thank you for your presence here today.

The CHAIRWOMAN. Thank you. And isn't this a powerful voice?

Ms. ROWE. I was going to say, you have my attention, and you have my commitment.

Mr. SABLAN. And you know I love you, Ms. Rowe.

The CHAIRWOMAN. Mr. McGovern, do you have any more questions?

Mr. MCGOVERN. Yes, I do.

The CHAIRWOMAN. Five minutes, sir.

Mr. MCGOVERN. Thank you.

Let me first say with regard to a couple things that were brought up, this New York waiver, and the suggestion by my colleague Mr. Peterson about limiting where SNAP beneficiaries can shop, I would urge you to proceed with extreme caution on both of those things.

I was at the press conference with the First Lady yesterday dealing with food deserts. There are some people who do not have access to supermarkets and stores that provide the kind of nutritious food that we all define as nutritious, and while it sounds nice to say we are going to make sure people can only spend money on good food, we should be thinking about how to give people more access as well as the issue of affordability. So it sounds good, the New York waiver, but I would urge you to proceed with caution.

I have a few questions, and then—let me get through them all, and then you can answer them.

Following up with the categorical eligibility issue, isn't it true that if we cut Cat El, that that would result in increasing—it would result in an increase in error rates and fewer people receiving SNAP?

And then on the benefit level, does the SNAP last a full month? What happens when someone runs out of their SNAP benefit? Where do they turn to for food?

And then finally, going back to a point I brought from my original statement, I do not believe that we have a comprehensive or holistic plan to deal with hunger in America, and I have been suggesting to the White House and the Secretary of Agriculture, and I am going to suggest to you, we should have a White House conference on food and nutrition. We need to connect the dots because ending hunger is not just about SNAP, it is not just about WIC, it is about a whole bunch of other things. We need to connect these dots.

And the President made a pledge that we would end childhood hunger in America by 2015. We are not, at the rate we are going. And I want to be able to keep that pledge, and I would—my follow-up question would be would you agree with me that we should do a White House conference on food and nutrition so that we can come up with a holistic plan so we all know what our assignments are? Again, it falls under the jurisdiction of not just what happens in this Committee and not just what happens in government, it is the private sector, it is the NGO community, it is the faith-based communities. But we don't have a plan. We do not have a plan. I would urge you to help me convince the President to go ahead with that conference.

So with that, I will let you answer my questions.

Ms. ROWE. Well, let me answer the question in terms of any reduction in the food stamp program, any changes in categorical eligibility or any reductions would result in people having to leave the program and not being able to meet their basic needs.

I think the other part of your question, you and I see it all the time, and I am sure others as well, individuals run out of benefits sometime toward the—after the middle of the month. They spend—and when that happens, they have to turn to food pantries. They have to turn to the food pantries in their churches, they turn to the food pantries and the food banks that are in their communities, so they turn and look for resources very quickly.

Benefits are usually spent in the first 3 weeks. So, the last week of the month, that is also in response to the question about the obesity issues, because when those benefits are spent, that is when individuals turn to foods that will fill the stomachs of their children and themselves, which may not be the healthy foods, and they may be the foods that lead to obesity and other health-related illnesses.

The broad-based categorical eligibility simplifies and thus reduces error rates when you think about how, as a state, we apply that program or that rule. So I think if we eliminate it, we would find ourselves talking about a different number or additional resources being spent to try and maintain the error rate that we currently have in place.

With regard to a comprehensive process for planning, I agree with you that we need to have a comprehensive process for planning. To the extent that that would be a White House conference or some other vehicle, we would—I would certainly be prepared to support it.

Mr. McGovern. I appreciate it. I do have a request in to the President calling for a White House conference. I just feel it needs to be—this issue needs to be brought up to that level, if we are going to be serious about it. I think everybody, Republican and Democratic, are all committed to trying to end hunger in America, but we don't have a plan. We don't have a comprehensive plan, and I don't know any other way to get to one where we can hold people accountable other than bringing it up to the Presidential level. The First Lady's press conference was really good yesterday, but she didn't talk a lot about hunger or poverty, and, as you have mentioned, hunger is a contributing—food insecurity is a contributing factor to obesity. But, anyway, I would appreciate any support I can get on this idea. Thank you.

Ms. Rowe. You are welcome.

The Chairwoman. Thank you.

In our final set of questions before we go to two closing statements, one by Mr. Baca that will be delivered by Ms. Pingree and the final one by myself, and any closing remarks that you may have, so I am going to turn it over to Ms. Pingree in her role as Ranking Democratic Member for 5 minutes of questions.

Ms. Pingree. Thank you.

Thank you for persevering here and again for your good work, and to our Chairwoman for holding this hearing. I will try to be brief here because some of these things I think I will just submit to you in writing.

But just to go back to if you recall 100 questions ago, I am very interested around the things in EBTs and farmers markets, and one of the things I have heard, we talked to a lot of our farmers markets, I know many of them struggle. Some don't have Internet access, but sometimes it is just other parts of the bureaucracy. I have been told that there is some argument that if they were able to combine the work that went on at FNS and AMS, and this may be way in the weeds for you at this moment, but it could streamline some of the processes, the application processes they have to go through. Our only interest in the end goal is making sure that more people who participate in the SNAP Program are able to buy food from the local farmers market. So I am not sure if you have an answer to that question, but one of our issues is around that and how to make this work better, and I think we could work with the Department on that.

Ms. Rowe. We have started to have meetings with AMS earlier year this year before the season opened for farmers markets to find ways in which we could be more collaborative in—both in financing farmers markets, but also in approving them, authorizing them, and getting point-of-sale devices in. I think we were a bit better this year. We will continue to work toward it. I would be happy to have further conversations with you about it as well and members of your staff.

I became interested in the nutrition area because of my involvement in my church's farmers market, and so I saw the benefits on the south side of Chicago when people came out and had a farmers market where they could make purchases.

Ms. PINGREE. Great. Well, I am glad we are on the same page on this. I would be happy to work with you and talk more about it. I do think it is one of those things, a few bureaucratic hurdles we get out of the way, and we can make this work.

I just want to bring up one other topic, and I know there are many this morning. It is my understanding there are more applications from eligible schools for the Fresh Fruit and Vegetable Program than there are funds available. Again, this is one of the interests in my district. We have seen the huge change in schools that are able to provide more fresh foods, buy from local farmers. It spurs on the interests of young kids in what they are eating. Sometimes they take the information home to their families. I have sat next to kids in elementary school who are happily gobbling up their kale and Swiss chard. I think we deny them the opportunity to eat some very health foods when we don't do that.

So can you give me some background on the number of schools or percentage of schools that apply but are denied? And if you can't provide that now, that is okay.

Ms. ROWE. We don't have the breakdown, but I agree with you. When I started going out, that was the one thing I heard from schools: We would like to be able to participate in this program.

Ms. PINGREE. Great. I just want to put it out there again. We have seen the changes in our state. Again, it is great for local farmers, it creates new markets, but it also allows our kids to eat more foods.

And I will just—in my own end of this, I appreciate the work the Chairwoman is doing on behalf of the lowly potato. As a potato-raising state, I understand the issues around too many carbohydrates and starches in kids' diets, but the benefits of an actual potato, the nutritional value, and the importance of that is critical, and so I am glad that that is being much discussed.

And I will yield back the balance of my time.

The CHAIRWOMAN. Thank you.

And now on behalf of Mr. Baca, would you care to give the closing statement?

Ms. PINGREE. Thank you, Madam Chair, and as I mentioned to you, this makes me a far better pitcher in life. I feel I can play baseball again.

So his closing statement, on behalf of Ranking Member Baca, I would like to thank you, Ms. Rowe, for your participation in today's hearing and your thoughtful testimony. Your knowledge, ideas, and experiences will, I hope, be used by Congress to ensure adequate nutrition continues to be available to the neediest Americans in the most efficient manner.

Again, thank you to Chairwoman Schmidt for holding this hearing. I know we share an interest in the health and wellness of our constituents, and I look forward to working with you during this next farm bill to put those interests into practice.

The CHAIRWOMAN. Thank you.

Now for my closing statement. There was so much that I could have—I wish I had the opportunity to ask, but I am going to combine it in a closing statement.

I think that most Americans recognize we have an obesity problem in the United States, and that we have to find ways to tackle it, but I think sometimes we reach wrong conclusions when we look at current trends and make a decision that is not going to make folks eat more healthy or have trimmer bodies. And I look at your agency and others involved in food marketing guidelines, and there is—people think, well, the kids are getting heavy because they are watching too much TV, and I agree. I think the sedentary lifestyle that we have today with our children, the fact that they lack as much playground activity as I had as a child tends to build a broader waistline. But, I think that while we both might believe that the TV is the root cause, I think we are reaching the wrong conclusions as to why.

I think that sometimes people say, well, it is the advertisement that is going on on the television that is helping to broaden those waistlines, and I am just not sure that is true, because I had those same advertisements when I was a kid, but my mother made me go outside and kick the can.

Much of the products banned by the Interagency Working Group's proposals are the same ones the USDA has recently determined to be important in the Special Supplemental Nutrition Program for Women, Infants and Children to promote healthy children under Title V. I assume that the reason the four agencies created a working group on this issue was for consistency of the Federal food nutrition recommendations, yet looking at the HealthierUS School Challenge criteria, the National School Lunch Program proposed rule, the WIC food package criteria, and the IOM Competitive Foods Report, inconsistencies abound. If the point is to encourage healthy food, isn't it important that the Federal Government speak with one voice and a consistent voice?

And I would like to add that it is not always about the food, it is about how in many cases the food is prepared. Cereal in the morning isn't a bad product if you make sure that you are only having ¾ of a cup, or ½ cup, or a cup, whatever is recommended, and that you are using either a low-fat or a skim milk with it and not adding sugar. That is not a bad actor. In fact, sometimes healthy cereals with a lot of granola and grain can have twice as many calories as, say, Tony the Tiger's great cereal. So it is not about the advertising, it is about how we prepare the food.

The war on potatoes, which I am so glad I have a fellow lady helping me with this, the potato is one of the best foods a person can eat, especially folks that have a modest income, because of all the nutrients that are in it. But, if you deep fry it, and you put a lot of cheese on it, and you put a lot of salt, then maybe it becomes a less attractive animal. But when you just eat it as a potato, whether it is mashed and with a little skim milk and a little pepper, that is not a bad thing to eat. And so I caution arbitrary conclusions based on unhealthy ways that we prepare products rather than the food group itself.

I am concerned about recent findings in the Global Insight suggesting that the proposal could cause the loss of significant number of American jobs. I am concerned that it would cost our schools more money for the proposed rules that are there when it is not going to make our children thinner, it is not going to make them have more healthy foods. And most importantly, I am concerned at what will happen to those children, especially the at-risk children, when they leave school. To think that they are going to get those kinds of foods outside the school, that just may not be the case.

And I am just throwing that out there because I think you and I are on the same page. We want to attack obesity, we want to make sure our children and our adults are healthy folks, and I really think that it is education. It is educating the food preparer, whether it is the mother or the father or the aunt or the grandmother, on how to prepare the foods in an appropriate way. And I know most schools are doing this now.

So the problem is really not so much inside the school, but inside the home, but to arbitrarily think that seeing Toucan Sam or Honey Nut Cheerios or Tony the Tiger is making our kids fat, I just don't think that is the case.

So those are my thoughts, and I really thank you, and if you have any closing thoughts, I will give you the microphone.

Ms. ROWE. Thank you so much. And I really do agree, and I appreciate your perspective and your passion on this subject. It is one that I am equally passionate about, and I am looking forward to working with you and Members of the Committee so that we can ensure that our future generations are healthy and have healthy lifestyles.

I do want to make two clarifications. I did indicate that there was not a Food Stamp Program prior to 1977. I was not correct. Food Stamp Act of 1964 did exist, it established the program, and then there have been subsequent changes. So I wanted to put that clarification out there.

The other was on time limits. There is a small category of individuals, able-bodied, working adults, who participate in the program who have a limit of 3 months and 36 months to participate in our SNAP Program. So I did want to make those two clarifications.

I want to thank you for giving me and our staff an opportunity for being here. As my first foray out before a Congressional Committee, I can say that this experience has been both learning for me, and I hope I have been able to contribute to your thinking as you go forward.

The CHAIRWOMAN. Thank you. And I think it is great, 4 months on the job, you really have a great deal of information and history lessons. That is okay. I make mistakes as well.

In closing, I would just ask if I can impose on you to introduce you to my FFA children, young adults actually, because this is their first foray into Washington, and to meet the Administrator of the Food and Nutrition Service Program I think would really help them with their educational experience. So thank you very much.

Ms. ROWE. My honor.

The CHAIRWOMAN. With that, this meeting is adjourned.

Ms. ROWE. Thank you.

[Whereupon, at 11:55 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT BY LISA DAVIS, VICE PRESIDENT OF PUBLIC POLICY, FEEDING AMERICA

Chairwoman Schmidt, Ranking Member Baca, and Members of the House Committee on Agriculture, Subcommittee on Nutrition and Horticulture, thank you for the opportunity to submit this statement for the record on behalf of Feeding America and for holding this hearing.

Feeding America is the nation's leading domestic hunger-relief charity with a network of more than 200 food banks serving all 50 states through over 61,000 local food assistance agencies, 55% of which are faith-based. Feeding America food banks, as well as food pantries, soup kitchens and other assistance agencies, rely on a variety of public and private funding streams to feed 37 million Americans a year, including 14 million children and nearly 3 million seniors.

During the worst economic downturn since the Great Depression, the number of American families struggling to make ends meet has increased significantly. With unemployment currently at 9.2 percent, the need for food assistance continues to remain high and food banks continue to be pressed to meet the need in their communities. Last year, one in eight Americans, received emergency food assistance through the Feeding America network. This represents an increase of 46 percent since 2006. As a result, approximately 5.7 million people per week are now receiving emergency food assistance through Feeding America food banks.

For those individuals facing food insecurity, the nation's Federal food assistance programs and emergency food providers provide a critical safety net. In April 2011, the last month for which data is available, nearly 45 million Americans were participating in the Supplemental Nutrition Assistance Program (SNAP), formerly known as food stamps. In addition, in FY 2011, the Commodity Supplemental Food Program (CSFP) is providing nutritious monthly food boxes to a caseload of more than 604,000 people, more than 96 percent of them low-income seniors. Moreover, in FY 2011, the Emergency Food Assistance Program (TEFAP) is providing more than $350 million worth of nutritious, American-grown commodities to help food banks supplement their food supplies and feed those in need.

As the Committee hears testimony from the United States Department of Agriculture (USDA) regarding the Title IV Nutrition Program contained within the farm bill and the beneficial impact of these programs, Feeding America respectfully offers several policy recommendations that would further strengthen these programs and could provide a more stable and reliable stream of food to the food assistance network and to the millions of Americans we serve who are at risk of hunger.

Policy Recommendations

The Emergency Food Assistance Program (TEFAP) Commodities: TEFAP is a means-tested Federal program that provides food commodities at no cost to Americans in need of short-term hunger relief through organizations like food banks, pantries, soup kitchens, and emergency shelters. Healthy and nutritious food commodities provided through TEFAP are an essential resource that enables Feeding America food banks to meet the need in their communities.

TEFAP commodities currently account for approximately 25 percent of the food moving through Feeding America food banks nationwide. In most instances, local food banks supplement TEFAP commodities with privately donated foods to extend TEFAP program benefits beyond the budgeted amount for the program. As the unprecedented demand for food continues at food banks across the country, TEFAP commodities are essential for the provision of a steady emergency food supply. However, the level of commodities USDA provides is projected to drop off significantly in FY 2011 and FY 2012.

In FY 2010, TEFAP provided approximately $655 million worth of nutritious foods to low-income Americans. This figure includes commodity purchases mandated by the 2008 Farm Bill as well as bonus commodity purchases that were appropriated in FY 2010 Agriculture Appropriations and those bonus purchases made by USDA when necessitated by market conditions.

Unfortunately, in FY 2011, even as the need remains at unprecedented levels, USDA has made no indication that there are plans to make any additional bonus commodity purchases beyond those already made this fiscal year. Without additional bonus purchases in FY 2011, TEFAP spending levels will fall by nearly 44 percent to approximately $370 million. This $285 million decrease in TEFAP commodity spending for FY 2011 will significantly impact efforts to address the growing need for emergency food assistance throughout the country. Without additional r commodity purchases, too many Americans may go without adequate access to the food they need and food banks face the prospect of empty shelves.

With agriculture commodity markets projected to remain strong in the coming years thereby driving a marked decline in the availability of bonus TEFAP commodities, Feeding America recommends that the amount of annual funding for mandatory TEFAP purchases be increased in the 2012 Farm Bill. Further, with respect to bonus commodity purchases, Feeding America recommends that the committee explore the development of an economic, need-based trigger that would prompt Section 32 bonus commodity purchases not only when agriculture markets are weak, but also when unemployment or other economic factors are driving up the demand for emergency food assistance. Last, with respect to the inflationary index already attached to mandatory TEFAP purchases, we recommend that a floor be placed on this program so that spending levels are precluded from being reduced below prior year levels.

TEFAP Administrative Funding and TEFAP Infrastructure Grants: Federal administrative funding helps defray the costs of storing, transporting, and distributing TEFAP commodities, helping ensure food banks and partner agencies can get emergency food assistance to those in need. Recognizing the critical importance of these funds, the 2008 Farm Bill increased the authorization level to $100 million per year. However, despite that recognition, Congress has never provided more than $50 million per year in annual Agriculture Appropriations legislation.

Food banks are struggling to respond to a significant increase in demand that is likely to continue for some time. Without adequate Federal assistance, they will be unable to afford the rising costs associated with storing and distributing emergency food commodities. While the increase in TEFAP products that require refrigeration or freezer capacity has been a welcome addition for clients, these products are more costly to store and deliver across large service areas. Compounding these challenges are rising fuel costs that in some cases have nearly doubled transportation and delivery costs. To help address these challenges and ensure that states and emergency food providers have the resources needed to store and distribute TEFAP commodities, Feeding America recommends that the Committee provide mandatory TEFAP Administrative funding of $100 million per year in the 2012 Farm Bill.

Similarly, TEFAP Infrastructure Grants are essential to helping emergency food providers meet a variety of infrastructure needs and ensure the effective and efficient delivery of TEFAP foods to those in need. Funding provided through this competitive grant program may be used to help emergency food providers implement, improve, and expand their infrastructure activities and projects. Specific items that may be funded include: developing computerized systems for tracking time-sensitive food products; improving the distribution of perishable foods (such as fresh fruits and vegetables); rescuing prepared, unserved food; identifying donors and eligible recipients; and improving facilities and equipment.

In FY 2010, USDA awarded $6 million in TEFAP Infrastructure Grants to 39 emergency food providers, 19 of whom primarily served rural areas. However, USDA had at least 4 times as many applicants for these grants as they had funding to award, demonstrating there is a great demand for these grants. In recognition of the need and demand for this funding, Feeding America recommends that this program be reauthorized at a level of $15 million per year in the 2012 Farm Bill so that even more emergency food providers can benefit from this valuable program.

Commodity Supplemental Food Program (CSFP): Administered by USDA, the Commodity Supplemental Food Program leverages government buying power to provide monthly, nutritionally-balanced food packages to more than 604,000 low-income participants in 39 states, two tribal organizations, and the District of Columbia. More than 96 percent of those benefiting from this program are seniors with incomes of less than 130 percent of the Federal poverty line (approximately $14,000 for a senior living alone). For many of these seniors, CSFP may be the only nutrition assistance program readily accessible to them.

CSFP is an efficient and effective program. While the cost to USDA to provide this package of food is, on average, $20 per month, the average retail value of the foods in the package is $50. For the seniors participating in this program, CSFP provides more than just food and nourishment, it also helps to combat the poor health conditions often found in seniors who are experiencing food insecurity and at risk of hunger.

According to analysis of data from the 1999–2002 National Health and Nutrition Examination Survey, seniors over the age of 60 who are experiencing some form of food insecurity are significantly more likely to have lower intakes of major vitamins, significantly more likely to be in poor or fair health, and more likely to have limitations in activities of daily living. CSFP food packages, specifically designed to supplement needed sources of nutrients typically lacking in participants' diets like protein, iron, zinc, and vitamins B_6 and B_{12}, can play an important role in addressing the nutrition needs of low-income seniors.

Recognizing the role that this program plays in the lives of our nation's most vulnerable seniors, Feeding America recommends that this program be reauthorized in the 2012 Farm Bill and expanded to all 50 states. Additionally, Feeding America recommends that the income threshold for seniors wishing to participate in CSFP be raised to 185 percent of the Federal Poverty Line, bringing it in line with the threshold already applied to women and children participating in this program.

Supplemental Nutrition Assistance Program (SNAP): While Feeding America food banks and the 61,000 local agencies we support are often the first place families turn to for emergency food assistance when they fall on hard times, the Supplemental Nutrition Assistance Program (SNAP) is the cornerstone of the nutrition safety net, ensuring families have adequate resources for food until their household economic conditions stabilize and improve. Many of our food banks conduct SNAP outreach to inform clients about their potential eligibility for SNAP and connect them with the long-term benefits they need.

SNAP is the nation's largest Federal nutrition program, providing nearly 45 million participants with monthly benefits in the form of an electronic benefit (EBT) card that they can use like cash at most grocery stores to ensure access to an adequate diet. Nearly 80 percent of SNAP households include either a child or an elderly or disabled person.

One of the most attractive features of SNAP is that benefits can be redeemed at any of the more than 200,000 retail stores nationwide that are authorized to participate in the program. Almost 80 percent of SNAP benefits are redeemed within 2 weeks of receipt, and 97 percent are spent within a month. Because the benefits can be quickly and efficiently delivered to recipients via EBT cards, and recipients are likely to spend the benefits quickly, many economists view SNAP as one of the most effective forms of economic stimulus during an economic downturn. The United States Department of Agriculture (USDA) estimates that every $1.00 spent on SNAP benefits generates $1.79 in local economic activity.

Another critical feature of the SNAP program is its ability to respond with additional assistance amidst economic downturns or emergencies. SNAP responds quickly to changing economic circumstances, whether they occur locally, such as a plant closing, or nationally, like a recession. Enrollment increases during such times and then falls as need declines. SNAP demonstrated this responsiveness during the recent recession by providing millions of newly unemployed families with a stable source of money for food, proving it to be one of the most effective safety net programs available to families hardest hit by the recession. SNAP responds just as effectively to natural disasters. During the aftermath of disasters like Hurricanes Katrina and Rita in 2005, victims of the hurricane were able to have their immediate need for food addressed quickly because of SNAP. Similarly, the program is responding to immediate need in areas hit by recent flooding or tornados.

Congress made many significant improvements to SNAP in the last farm bill. As we move toward consideration of the 2012 Farm Bill, it is essential that Congress build upon those improvements and protect the integrity of SNAP so that the program can continue to respond quickly and effectively as the foundation of the nutrition safety net. As such, we offer the following initial recommendations for consideration:

Benefit Adequacy: Current SNAP benefit levels are often insufficient to last a family throughout the month. Over 90 percent of SNAP benefits are used up by the third week of the month, leaving many SNAP families food insecure for portions of the month. Adequate benefits would also provide families with opportunities to access more nutritious food.

Congress approved a temporary boost in SNAP benefit levels in ARRA to help families make ends meet during the recession. Congress rescinded some of the boost in 2010 by using $2.5 billion of the increased benefits to fund the Healthy, Hunger-Free Kids Act and $11.9 billion to fund the Education jobs and Medicaid funding bill. As a result, the remaining increase in benefits is now expected to sunset in November 2013.

Just as concerning as the cut to the ARRA boost itself is how the cut would be implemented. Congress carefully crafted the ARRA increase to protect families from a "cliff effect." By designing the increase to phase out incrementally as food prices rise to catch up with the higher benefit, Congress made a promise not to pull the rug out from underneath our nation's most vulnerable families. Under the recent cuts, this is exactly what would happen. A typical family of four would see their monthly benefits abruptly drop by some $54 per month, as estimated at the time the cuts were enacted.

While the ARRA SNAP boost was intended to be temporary, it was also desperately needed, and Congress must take steps to permanently improve the adequacy of the SNAP benefit. Feeding America strongly urges the House Agriculture

Committee to restore the ARRA SNAP funds and protect the remaining boost to SNAP benefit levels from being used to fund other priorities. We also recommend that the Committee look at long-term ways to improve benefit adequacy, such as reviewing the Thrifty Food Plan as the basis for benefit levels, increasing the standard deduction to bring benefit levels in line with where they would be now had the inflationary peg not been removed for the period 1996 to 2008, and strengthening nutrition and other education to help participants maximize nutrition on a limited food budget.

Improve Access and Participation: The Committee should continue to strengthen the SNAP's ability to meet need by breaking down access and participation barriers. Not all who are eligible for SNAP participate in the program, whether because of stigma, misinformation about eligibility and potential benefits, or cumbersome enrollment procedures. While SNAP has made steady improvement in participation rates over the last several years, still only about ⅔ of those eligible are served. Participation is especially low among certain subpopulations, like Latinos and seniors. Continued outreach is needed to make sure all who are eligible and in need of assistance are informed of and enrolled in the program, especially among under-served and vulnerable populations. Congress should take steps to improve program education and outreach, streamline the application and eligibility-determination process, and increase coordination with SNAP across other programs. For example, categorical eligibility has been shown to both improve program access while at the same time allowing states to reduce administrative costs and simplify administration. Congress should strengthen categorical eligibility and encourage states to take advantage of the expanded option.

Congress can also improve access to SNAP among vulnerable populations by eliminating or easing specific restrictions on subpopulations, including the harsh time limits on jobless adults, the 5 year waiting period for legal permanent residents, and the permanent ineligibility of drug felons:

- Able-bodied adults without dependents (ABAWDs) who are not working a minimum number of hours are limited to only 3 months of SNAP benefits out of every 3 years, although states with unemployment rates above ten percent may request a waiver. The time-limit for ABAWDs is too restrictive even when unemployment is low, but with unemployment at 9.2 percent nationally and many people returning to work forced to accept reduced hours, ABAWDs should be allowed to re-apply more frequently and for longer durations.
- Adult legal permanent residents are subject to a 5 year waiting period before they may participate in SNAP. Furthermore, the confusion about eligibility created by this policy decreases participation among eligible children of ineligible parents. Eligible adult immigrants who are here legally, many of whom are on a path to citizenship, should not have to wait five years to receive nutrition assistance.
- Federal policy permanently prohibits drug felons from participating in SNAP, presenting an additional challenge to self-sufficiency for formerly institutionalized persons who already face difficulties in re-entering the labor force. Recognizing this, 40 states have either lifted the Federal ban or modified the ban to make it less punitive. Congress should repeal the lifetime prohibition on drug felons participating in SNAP.

Program Integrity: In addition to making further progress to strengthen SNAP, Feeding America urges the Committee to protect the program from harmful policy changes that have been recently proposed, such as converting the program to a block grant, subjecting it to a global spending cap, imposing additional work or citizenship requirements, or restricting the kinds of groceries participants may purchase. Imposing an arbitrary cap on funding would fundamentally change the structure of the program and would undermine SNAP's ability to respond quickly to changing economic circumstances, whether a natural disaster or a recession. SNAP already has strict time limitations for unemployed adults and legal immigrants. Adding further work or citizenship requirements will eliminate this important source of nutrition assistance for vulnerable families, increasing food insecurity and shifting more low-income households to the emergency food system. Ensuring food choice within the SNAP program allows families to make decisions that balance cost, nutrition, and time for preparation of meals.

Reviewing Programs for Duplication and Efficiency

In light of Congressional attention to the budget deficit, we recognize that the next farm bill will be written with limited opportunities for new program investments and a commitment to making sure existing dollars are being well-spent. While we support the goal of eliminating duplication and inefficiencies in Federal nutrition programs, we urge you to ensure that any changes are made carefully and with the goal of improving service delivery, increasing program access, and strengthening benefit levels.

Our food banks and the clients they serve know all too well the importance of stretching a tight budget. Given the extent of hunger and food insecurity in our country, it is important that we maximize the impact of each dollar spent through our network of emergency food providers. Likewise, we believe that Federal tax dollars should be spent effectively and efficiently to ensure a strong and responsive nutritional safety net.

We support efforts to eliminate duplication in program delivery. However, it is important to keep in mind that programs with overlapping eligibility are not per se indicative of duplication. Nutrition programs work together to weave a comprehensive safety net and no one program is intended to meet the needs of all populations. Federal nutrition programs have been developed to respond to identified nutritional needs of specific populations or to reach eligible people in settings not addressed by other existing programs.

We also support efforts to eliminate inefficiencies and streamline program administration. In many cases, the same changes that would result in administrative savings would also reduce barriers to enrollment, such as streamlining the application and eligibility-determination process.

As the Committee works to identify opportunities to streamline programs and eliminate redundancy, members must ensure that such efforts are undertaken with thoughtfulness and careful deliberation. Our ultimate goal must be to better deliver benefits more effectively to all eligible people. As such, we offer the following principles to guide your work:

Benefit Adequacy: Programs must provide resources sufficient to meet the nutritional needs of participants and any savings from greater efficiencies should be reinvested in improving benefit adequacy.

Participation: Programs should be designed and implemented in ways that promote participation by all people in need of food assistance and savings should not be achieved by reducing eligibility or imposing access barriers.

Coordination: Enrollment in nutrition assistance programs should be streamlined and integrated where possible with enrollment in other Federal programs serving low-income people, and eligibility rules should be consistent across programs.

Data-Driven: Any changes to nutrition assistance programs, including those intended to eliminate duplication and inefficiency, must be data-driven and undertaken only after careful study and analysis of the potential impact on benefit levels, eligibility, and participation.

Stakeholder Input: Recommendations should be developed in collaboration with stakeholder input from the public, private, and nonprofit sectors, including those responsible for administering programs at the Federal and state level and those providing delivery of services and benefits to low-income families at the local level.

Conclusion

We greatly appreciate the opportunity to submit testimony today on behalf of Feeding America, our over 200 member food banks, and the 37 million Americans our network fed last year. For these growing numbers of Americans, food banks are truly the first line of defense, and many times the only resource standing between them being able to put food on the family dinner table or going to bed with an empty stomach. However, our food banks and the charitable food assistance network cannot meet the needs of these families alone. It is only through our public-private partnership with Federal government through programs like TEFAP and CSFP and sustained support for SNAP and other programs in the nutrition safety net that we can make real strides in the fight against hunger.

We are continuing to explore opportunities to enhance support for Federal nutrition programs through programmatic or policy innovations, and look forward to working with you as you review the Title IV Nutrition Programs and begin the work of crafting the next farm bill.

LISA DAVIS,
Vice President of Public Policy,
Feeding America.

SUBMITTED LETTER AND STATEMENT BY SAM STONE, VICE PRESIDENT, GOVERNMENT RELATIONS, DAIRY FARMERS OF AMERICA, INC.

August 2, 2011

Hon. JEAN SCHMIDT,
Chairwoman,
Subcommittee on Nutrition and Horticulture, House Committee on Agriculture,
Washington, D.C.;

Hon. JOE BACA,
Ranking Minority Member,
Subcommittee on Nutrition and Horticulture, House Committee on Agriculture,
Washington, D.C.

Dear Chairwoman Schmidt and Ranking Member Baca,

On behalf of the nearly 16,000 producer-members of Dairy Farmers of America, Inc. (DFA), I respectfully submit the attached testimony in regards to nutrition programs and the 2012 Farm Bill. We believe that milk and other dairy products, provided through Title IV of the farm bill, serves an important role in addressing hunger issues for many Americans.

Please do not hesitate to contact me at [**Redacted**] should you have any further questions or need more information.

Sincerely,

Sam Stone

SAM STONE,
Vice President, Government Relations,
Dairy Farmers of America, Inc.

CC:

Hon. FRANK D. LUCAS, *Chairman,* House Agriculture Committee;
Hon. COLLIN C. PETERSON, *Ranking Minority Member,* House Agriculture Committee.

ATTACHMENT

Dairy Farmers of America, Inc. (DFA) respectfully submits comments in response to the House Agriculture Subcommittee on Nutrition and Horticulture's hearing titled "*Agricultural Program Audit: Examination of Title IV Nutrition Programs.*"

DFA is a milk marketing cooperative that is owned and governed by nearly 16,000 dairy farmers nationwide. Our cooperative's success is built on the success of our farmer-owners who raise their dairy herds and their families on family farms across the nation. As the House Agriculture Committee begins the process of examining Title IV of the 2012 Farm Bill, DFA encourages the Committee to consider cost-effective ideas that can further expose needy families and individuals to milk and other nutritious dairy products.

Historically, nutrition programs authorized under Title IV of the farm bill such as the Commodity Supplemental Food Program (CSFP), the Supplemental Nutrition Assistance Program (SNAP) and The Emergency Food Assistance Program (TEFAP) have played an important role in providing millions of Americans with the nutritional assistance needed to lead active and healthy lives. DFA strongly supports these programs because dairy products have continued to serve as an important component to meet the nutritional needs for many individuals.

We also recognize the budget challenges Members of the House Agriculture Committee will face when writing the 2012 Farm Bill. Due to growing concerns related to the Federal deficit, we understand that drafting the next Farm Bill will be a difficult task due to the current budgetary constraints. As Congress continues efforts to address the Federal deficit, we have also witnessed attempts to reduce funding for several programs administered under Title IV of the farm bill.

At the same time, the economic outlook for millions of Americans across the country remains dire as conditions have not improved since the most recent recession. For the month of June, the Department of Labor reported that 9.2 percent of America's labor force was unemployed. Also, food banks have reported a record number of individuals and needy families seeking help through various hunger channels including soup kitchens and food pantries.

Additionally, the U.S. Department of Agriculture (USDA) has witnessed a record number of individuals participating in hunger and feeding programs like CSFP, SNAP and TEFAP. Based on the latest statistics, approximately 45 million Americans are currently seeking help through SNAP and other hunger assistance programs. Clearly, people are in need during these challenging times.

With this in mind, DFA has been identifying cost-efficient methods that could expand and increase the consumption of milk without expanding the size and scope of current nutrition programs. One merited idea to consider would be the creation of a milk voucher program to provide fluid milk to those who access food banks and food pantries and that would be administered under TEFAP.

Through this program, USDA would issue vouchers similar to those currently used in the Women, Infants and Children program to be distributed through local food banks and entities food banks support. Milk vouchers could be provided to food bank recipients and they could be redeemed at local participating grocery stores and be specified to fluid milk. It is our understanding that Congress could authorize such a program and appropriate funds through TEFAP. As you know, TEFAP provides food to food banks around the country, which they distribute to shelters, pantries and soup kitchens in their region.

The use of milk vouchers would enhance the food banks' ability to offer additional food and nutrition to their participants without requiring any new capital expenditures for refrigeration units or extra personnel to handle cases of milk. While we have learned that many food banks have upgraded their facilities to include refrigeration units, many others have not, do not have enough capacity or are serving shelters, pantries and soup kitchens with little to no refrigeration capacity.

In closing, DFA is committed to identifying future programs that can address the need for nutritious and wholesome foods, including dairy products. It is our hope that implementing the milk voucher program through TEFAP will help many Americans currently suffering from financial hardship due to today's economic conditions. Please consider including this merited program when drafting the 2012 Farm Bill.

SUBMITTED QUESTIONS

Response from Audrey Rowe, Administrator, Food and Nutrition Service, U.S. Department of Agriculture

Questions Submitted By Hon. Chellie Pingree, a Representative in Congress from Maine

Question 1. A 2002 USDA report found that $5 in Federal benefits generates almost double, $9.20, in economic activity. In Maine we have a very innovative and effective program, called the Maine Senior Share Program. The state uses the dollars they receive from the Senior Farmers' Market Nutrition program to pay farmers at the beginning if the season for shares allotted to low-income seniors. This increases nutrition to a vulnerable population and supports our struggling local agriculture community. Do you see benefit in these programs and if so, does the department hope to incorporate similar ideas on a national level?

Answer. The Senior Farmers' Market Nutrition Program (SFMNP) is designed to improve the diets of America's low-income seniors by providing them with coupons that can be used to purchase fresh, nutritious, unprepared, locally-grown fruits and vegetables at farmers' markets, roadside stands, and community supported agriculture (CSA) programs. The SFMNP also serves to increase the awareness and use of farmers' markets, roadside stands, and CSA programs throughout the country. The FMNP and the SFMNP are administered through cash grants provided to states, United States Territories, federally-recognized Indian Tribal Organizations, and the District of Columbia. Federal SFMNP regulations give state agencies considerable flexibility in the design of the Program's operation, thus enabling them to provide a program that best serves the needs of its senior participants as well as the farmers who benefit from SFMNP sales. Thus, some state agencies, including the Maine Department of Agriculture, have found that operating the SFMNP through the use of a CSA program model works best, while other state agencies have found it more effective and economical to deliver SFMNP benefits through the more traditional check or coupon distribution system. The Food and Nutrition Service (FNS) believes that each state agency is best qualified to choose the benefit delivery model that is appropriate for its individual circumstances. However, examples of successful program models are frequently shared among state agencies interested in innovative enhancements to their existing SFMNP operations, as well as prospective SFMNP state agencies that are in the process of choosing the best way to make fresh fruits and vegetables more accessible to their low-income seniors.

Question 2. During the pilot phase of the Fresh Fruit and Vegetable Program, around 12% of participating schools sourced their fresh produce from local growers. This is a great way to support local economies. Are there ways you would recommend that we can support the program to expand the percentage of produce that is sourced locally?

Answer. FNS has undertaken a number of initiatives with the goal of increasing local sourcing in all the Child Nutrition programs, including the Fresh Fruit and

Vegetable Programs (FFVP). On April 22, 2011, the agency issued the final rule titled *Geographic Preference Option for the Procurement of Unprocessed Agricultural Products in Child Nutrition Programs.* This rule allows school districts to apply an optional geographic preference in procurement of unprocessed locally grown or locally raised agricultural products.

FNS has taken a number of steps to assist FFVP operators in utilizing the geographic preference and other strategies for successful local sourcing. The agency has established a Farm to School website to provide an online resource to assist schools in expanding Farm to School activities; assist in the communication between local producers and schools; share information about Farm to School activities across the Nation and keep schools informed of the legislative and regulatory changes that influence the procurement of local produce. FNS also recently issued Q&As for program operators which further explain the geographic preference procurement option. Additionally, in the past months the agency has conducted webinars on geographic preference for state and local program operators.

FNS plans to continue providing guidance and technical assistance such as webinars on geographic preference in order to better inform FFVP operators of the program regulations and how to best procure local produce within the contours of the program.

Question 3. Would you update the Committee on efforts within the agency to enable further access at farmers markets and CSA's to the expanding WIC Cash Value Fruits and Vegetable Voucher Program? There is now over $500 million in this key program. I understand the current guidance issued by FNS to the states is cumbersome. Simplifying the regulations would make it easier for several million WIC mothers and their children to shop at farmers market, many now year round, with direct benefits to both farmers and WIC families.

Answer. Under the interim rule governing the food packages offered in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), WIC state agencies have the option of authorizing individual farmers to accept Cash Value Vouchers (CVVs) issued to WIC participants for the purchase of fresh fruits and vegetables at farmers' markets. Each woman and child participating in the WIC Program receives a voucher in the amount of $10 or $6, respectively, as part of the monthly package of supplemental foods issued to all WIC participants. At present, 17 WIC state agencies have elected to allow CVVs to be used at farmers' markets, although not all state agencies have implemented such authorization on a statewide basis; two more state agencies will authorize farmers to accept CVVs during Fiscal Year (FY) 2012.

FNS received comments related to authorization of CVVs at farmers markets during the public comment period for the interim rule that closed February 1, 2010. FNS will address these comments in a final rule.

Question 4. One of the areas that most concerns me in SNAP is that there are many needy eligible people who do not participate. This problem is most prevalent amongst low-income senior citizens. By USDA's own measurement about ⅔ of eligible seniors do not participate in the program. Can you tell me what steps USDA is taking to increase participation amongst our nation's greatest generation? And, I'd also like to hear from you on how efforts to increase senior participation would be affected under a capped spending regime or a block grant? Would states have an incentive or a disincentive to connect poor seniors who aren't participating to the program under a block grant?

Answer. The Food and Nutrition Service (FNS) strives to ensure that all eligible people, including low income people over 60, have barrier-free access to the nutrition benefits of the Supplemental Nutrition Assistance Program (SNAP). Elderly individuals who are eligible for benefits participate at a rate substantially lower than other eligible groups. In 2009, the participation rate for elderly individuals was 34 percent, compared to 72 among all eligible people.

SNAP eligibility policies take into account the special circumstances faced by seniors. They provide for deduction of medical expenses, no gross income limits, a higher asset limit and special eligibility status for seniors who receive Supplemental Security Income (SSI) because of their age and low income. Seniors may also designate authorized representatives to represent their interests during the application process to purchase food with SNAP benefits on their behalf.

Special procedural requirements include certification periods up to 2 years; interviews over the telephone, instead of at the local office; the ability to apply for SNAP through the Social Security Administration when applying for SSI. A total of 42 states have implemented broad based categorical eligibility which can ease the asset test. In addition, Combined Application Projects make it easier for the elderly and disabled SSI recipients to receive SNAP benefits by reengineering the SNAP application process and eliminating the need for this population to visit the SNAP local office.

FNS has also awarded a number of grants to test approaches to increasing participation among persons over age 60. SNAP awarded $3.1 million to three states to increase access and participation in the SNAP among low-income seniors, those who receive Medicare's Extra Help, also known as the Low Income Subsidy, which helps low-income individuals or couples with limited resources pay for their Medicare prescriptions. SNAP also awards $5 million annually for projects aimed at developing and implementing simplified applications and eligibility determination systems and measures to improve access to SNAP benefits by eligible households. Over the last 3 years, FNS has awarded six grants totaling almost $3.5 million for projects that focus on elderly persons or involve entities whose missions are to assist the elderly.

In addition, FNS engages in numerous outreach efforts to educate eligible people over 60 about the nutrition benefits of SNAP and how to enroll. For example, SNAP develops and airs radio advertisements that target elderly audiences. Radio buys each year include spots specifically designed to address myths held by the elderly and air on stations with high rating among the elderly. SNAP offers a toll free information line in English and Spanish to provide information about the program and connect callers to their states for further details.

Finally, FNS has fostered numerous partnerships with stakeholders trusted by the senior population, including the AARP Foundation, Catholic Charities, Feeding America, and with fellow Federal agencies including the Administration on Aging.

This country has a long-standing national commitment to food security—and SNAP is well designed to respond quickly to economic conditions and meet food security needs until clients can get back on their feet. A block grant would undermine the program's responsiveness to changing economic conditions. States currently have a great deal of flexibility provided through state options and waivers that further the purpose of the Program without degrading access to food for those in need. Block grants tied to past spending levels leave no room to address low participation rates among specific populations or ability to respond to changes in local economic conditions. A block grant would hinder the ability of states to support increased participation unless they cut benefits to accommodate increased caseload growth.

Question 5. While many CSFP participants are also eligible for SNAP, there are many components to CSFP that make it more suitable for some low-income seniors. CSFP provides a monthly food package with commodities that are chosen because they provide nutrients found to be lacking in the diets of low-income seniors. The cost of providing the same nourishment using SNAP's retail-based structure rather than CSFP's commodity-based structure would cost more than twice as much. CSFP relies on USDA commodities, which are a great value. It costs the USDA $20 to fill the monthly food package but the retail value is about $50 to the participant, providing a great return on investment to the Federal Government. Despite this value however, some have suggested that SNAP and CSFP are duplicative programs. Do you see the two programs as interchangeable? Or do you see value in continuing to have two separate programs.

Answer. The Commodity Supplemental Food Program (CSFP) was authorized by Congress to supplement the diets of low-income women, infants, children, and seniors age 60 years and over; today, almost all participants are seniors. Both CSFP and the Supplemental Nutrition Assistance Program (SNAP) provide valuable supplemental nutrition assistance to the clients they serve. Each has aspects of its structure and services that may better serve the needs of some clients than others. These and other USDA nutrition assistance programs work together to create a strong nutrition safety net for those Americans in need.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE

1. Program Name

Commodity Supplemental Food Program (CSFP).

2. Subprograms/Department Initiatives

CSFP provides supplemental USDA Foods to low-income elderly people at least 60 years of age, as well as some pregnant and breastfeeding women, other new mothers up to one year postpartum, infants, children up to age 6.

3. Brief History

CSFP was first authorized under the Agriculture and Consumer Protection Act of 1973 to distribute foods to low-income women, infants, and children to supplement their nutritional needs. The 1985 Farm Bill expanded CSFP to include low-income elderly participants, but gave priority to eligible women, infants, and children for service. The 2008 Farm Bill removed the priority status for women, infants, and children. Despite beginning as a program for women, infants, and children, CSFP now serves mostly elderly individuals, who make up over 95 percent of current participants.

4. Purpose/Goals

CSFP works to improve the health of participants by supplementing their diets with nutritious USDA Foods. CSFP monthly food packages are good sources of the nutrients typically lacking in the diets of women, infants, children, and the elderly. CSFP also supports domestic agricultural markets by providing an outlet for products that USDA acquires through its agricultural market and price support activities.

5. Success in Meeting Programmatic Purpose/Goals

As of 2011, 39 states, two Indian Tribal Organizations (ITOs), and the District of Columbia are participating in CSFP.

6. Annual Budget Authority (FY 2002–FY 2011)

Commodity Supplemental Food Program (CSFP)
Budget Authority 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
CSFP	$92,813	$113,756	$98,335	$106,854	$111,202	$107,202	$139,715	$160,430	$171,409	$175,697

7. Annual Outlays (FY 2002–FY 2011)

Commodity Supplemental Food Program (CSFP)
Outlays 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
CSFP	$89,006	$94,812	$87,927	$100,871	$100,667	$99,868	$133,226	$153,192	$152,768

8. Annual Delivery Cost (FY 2002–FY 2011)

Commodity Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Commodity Supplemental Food Program (CSFP)	112,445	107,828	140,807	164,579	181,892	192,624
The Emergency Food Assistance Program (TEFAP) Administrative Cost	55,655	50,310	49,823	49,500	49,834	49,500
ARRA TEFAP Administrative Funds				25,000	54,609	
ARRA TEFAP Commodity Funds				100,000		
TEFAP Infrastructure Grants					5,956	44
Farmers' Market Programs:						
Farmers' Market Nutrition Program	23,814	22,109	21,838	20,658	22,089	20,003
Seniors' Farmers' Market Program	15,844	16,203	21,402	19,865	22,459	20,606
Commodity Assistance (Nuc. Affected Isld, Disaster Asst., NSIP Comm.)	3,882	2,756	3,736	4,224	5,114	3,883

8. Annual Delivery Cost (FY 2002–FY 2011)—Continued

Commodity Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Nutrition Programs Administration (Allocation to this program)	15,523	15,561	15,553	15,616	15,923	15,828
Other Program Costs [1]	103,412	90,066	195,628	195,397	366,987	366,987
Total Cost	$330,575	$304,833	$448,787	$594,839	$724,863	$669,475
FTEs	97	95	95	100	112	112
Unit Costs						
CSFP (Total Annual Cost per Participant)	$361.64	$349.43	$344.72	$394.27	$385.11	$348.09
Performance Measure: Average monthly CSFP participation (thousands)	463.1	466.1	475.3	473.5	518.9	604.9

[1] Includes bonus commodities for TEFAP, CSFP, Disaster Assistance, Nuclear Affected Island, and other commodity assistance.

9. Eligibility Criteria

States establish an income limit for elderly participants that is at or below 130 percent of the Federal Poverty Income Guidelines. States also establish income limits for women, infants, and children that are at or below 185 percent of the poverty guidelines, but not below 100 percent of these guidelines. Women, infants, and children who receive Supplemental Nutrition Assistance Program (SNAP) benefits, Temporary Assistance for Needy Families (TANF), Medicaid, or certain other public assistance programs, as determined by the state, are considered automatically eligible for CSFP.

Clients must reside in one of the states or on one of the Indian reservations that participate in CSFP. States may establish local residency requirements based on designated service areas (but may not require a minimum period of residency). States may also require that participants be at nutritional risk, as determined by a physician or by local agency staff.

10. Utilization (Participation) Data

Commodity Supplemental Food Program (CSFP)
National Average Monthly Participation

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
U.S. Total	512,433	462,349	466,075	475,307	466,615	518,838

11. Duplication or Overlap with Other Programs

While CSFP was initially designed to serve low-income pregnant women, new mothers up to one year postpartum, infants, and children up to age 6, such clients now represent less than five percent of total caseload. Most CSFP clients are elderly people 60 and over. While some CSFP participants receive SNAP, many of them would be eligible for the minimum or no benefit due to differences in the program's eligibility criteria. Participants may not simultaneously receive WIC and CSFP.

12. Waste, Fraud and Abuse

In FNS's FY 2011 improper payment risk assessment conducted and forwarded to the Department, the CSFP was determined to have a low risk of significant improper payments or fraud. Federal management evaluations conducted on this program have not identified significant incidents of improper payments.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Fresh Fruit and Vegetable Program (FFVP).

2. Subprograms/Department Initiatives

3. Brief History

Farm Security and Rural Investment Act of 2002 (P.L. 107–171)—authorized $6 million for a pilot program to promote children's consumption of fresh fruits and vegetables. The pilot was limited to 25 schools in each of four states and seven schools in one Indian Tribal Organization (ITOs).

Child Nutrition and WIC Reauthorization Act of 2004 (P.L. 108–265)—amended the National School Lunch Act making the FFVP a permanent program in 11 states and three ITOs and providing $9 million in permanent annual funding. The program was authorized in 25 schools in each state and 25 schools among three ITOs.

Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006 (P.L. 109–97)—One time appropriation of $6 million, added six states, 25 schools in each state.

Consolidated Appropriations Act 2008 (P.L. 110–161)—expanded the program nationwide, and included the District of Columbia. One time funding of $9.9 million provided.

Food, Conservation, and Energy Act of 2008 (P.L. 110–234)—added section 19, the FFVP, to the National School Lunch Act which establishes a nationwide program with a new structure that increases FFVP funding gradually over 4 years, from $40 million in 2008 to $150 million in 2011. Funding adjusts each July 1 thereafter to reflect changes in Consumer Price Index for All Urban Consumers.

4. Purpose/Goals

To introduce and provide free fresh fruits and vegetables in elementary schools representing the highest percent of children receiving free and reduced price school meal benefits and to help combat childhood obesity by helping children develop positive dietary habits during their formative years.

5. Success in Meeting Programmatic Purpose/Goals

The FFVP operates in all 50 states and is highly regarded by Members of Congress, nutrition advocates, the health care community, parents and students; over 5,000 schools participate in the FFVP.

6. Annual Budget Authority (FY 2002–FY 2011)

The Fresh Fruit and Vegetable Program (FFVP)
Budget Authority 2009–2011
(dollars in thousands)

	FY 2009	FY 2010	FY 2011
Fresh Fruit and Vegetable Program	$56,000	$74,000	$109,000

*Amounts displayed for budget authority reflect transfers authorized on July 1st of each fiscal year as modified by the annual appropriations bills by a delay of a portion of the transfer from July 1 to the following October 1; the total transfers authorized for each FY are as follows: FY 2009—$105 million; FY 2010—$101 million; FY 2011—$150 million.

7. Annual Outlays (FY 2002–FY 2011)

The Fresh Fruit and Vegetable Program (FFVP) Outlays 2009–2011
(dollars in thousands)

	FY 2009	FY 2010	FY 2011
Fresh Fruit and Vegetable Program	$28,910	$56,125	$152,424

8. Annual Delivery Cost (FY 2002–FY 2011)

The FFVP is administered as part of the Child Nutrition Programs (CNP) and the administrative costs associated with running this program are not specifically allocated within the CNP account. The table below provides the costs associated with the CNP account as a whole.

Child Nutrition Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Child Nutrition Programs						
School Lunch Program	$7,569,757	$7,836,174	$8,365,115	$9,071,783	$9,932,814	10,451,023
School Breakfast Program	2,086,098	2,228,842	2,393,028	2,633,048	2,895,356	3,115,300
Child and Adult Care Food Program	2,141,088	2,303,732	2,245,195	2,513,852	2,583,232	2,693,384
Summer Food Service Program	284,224	297,933	312,203	357,984	374,203	375,518
Special Milk Program	15,155	14,225	15,120	14,941	12,064	12,563
State Administrative Expense	156,061	162,844	174,134	178,994	195,532	206,943
Total, Cash Grants to States	12,252,383	12,843,750	13,504,795	14,770,602	15,993,201	16,854,731
Commodities (Sec 6e Entitlement)	480,684	537,057	631,849	741,209	735,782	907,919
Child Nutrition Program Discretionary Activities	25,619	25,378	30,550	39,128	75,472	59,916
ARRA NSLP Equipment Grants				100,000		
Child Nutrition Program Permanent Activities (not including the FFVP)	36,452	91,069	32,457	172,327		
Fresh Fruit and Vegetable Program	42,993	79,902	134,000			
Nutrition Programs Administration (Allocation to this program)	30,215	30,422	30,383	30,724	36,189	35,972
Other Program Costs	560,965	681,800	575,997	667,645	527,325	527,325
Total Cost	$13,349,866	$14,118,407	$14,810,026	$16,483,370	$17,480,328	#########
FTEs	392	368	379	393	414	437
Unit Costs						
Child Nutrition Total Cost per Meal Served ($/service)	$1.57	$1.59	$1.70	$1.82	$1.86	
Performance Measure: Avg. daily NSLP participation (millions)	30.0	30.6	30.9	31.6	31.6	32.1

Child Nutrition Program	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Performance Measure: Avg. daily SBP participation (millions)	9.8	10.1	10.6	11.0	11.6	12.4

9. Eligibility Criteria

—Elementary schools with 50 percent or more students certified eligible for free or reduced price meals.

—Elementary schools with the highest percent of students eligible have priority for selection.

—All children participating in eligible schools receive free fresh fruits and vegetables outside of school meals.

—Number of participating elementary school limited by funding.

10. Utilization (Participation) Data

Approximately 5,000 schools participated in the FFVP during the 2010–2011 School Year. Although we have no information on the number of children served, the level of funding provided would support between approximately 1.5 million and 4.4 million students.

11. Duplication or Overlap with Other Programs

FFVP is authorized by section 19 of the Richard B. Russell National School Lunch Act. The Program provides fresh fruits and vegetables to elementary schools, targeted to schools with a high percentage of children certified for free and reduced-price school meals. Schools are reimbursed for the cost of making fresh fruits and vegetables available to students during the school day outside of the school meals.

12. Waste, Fraud and Abuse

The size and nature of this program puts it at a very low risk for improper payments and fraud. FNS is not aware of any issues regarding fraud, waste and abuse in the FFVP.

13. Effect of Administrative PAYGO

None.

1. Program Name

The Emergency Food Assistance Program (TEFAP).

2. Subprograms/Department Initiatives

TEFAP provides USDA Foods and administrative support to states, which in turn provide these resources to emergency feeding organizations such as food banks, soup kitchens and food pantries. TEFAP administrative costs help state and local agencies defray costs associated with distributing USDA and privately-donated foods. Key program components include:

Food Funds—USDA purchases food for distribution to TEFAP state and local agencies.

Administrative Funds—USDA provides administrative funds to defray costs associated with processing, repackaging, storage, and distribution of Federal and privately donated food.

Infrastructure Grants—Provides local emergency feeding organizations, such as food banks, food pantries, and soup kitchens, with funds to expand and improve their infrastructure, including their storage and distribution facilities.

3. Brief History

TEFAP was first authorized as the Temporary Emergency Food Assistance Program in 1981 to distribute surplus foods to households. The name was changed to The Emergency Food Assistance Program under the 1990 Farm Bill. The program was designed to help reduce Federal food inventories and storage costs while assisting the needy. Stocks of some foods held in surplus had been depleted by 1988. Therefore, the Hunger Prevention Act of 1988 authorized funds to be appropriated for the purchase of USDA foods specifically for TEFAP.

The 2008 Farm Bill increased funds for TEFAP food purchases to $250 million annually, indexed to inflation. The 2008 Farm Bill also authorized up to $100 million annually for administrative costs and up to $15 million annually for TEFAP infrastructure grants. In addition, the Secretary has authority to provide food that USDA acquires through certain price or market support activities (*i.e.,* bonus food) to TEFAP.

4. Purpose/Goals

TEFAP helps supplement the diets of low-income Americans by providing them with emergency food assistance at no cost. TEFAP also supports domestic agricultural markets by providing an outlet for products that USDA acquires through its agricultural market and price support activities.

5. Success in Meeting Programmatic Purpose/Goals

TEFAP currently operates in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands. The allocation of food and administrative funds to states is based on a formula that considers the states' unemployment levels and the number of persons with income below the poverty level.

6. Annual Budget Authority (FY 2002–FY 2011)

The Emergency Food Assistance Program (TEFAP)
Budget Authority 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
TEFAP Commodities	$140,000	$140,000	$140,000	$140,000	$140,000	$140,000	$190,000	$250,000	$248,000	$247,500
TEFAP Admin. Costs	50,000	49,675	49,705	49,600	55,500	49,500	49,650	49,500	49,500	49,401
TEFAP Commodities—ARRA								100,000		
TEFAP Admin. Costs—ARRA								50,000	28,000	

7. Annual Outlays (FY 2002–FY 2011)

The Emergency Food Assistance Program (TEFAP)
Outlays 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
TEFAP Commodities	$139,293	$137,106	$137,458	$135,428	$135,422	$137,462	$186,822	$245,466	$242,225
TEFAP Administrative Costs	39,467	37,646	36,116	40,916	37,494	37,001	36,352	37,389	38,804
TEFAP Commodities—ARRA								99,984	
TEFAP Admin. Costs—ARRA								13,629	35,654

8. Annual Delivery Cost (FY 2002–FY 2011)

The Emergency Food Assistance Program (TEFAP) [1]	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
The Emergency Food Assistance Program (TEFAP) Administrative Cost	$55,655	$50,310	$49,823	$49,500	$49,834	$49,500
ARRA TEFAP Administrative Funds				25,000	54,609	
ARRA TEFAP Commodity Funds				100,000		
TEFAP Infrastructure Grants					5,956	44
TEFAP Entitlement Foods	139,832	140,000	189,936	250,000	247,994	247,500
TEFAP Bonus Foods	67,000	58,200	178,100	373,700	346,639	0
TEFAP Total	262,487	248,510	417,858	798,200	705,032	297,044

[1] Federal cost to administer this program included in the Commodity Assistance Program account.

9. Eligibility Criteria

Households receiving food for consumption at home must meet eligibility criteria set by the state, including, but not limited to, an income standard and state residency. Households receiving prepared meals through a soup kitchen or other onsite feeding program are presumed to be needy and are not subject to a means test.

10. Utilization (Participation) Data

USDA does not collect data on the number of individuals served by TEFAP. A recent analysis by Feeding America, a national network of food banks, found that 54 percent of affiliated food pantries reported receiving TEFAP food.

11. Duplication or Overlap with Other Programs

TEFAP targets low-income individuals that seek food through local feeding organizations such as food pantries and soup kitchens. These individuals are sometimes but not always eligible for SNAP, and an individual may receive SNAP and TEFAP concurrently. However, TEFAP's more limited eligibility criteria and flexible structure supports its specific purpose in getting needed food directly into the hands of low-income Americans during times of emergency and natural disasters.

12. Waste, Fraud and Abuse

In FNS's FY 2011 improper payment risk assessment conducted and forwarded to the Department, TEFAP was determined to have a low risk of significant improper payments or fraud. Management evaluations conducted by FNS Regional offices have not identified significant incidents of improper payments to state agencies, local organizations, or individuals. In addition, a comprehensive, ongoing audit conducted by OIG has identified no problems with waste, fraud and abuse in the Program. In addition, the benefit provided to individuals participating in the program is relatively low, so any errors in certification will not result in large improper payments program participants.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Food Distribution Program on Indian Reservations (FDPIR).

2. Subprograms/Department Initiatives

FDPIR provides a monthly package of USDA Foods, including fresh fruits and vegetables, to low-income households living on Indian reservations, and to American Indian households residing in approved areas near reservations or in Oklahoma. Many households participate in FDPIR as an alternative to the SNAP, because they do not have easy access to SNAP offices or authorized food stores. Key components include:

Food: USDA purchases food for distribution to Indian Tribal Organizations and state agencies administering FDPIR.

Administrative Funds: FDPIR Indian Tribal Organizations (ITOs) and state agencies receive funds for program administrative costs.

Nutrition Education Grants: Funds projects developed by ITOs and state agencies administering FDPIR to enhance the nutrition knowledge of FDPIR participants and to foster positive lifestyle changes for eligible household members.

Department initiatives on FDPIR include:

Food Package Improvements: FNS continuously reviews the FDPIR food package, in consultation with program customers, to improve its nutritional profile and acceptability. On a regular basis, a work group consisting of tribally appointed FDPIR directors, procurement specialists from FSA and AMS, nutrition and health experts from the Indian Health Service and the Centers for Disease Control and Prevention (CDC), and FNS nutritionists and program staff considers changes to the food package and makes recommendations to FNS. The work group is continuing to focus on ways to reduce saturated fat, sugar, and sodium and is also exploring ways to improve the desirability and convenience of products in the food package.

Improved Access to Fresh Fruits and Vegetables: In FDPIR, the Fresh Produce Program began as a pilot program in FY 1996 at two sites. This initiative, a joint venture with the Department of Defense, provides fresh fruits and vegetables that program participants may select in lieu of canned goods. In FY 2009, about 91 percent of the FDPIR programs were enrolled in the Fresh Produce Program, allowing most FDPIR participants to receive a variety of fresh fruits and vegetables that would otherwise be very difficult for them to obtain

3. Brief History

FDPIR was authorized under the Food Stamp Act of 1977 as an alternative to the Food Stamp Program, now the Supplemental Nutrition Assistance Program (SNAP), for households living on Indian reservations. In 1981, legislation allowed Tribes in Oklahoma that did not have traditional reservation boundaries to also participate in FDPIR. The program is currently authorized through 2012 under Section 4(b) of the Food and Nutrition Act of 2008, and Section 4(a) of the Agriculture and Consumer Protection Act of 1973.

4. Purpose/Goals

FDPIR serves as an alternative to the SNAP for areas that do not have easy access to SNAP offices or authorized food stores, and for households in designated areas who prefer USDA foods to regular SNAP benefits.

5. Success in Meeting Programmatic Purpose/Goals

Currently, there are approximately 276 Tribes receiving benefits under FDPIR through 100 ITOs and five state agencies.

Pursuant to the 2008 Farm Bill, USDA conducted a review of the nutritional quality of the FDPIR food package, comparing its content to scientific standards including the Dietary Guidelines for Americans, the Dietary Reference Intakes (DRIs), the Thrifty Food Plan nutrient standards and the Healthy Eating Index—2005. It found that:

- The package provides a nutritious variety of foods, and sufficient calories to meet the energy needs of most sedentary individuals and many moderately active children.
- While as for American diets in general, there is room for improvement in the quantities of fruits, vegetables, low-fat dairy products and whole grains, the nutritional content of the package is considerable.
- Individuals consuming FDPIR foods in the quantities provided would achieve a HEI–2005 score of 81 out of 100, considerably better than Americans in general (58 out of 100) and SNAP participants (52 out of 100).

6. Annual Budget Authority (FY 2002–FY 2011)

Food Distribution Program on Indian Reservations (FDPIR)
Budget Authority 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
FDPIR	$75,800	$82,165	$86,237	$82,200	$79,500	$77,557	$88,477	$114,914	$112,797	$96,958
Recovery Act:										
FDPIR Equipment								5,000		

7. Annual Outlays (FY 2002–FY 2011)

Food Distribution Program on Indian Reservations (FDPIR)
Outlays 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
FDPIR	$69,810	$68,782	$75,195	$72,469	$78,553	$61,535	$79,116	$111,060	$105,012
Recovery Act:									
FDPIR Equipment								5,000	

8. Annual Delivery Cost (FY 2002–FY 2011)

Supplemental Nutrition Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Supplemental Nutrition Assistance Program (SNAP)	$32,984,909	$33,198,354	$37,557,661	$49,324,256	$57,820,329	$65,340,734
ARRA SNAP Benefits and Admin. Funds				4,478,246	10,763,853	10,486,716
Nutrition Assistance for Puerto Rico (NAP)	1,517,752	1,551,167	1,622,521	1,760,435	1,746,351	1,744,605
ARRA NAP Funds				240,133	254,217	255,963
Food Distribution Program on Indian Reservation (FDPIR)	78,760	77,554	88,339	114,866	112,756	96,958

ARRA FDPIR Equipment Funds				3,712	1,367	0
The Emergency Food Assistance Program (TEFAP) Commodities	139,832	140,000	189,936	250,000	247,994	247,500
American Samoa			4,795	5,219	5,204	7,006
ARRA American Samoa Benefits				964	1,021	1,028
Program Access/Community Food Project/CNMI/Pilot Projects	24,026	23,816	14,852	27,009	38,368	25,792
Nutrition Programs Administration (Allocation to this program)	72,013	72,508	72,416	70,934	69,482	69,066
Other Program Costs	895	2,726	3,918	703	377	377
Total Cost	$34,818,187	$35,066,125	$39,554,437	$56,276,477	$71,061,319	$78,275,745
FTEs	683	631	613	612	591	618
Unit Costs						
SNAP (Total Annual Cost per Participant)	$1,236.28	$1,256.97	$1,324.50	$1,597.48	$1,703.50	$1,686.54
FDPIR (Total Annual Cost per Participant)	$887.65	$928.48	$1,024.98	$1,123.26	$1,077.93	$966.65
Performance Measure: Average monthly SNAP participation (millions)	26.736	26.466	28.408	33.7	40.3	45.0

9. Eligibility Criteria

Low-income American Indian and non-Indian households that reside on a reservation and households living in approved areas near a reservation or in Oklahoma that contain at least one person who is a member of a federally-recognized Tribe, are eligible to participate in FDPIR. Households are certified based on Federal income and resource standards which are largely the same as those for SNAP. Households may *not* participate in FDPIR and SNAP in the same month.

10. Utilization (Participation) Data

Food Distribution Program on Indian Reservations (FDPIR)
National Average Monthly Participation

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
U.S. Total	98,905	89,867	86,629	90,153	95,369	84,577

11. Duplication or Overlap with Other Programs

Funds are appropriated by Congress to carry out the FDPIR under section 4(b) of the Food and Nutrition Act of 2008. The Program is administered locally by either Indian Tribal Organizations (ITOs) or other state agencies. USDA purchases and ships FDPIR foods to ITOs based on orders from a list of available foods. Many households participate in FDPIR as an alternative to SNAP due to availability. Households are not allowed to participate in both programs at the same time.

12. Waste, Fraud and Abuse

The last improper payment risk assessment conducted for FDPIR was in FY 2009. It was determined that the Program is at a low risk for improper payments or fraud. The benefit level for FDPIR is approximately $78 per person per month in FY 2009. Additionally, FDPIR benefits from simplified program requirements, regulatory controls and a continuous process for reviewing certification actions and taking appropriate corrective action to resolve problems with internal controls place FDPIR at a low level of risk.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Senior Farmers' Market Nutrition Program (SFMNP).

2. Subprograms/Department Initiatives

None.

3. Brief History

The program was created as a pilot program in FY 2001; it was established by Congress as a permanent program in FY 2002, and has been reauthorized through 2012 under the 2008 Farm Bill (Public Law 110–234).

4. Purpose/Goals

The SFMNP provides low-income seniors with coupons that can be used to purchase fresh fruits, vegetables, honey and herbs from farmers at authorized farmers' markets or roadside stands, or with shares in Community Supported Agriculture (CSA) programs for regularly distributed bags or boxes of eligible foods. SFMNP seeks to increase the consumption of agricultural commodities by expanding, developing, or aiding in the development and expansion of domestic farmers' markets, roadside stands, and community supported agriculture (CSA) programs.

5. Success in Meeting Programmatic Purpose/Goals

- 51 state agencies and federally recognized Indian tribal governments received grants to operate the SFMNP in FY 2010.
- 20,106 farmers at 4,601 farmers' markets as well 3,861 roadside stands and 163 community supported agriculture programs participated in the program in FY 2010.
- 844,999 people received SFMNP coupons in FY 2010.

6. Annual Budget Authority (FY 2002–FY 2011)

Senior Farmers' Market Nutrition Program (SFMNP)
Budget Authority 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SFMNP	$10,000	$15,000	$15,000	$15,000	$15,000	$15,000	$20,600	$20,600	$20,600	$20,600

7. Annual Outlays (FY 2002–FY 2011)

Senior Farmers' Market Nutrition Program (SFMNP)
Outlays 2002–2011
(Dollars in thousands)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SFMNP	$6,533	$8,599	$8,343	$10,542	$9,979	$9,346	$11,872	$13,264	$12,314

8. Annual Delivery Cost (FY 2002–FY 2011)

Commodity Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Commodity Supplemental Food Program (CSFP)	$112,445	$107,828	$140,807	$164,579	$181,892	$192,624
The Emergency Food Assistance Program (TEFAP) Administrative Cost	55,655	50,310	49,823	49,500	49,834	49,500
ARRA TEFAP Administrative Funds				25,000	54,609	
ARRA TEFAP Commodity Funds				100,000		
TEFAP Infrastructure Grants					5,956	44
Farmers' Market Programs:						
Farmers' Market Nutrition Program	23,814	22,109	21,838	20,658	22,089	20,003
Seniors' Farmers' Market Program	15,844	16,203	21,402	19,865	22,459	20,606
Commodity Assistance (Nuc. Affected Isld, Disaster Asst., NSIP Comm.)	3,882	2,756	3,736	4,224	5,114	3,883

8. Annual Delivery Cost (FY 2002–FY 2011)—Continued

Commodity Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Nutrition Programs Administration (Allocation to this program)	15,523	15,561	15,553	15,616	15,923	15,828
Other Program Costs [1]	103,412	90,066	195,628	195,397	366,987	366,987
Total Cost	$330,575	$304,833	$448,787	$594,839	$724,863	$669,475
FTEs	97	95	95	100	112	112
Unit Costs:						
CSFP (Total Annual Cost per Participant)	$361.64	$349.43	$344.72	$394.27	$385.11	$348.09
Performance Measure: Average monthly CSFP participation (thousands)	463.1	466.1	475.3	473.5	518.9	604.9

[1] Includes bonus commodities for TEFAP, CSFP, Disaster Assistance, Nuclear Affected Island, and other commodity assistance.

9. Eligibility Criteria

Low-income seniors, generally defined as individuals who are at least 60 years old and who have household incomes of not more than 185% of the Federal poverty income guidelines, are the targeted recipients of SFMNP benefits.

10. Utilization (Participation) Data

Senior Farmers' Market Nutrition Program (SFMNP)
National Average Monthly Participation

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
U.S. Total	771,285	825,691	803,985	833,026	809,711	844,999

11. Duplication or Overlap with Other Programs

The SFMNP was established by the Farm Security and Rural Investment Act of 2002. Program grants are awarded to states to provide low-income seniors with coupons that can be exchanged for eligible foods at farmers' markets, roadside stands, and community supported agriculture (CSA) programs. The goals of the SFMNP are to provide resources in the form of fresh, nutritious, unprepared, locally grown fruits, vegetables, honey and herbs from farmers' markets, roadside stands and CSA programs to low-income seniors; increase the domestic consumption of agricultural commodities by developing new or expanding existing domestic farmers' markets, roadside stands, and CSA programs. The Program is similar in design and function to the Farmers' Market Nutrition Program, but serves senior citizens rather than WIC recipients.

12. Waste, Fraud and Abuse

The last improper payment risk assessment for this program, conducted for FY 2010, concluded that SFMNP presents a very low risk for erroneous payments. Guidelines provided in the SFMNP State Plan Guidance consistently require state agencies to provide FNS with detailed descriptions of their systems for ensuring that SFMNP benefits are issued to and used only by eligible recipients, and that SFMNP checks, coupons or vouchers are submitted for payment by authorized farmers through appropriate farmers' markets, roadside stands, and/or community supported agriculture programs. FNS further requires that all SFMNP vouchers be matched to an authorized farmer and recipient before payment is made, either by the contracted banking facility or by the State Treasurer's office. These controls are more than adequate to avoid significant improper payments. There have been no audits or management reviews which have identified significant fraud, waste and abuse issues.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Supplemental Nutrition Assistance Program (SNAP).

2. Subprograms/Department Initiatives

The subcomponents of SNAP include:

Nutrition Education (SNAP-Ed): The goal of SNAP-Ed is to improve the likelihood that persons eligible for SNAP will make healthy food choices with in a limited budget and choose physically active lifestyles consistent with the current *Dietary Guidelines for Americans.*

Employment and Training (E&T): States are required to establish an E&T program to help able-bodied SNAP recipients find work or gain the skills, training, and experience that lead to employment.

Quality Control (QC): Each state agency is responsible for monitoring and improving its administration of SNAP. As a part of this requirement, the SNAP QC System is used to determine the accuracy of the benefits authorized. The data collected is also used to determine areas for program improvement.

Disaster Supplemental Nutrition Assistance Program (D–SNAP): Through D–SNAP, households affected by a disaster receive streamlined certification and benefit issuance, speeding assistance to these vulnerable disaster victims and reducing the administrative burden on state agencies operating in post-disaster conditions. D–SNAP recipients usually receive 1 month of benefits. Generally, states may request to operate a D–SNAP when the area has received a Presidential disaster declaration of Individual Assistance from the Federal Emergency Management Agency. Benefits are issued on an EBT card, similar to SNAP benefits.

Retailer Authorization, Reauthorization, and Investigation: FNS is responsible for policy and oversight of authorization and reauthorization of applicant and licensed retailers; the monitoring of retail firms through ongoing systems analysis and undercover on-site investigations; and the administrative review of those firms which contest a disqualification or civil money penalty.

Farmers' Markets: USDA is committed to increasing participation by farmers' markets in SNAP. At the end of FY 2010, 1,611 direct marketing farmers and farmers' markets participated in SNAP which is a 263 percent increase in the number of authorized farmers and markets over the previous 5 fiscal years. Over that same period, SNAP redemptions at farmers' markets increased 49 percent.

Nutrition Assistance for Puerto Rico (NAP): Each year, Puerto Rico submits and gains approval for the program plan for its nutrition assistance block grant. The plan must assess the food and nutrition needs of the island's most needy residents; describe the assistance needed; describe how it would be provided to the neediest residents; describe the amount of administrative expense needed and meet other such requirements as the provided by regulation. In the NAP, 75 percent of the nutrition benefits are targeted to the purchase of food while 25 percent are in cash. During an average month in FY2010, an average of 1.3 million people were served monthly by the NAP.

Nutrition Assistance for American Samoa: Each year, American Samoa submits a Memorandum of Understanding specifying how the block grant will be operated, including the eligibility requirements to stay within the capped block grant amount. FNS reviews and approves the annual Memorandum of Understanding and monitors program operations to ensure program integrity. An average of 3,388 people were served monthly by the program in Fiscal Year 2010.

Nutrition Assistance for the Commonwealth of the Northern Mariana Islands (CNMI): CNMI submits a Memorandum of Understanding each fiscal year, specifying how the program will be operated, including the eligibility requirements to stay within the capped block grant amount. FNS reviews and approves the annual Memorandum of Understanding and monitors program operations to ensure program integrity. A monthly average of 8,922 people were served monthly by the program in Fiscal Year 2010.

3. Brief History

SNAP has a long history of meeting the nutrition needs of low income people. The very first SNAP, then known as the Food Stamp Program (FSP), operated from May 16, 1939 to the spring of 1943. It included a purchase requirement.

The FSP began again on May 29, 1961 when President Kennedy's first Executive Order called for expanded food distribution. The FSP became permanent with the Food Stamp Act of 1964. The Food Stamp Act of 1977 eliminated the purchase requirement and included a number of important access and integrity provisions.

The late 1980s and 1990s were the dawn of Electronic Benefit Transfer (EBT). With EBT pilots spreading across the nation, EBT was made mandatory in 1996. At this time, welfare reform also affected the policies of the FSP, including establishment of time limits for able-bodied adults without dependents and eligibility restrictions for legal immigrants.

Major changes arrived once again with the Farm Bill of 2002. This legislation restored benefits for certain legal immigrants, emphasized program access, simplified program rules, and offered states a large number of options to improve administration of the program. The quality control system was also reformed, enhanced funding for performance was eliminated, and performance bonuses were established and set at $48 million total.

In June 2008, Congress ratified the Food, Conservation, and Energy Act of 2008 which reauthorized the program as the Supplemental Nutrition Assistance Program (SNAP) under the newly named Food and Nutrition Act. This farm bill strengthened integrity, simplified administration, maintained state flexibility, and improved access.

4. Purpose/Goals

The Food and Nutrition Act statutorily defines the purpose of the program as "to alleviate such hunger and malnutrition, a supplemental nutrition assistance program is herein authorized which will permit low-income households to obtain a more nutritious diet through normal channels of trade by increasing food purchasing power for all eligible households who apply for participation."

As such, SNAP is the cornerstone of the Federal food assistance programs. SNAP supplements the income of low income individuals and families by providing an electronic debit card which is used to purchase food at authorized stores. SNAP provides crucial support to needy households and helps those making the transition from welfare to work.

State agencies are responsible for the administration of the program according to national eligibility and benefit standards set by Federal law and regulations. Benefits are 100 percent federally-financed, while administrative costs are shared between the Federal and state governments.

SNAP is a countercyclical program that expands in tough economic times and contracts when the economy improves. SNAP has an economic multiplier effect. Every $5 in new SNAP benefits generates as much as $9.00 in total economic activity. SNAP uses multiple strategies to encourage participants to make healthy food choices and engage in active lifestyles. These include nutrition education, encouraging more farmers' markets to participate in the program and a demonstration project to examine the impact of incentives on participant purchases of fruits and vegetables.

While Americans support helping struggling families put food on the table they want to know that taxpayer dollars are being spent wisely. USDA actively works on behalf of American taxpayers to protect the Federal investment in SNAP and make sure the program is targeted towards those families who need it the most. To further this effort, FNS focuses on three key areas of oversight: reducing improper payments and errors; pursuing recipient fraud; and combating abuse and misuse of benefits.

5. Success in Meeting Programmatic Purpose/Goals

SNAP helped put food on the table for an average of 40.3 million people (or 18.6 million households) per month during Fiscal Year 2010. In that year, the average monthly benefit per person was $133.79 and the average monthly benefit per household was $289.61. Five years ago, in Fiscal Year 2006, SNAP helped put food on the table for a monthly average of 26.5 million people (or 11.7 million households). In that year, the average monthly benefit per person was $94.75 and the average monthly benefit per household was $214.41. SNAP families and individuals spend benefits promptly, rather than save them. About 80 percent of SNAP benefits are used within 2 weeks of receipt and 97 percent are spent within a month.

Most SNAP recipients are children or elderly. The most recent administrative data (for Fiscal Year 2009) show that nearly half (48 percent) of recipients were children and another eight percent were age 60 or older. Working-age women represented 28 percent of the caseload, while working-age men represented 16 percent. These figures have not changed greatly in the last 5 years. In Fiscal Year 2004, 50 percent of participants were children and eight percent were age 60 or older. At that time, working age women represented 28 percent of the caseload and working age men represented 13 percent.

Notably, the primary source of income among SNAP participants has shifted from welfare to work over time. In 1989, 42 percent of all SNAP households received cash welfare benefits and only 20 percent had earnings. In 2009, less than ten percent received cash welfare, while 29 percent had earnings. In Fiscal Year 2009, 40 percent of all SNAP participants lived in a household with earnings. For these households, earnings were the primary source of income.

In Fiscal Year 2008, among those eligible for SNAP, the participation rate was 66 percent at the national level. In Fiscal Year 2004, the participation rate among those eligible was 61 percent. Rates are consistently lower for some subgroups like the elderly, Latinos and working poor. FNS and the states continue to direct outreach efforts to these underserved populations to raise their awareness of the nutrition benefits of SNAP and how to apply.

Recent historic growth in the number of households receiving SNAP benefits has had a tangible impact on the number of authorized retailers. As of September 30, 2010, there were 216,738 firms authorized to accept SNAP benefits. The number of SNAP authorized firms increased 12 percent within the past year, and 49 percent since 2003 when just over 145,000 firms were in the Program.

FNS is committed to working with our state and Federal partners on strategies to improve accuracy, as well as to identify and address fraud, while ensuring access and customer service. Over 98 percent of those receiving SNAP benefits are eligible. Payment accuracy was 96.19 percent in Fiscal Year 2010, a historic high. The FY10 rate reflects the fourth continuous year of improvement and a decade long trend. Payment errors are less than half what they were 10 years ago, which has reduced improper payments by $3.3 billion in 2010.

The prevalence of trafficking dropped from approximately four percent in the late 1990s to one percent in the mid 2000s. Over the last 10 years, 8045 retail stores were permanently disqualified due to trafficking, reflecting our work to root out and eliminate bad actors from the program.

6. Annual Budget Authority (FY 2002–FY 2011)

Supplemental Nutrition Assistance Program [1]
Annual Budget Authority
(in millions)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Regular Appropriations:										
SNAP	$21,390	$24,598	$29,190	$33,422	$38,959	$36,377	$37,705	$51,805	$56,152	$66,782
Puerto Rico and American Samoa	1,356	1,401	1,419	1,501	1,524	1,557	1,629	1,768	1,753	1,752
Commonwealth Northern Mariana	6	8	11	8	8	9	10	12	12	12
Subtotal, Regular Appropriations	22,752	26,006	30,620	34,932	40,492	37,944	39,344	53,584	57,917	68,546
Supplemental Appropriations:										
DOD SAE	0	0	0	0	0	0	0	0	400	0
Recovery Act:										
Benefits	0	0	0	0	0	0	0	4,804	10,376	10,487
Administrative Costs	0	0	0	0	0	0	0	145	150	0
ARRA Benefits—Puerto Rico NAP	0	0	0	0	0	0	0	240	254	256
American Samoa Benefits	0	0	0	0	0	0	0	1	1	1
Subtotal, Recovery Act	0	0	0	0	0	0	0	5,190	10,782	10,744
Total Appropriations	22,752	26,006	30,620	34,932	40,492	37,944	39,344	58,774	69,099	79,290

[1] Note: Does not include appropriations for TEFAP or FDPIR.

7. Annual Outlays (FY 2002–FY 2011)

Supplemental Nutrition Assistance Program [1]
Annual Outlays
(in millions)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Regular Program Outlays:									
SNAP	$19,862	$23,072	$26,234	$30,909	$32,820	$33,040	$37,364	$48,883	$58,901
Puerto Rico and American Samoa	1,274	1,307	1,329	1,480	1,519	1,587	1,634	1,734	1,750
Commonwealth Northern Mariana	5	7	6	11	9	10	9	10	12
Subtotal, Regular Appropriations	21,141	24,386	27,570	32,400	34,348	34,637	39,007	50,626	60,662
Supplemental Outlays:									
DOD SAE	0	0	0	0	0	0	0	0	126
Recovery Act Outlays:									
Total Recovery Act	0	0	0	0	0	0	0	4,568	10,968
Total Outlays	21,141	24,386	27,570	32,400	34,348	34,637	39,007	55,194	71,756

[1] Note: Does not include outlays for TEFAP or FDPIR.

The difference between budget authority and outlays for the SNAP program is usually related to either use or non-use of the contingency fund. In 2010, for example, budget authority is shown as $69 billion, whereas outlays were $71.8 billion. In that year, over $2 billion in contingency funds carried forward from the previous fiscal year were used to fund participation.

8. Annual Delivery Cost (FY 2002–FY 2011)

Supplemental Nutrition Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Supplemental Nutrition Assistance Program (SNAP)	$32,984,909	$33,198,354	$37,557,661	$49,324,256	$57,820,329	$65,340,734
ARRA SNAP Benefits and Admin. Funds				4,478,246	10,763,853	10,486,716
Nutrition Assistance for Puerto Rico (NAP)	1,517,752	1,551,167	1,622,521	1,760,435	1,746,351	1,744,605
ARRA NAP Funds				240,133	254,217	255,963

8. Annual Delivery Cost (FY 2002–FY 2011)—Continued

Supplemental Nutrition Assistance Program Account	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Food Distribution Program on Indian Reservation (FDPIR)	78,760	77,554	88,339	114,866	112,756	96,958
ARRA FDPIR Equipment Funds				3,712	1,367	0
The Emergency Food Assistance Program (TEFAP) Commodities	139,832	140,000	189,936	250,000	247,994	247,500
American Samoa			4,795	5,219	5,204	7,006
ARRA American Samoa Benefits				964	1,021	1,028
Program Access/Community Food Project/CNMI/Pilot Projects	24,026	23,816	14,852	27,009	38,368	25,792
Nutrition Programs Administration (Allocation to this program)	72,013	72,508	72,416	70,934	69,482	69,066
Other Program Costs	895	2,726	3,918	703	377	377
Total Cost	$34,818,187	$35,066,125	$39,554,437	$56,276,477	$71,061,319	$78,275,745
FTEs	683	631	613	612	591	618
Unit Costs:						
SNAP (Total Annual Cost per Participant)	$1,236.28	$1,256.97	$1,324.50	$1,597.48	$1,703.50	$1,686.54
FDPIR (Total Annual Cost per Participant)	$887.65	$928.48	$1,024.98	$1,123.26	$1,077.93	$966.65
Performance Measure: Average monthly SNAP participation (millions)	26.736	26.466	28.408	33.7	40.3	45.0

9. Eligibility Criteria

To qualify for SNAP, applicants must fill out an application and submit it to the local office. Applicants must meet certain financial, non-financial and citizenship requirements. Illegal immigrants are not eligible for SNAP benefits.

To qualify, there is a gross income test of 130 percent of the Federal poverty guidelines and a net income test of 100 percent of the Federal poverty guidelines. SNAP allows for certain deductions from gross income like housing and utility costs, child support, medical expenses, or child-care costs to calculate net income. Households with an elderly person or a person receiving certain types of disability payments only have to meet the net income test.

There is also a resource test. Households may have $2,000 in countable resources or $3,000 if at least one person is age 60 or older or disabled. In SNAP, examples of countable resources would include bank accounts. Certain resources are not counted, such as a home and lot, the resources of people who receive Supplemental Security Income (SSI), the resources of people who receive Temporary Assistance for Needy Families (TANF), certain education savings accounts, and most retirement and pension plans.

Households are also eligible for SNAP through categorical eligibility in SSI, General Assistance, and TANF: 42 states have adopted TANF broad-based categorical eligibility, a program simplification measure allowing states to adjust the gross income test up to 200 percent of poverty test and raise or eliminates the resource test. States can change the TANF program that confers broad-based categorical eligibility to exclude households that receive a large lump sum payment or to create a resource limit of some amount.

In addition, applicants must also meet some non-financial requirements, such as citizen/legal immigrant status and work requirements in some cases. Generally, Able-Bodied Adults without Dependents (ABAWDs) between 18 and 50 who do not have any dependent children can get SNAP benefits only for 3 months in a 36 month period if they do not work or participate in a workfare or employment and training program other than job search. This requirement is waived in some locations in accordance with unemployment rates and job availability triggers determined by the Department of Labor. With some exceptions, all adults participating in SNAP between 16 and 60 must register for work, accept suitable employment, and take part in an employment and training program to which they are referred by the local office. Failure to comply with these requirements can result in disqualification from the program.

Applicants must also provide verification such as pay stubs and bank statements, along with their application. In addition, the eligibility worker will conduct automated data matches with the Social Security Administration and other organizations to verify information.

Benefits are provided at the household level. In SNAP, a household is defined as either an individual living alone or a group of people who live together and purchase and prepare meals together. The amount of benefits, called an allotment, is based on the Thrifty Food Plan, a low-cost model food plan that reflects current nutrition standards, the nutrient content and cost of food and consumption patterns of low-income families and varies with household size and net income. While SNAP has uniform national benefit levels with cost-of-living adjustments for outlying states and territories, allotment s vary with household size and net income.

10. Utilization (Participation) Data

Supplemental Nutrition Assistance Program (SNAP)
National Level Average Monthly Participation

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
U.S.	25,602,975	26,524,597	26,293,437	28,200,022	33,463,212	40,266,867

11. Duplication or Overlap with Other Programs

SNAP is one of 15 nutrition assistance programs administered by USDA's Food and Nutrition Service. Programs target the diverse needs of different subgroups of low-income persons by providing supplemental assistance through a variety of forms and settings.

The programs are designed to work together to form a nutrition safety net to ensure that no American in need goes hungry. For example, children from households receiving SNAP benefits or, alternatively, the Food Distribution Program on Indian Reservations (FDPIR) are categorically eligible to receive free meals at school through the National School Lunch and School Breakfast programs without a separate household application. This is done through direct certification, which typically involves matching SNAP or FDPIR records against student enrollment lists, either at the state or school district level.

12. Waste, Fraud and Abuse

SNAP has a demonstrated Quality Control system that has been in effect since the 1970s. The system includes provisions for state liabilities for sustained poor performance and bonuses for states that excel. FNS takes seriously its responsibility to make sure that only those families who are actually eligible for the program participate, and that the correct amount of benefits is provided to them. Over the past decade, FNS has made major strides to improve the accuracy of SNAP's eligibility determination and benefit payment systems. In Fiscal Year 2000, the error rate was 8.91 percent. The Fiscal Year 2010 error rate was an all-time low of 3.81 percent, which is 57 percent less than the Fiscal Year 2000 error rate. Similarly Payment errors are less than half what they were 10 years ago, which has reduced improper payments by $3.3 billion in 2010.

While recipient fraud undermines public confidence and jeopardizes the ability of SNAP to serve the tens of millions of struggling families who need it, the most recent data suggests that it is relatively rare. FNS works through our state partners to investigate recipient fraud and hold bad actors accountable, and recipients who purposely commit fraud to get benefits are subject to disqualification. In Fiscal Year 2010, states conducted 781,000 fraud investigations, disqualified 44,408 individuals, and collected $287 million in recipient claims. An additional $1.3 billion in delinquent SNAP recipient claims has been collected since 1992 via the Treasury Offset Program.

FNS recently sent a letter to all states to encourage them to be more active and vigilant in the area of recipient trafficking. FNS is in process of contacting each state to engage in a discussion about doing more to promote integrity and remove bad actors from the program. FNS will work with each state to develop new approaches to fraud detection and prevention such as providing additional data to track and investigate fraud by recipients and by looking at sensible procedural changes and policy options.

The sale/purchase of SNAP benefits for cash is called trafficking, an illegal activity punishable by criminal prosecution. Over the last 15 years, FNS has aggressively implemented a number of measures to reduce the prevalence of trafficking in SNAP from about four percent down to its current level of about one percent. FNS also continues to work closely with its state and Federal partners to investigate and prosecute trafficking.

Retailers found guilty of trafficking are referred to OIG for consideration for criminal prosecution. If OIG accepts the case and the store is criminally prosecuted, it may be subject to asset forfeiture in addition to administrative penalties levied by FNS. If OIG declines a case against a retailer found guilty of trafficking, FNS initiates administrative action to permanently disqualify the retailer from further SNAP participation. The retailer is barred from future SNAP participation, including opening a new store in a different location. If a retailer convicted of trafficking sells the store, they are assessed a transfer of ownership civil money penalty. If they participate in the Special Supplemental Nutrition Program for Women, Infants, and Children, they are disqualified from that program as well.

13. Effect of Administrative PAYGO

See attached under "Costs—Title XIX Treatment Facilities."

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF TITLE I AND THE SURE PROGRAM)

WEDNESDAY, JULY 27, 2011

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

The Subcommittee met, pursuant to call, at 10:00 a.m., in Room 1300, Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Subcommittee] presiding.

Members present: Representatives Conaway, Schmidt, Austin Scott of Georgia, Crawford, Huelskamp, Ellmers, Gibson, Hultgren, Hartzler, Schilling, Lucas (*ex officio*), Ribble, Boswell, McIntyre, Walz, Kissell, McGovern, David Scott of Georgia, Sewell, and Peterson (*ex officio*).

Staff present: Matt Schertz, Brandon Lipps, Bart Fischer, Heather Vaughan, Tamara Hinton, Debbie Smith, Clark Ogilvie, Anne Simmons, Liz Friedlander, John Konya, and Jamie Mitchell.

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 entitled, *Agricultural Program Audit: Examination of Title I and the SURE Program,* will come to order.

We have two witnesses here this morning, both relatively new to the FSA top leadership, both of them bring long, long credentials to their jobs. We have Bruce Nelson, who is now the Administrator of the Farm Service Agency, U.S. Department of Agriculture. We have the favorite son from Texas, Juan Garcia, the Acting Deputy Administrator for Farm Programs at the Farm Service Agency.

So gentlemen, welcome. Rather than making any kind of long winded statement, I am going to recognize our Chairman of the full Committee for his opening statement and then the Ranking Member for his.

[The prepared statement of Mr. Conaway follows:]

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

As you know, we are performing an extensive audit of all policies under the jurisdiction of the House Agriculture Committee. Today, we examine Title I of the farm bill, known as the Commodity Title, and standing disaster assistance, commonly known as SURE.

Not long ago, this Subcommittee reviewed Federal Crop Insurance. We know that without this public-private partnership, something as basic as multiple peril crop insurance would be out of reach for U.S. producers. That's something everybody can get their arms around and appreciate.

Less obvious are the reasons behind a commodity title to the farm bill and to standing disaster. People understand the production risks producers face. But folks are inclined to ask, what is so unique about the price risk and market volatility that producers face? Don't all of us face this sort of thing?

Texas Tech University did a good job during the last farm bill of helping people understand the market conditions U.S. producers face. I would encourage each of my colleagues to get a copy of the "Foreign Subsidies and Tariffs Handbook" to gain a better sense of the distorted global markets in which our producers must compete. I can assure you, the kind of dollars we are talking about here today pale by comparison to what foreign countries, both developed and developing, are providing their producers. In fact, U.S. producers receive only a very basic level of support, and our markets are among the most open in the world.

As an accountant, I never faced these distorted global markets. I have never woken up one morning to learn that the U.S. has imposed an embargo on American accountants doing work for clients living in the former Soviet Union, causing a collapse in my prices. I never encountered China turning on and off my access to clients in that country. I've never had to fight for access to clients in countries where the government has a single desk where it buys and sells all accounting work. I never had a situation where the government was buying my competitors their equipment for them. I never experienced a price volatility where what I could charge a client one year was $100, and the next year it was $20. And, I never had clients walk into my office and tell me the prices I could charge. Are there risks in all businesses? Absolutely. Businesses open and close every day. But few are dealing with the incredible risks our producers face.

The question for me, then, is not whether we need a farm policy but what it should look like, and how to make it the most effective not only for the producers but also for the taxpayer. Agriculture and farm policy are too important to our economy and jobs to short shrift. President Reagan recognized this in the mid 1980s when he initiated the largest *ad hoc* effort in U.S. history to stop the farm financial crisis. A decade later, Congress stepped in to address another farm crisis. These *ad hoc* efforts were very expensive. So, having policies in place to not only deal with a crisis but hopefully prevent one is the key to being cost-effective for taxpayers and producers.

There are a few guiding principles that I will apply when working with colleagues to develop the farm policy provisions of the 2012 Farm Bill and I offer them here to help facilitate a good conversation in this audit.

(1) Does the policy undermine Federal Crop Insurance?

(2) Is the policy bankable to the producer? In other words, does the policy mean anything to the lender?

(3) Is the policy tailored to producer risk?

(4) Are the crops covered under Title I treated equitably under the policy?

(5) Can producers—and their lenders—understand the policy?

With finite resources, we need to be wise in how we invest in U.S. farm policy. These are some basic principles we can apply to make sure this happens.

With that, I yield to my friend, the Ranking Member, Mr. Boswell, for any opening statement he may have.

The CHAIRMAN. Mr. Lucas.

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

Mr. LUCAS. Good morning and thank you, Chairman Conaway and Ranking Member Boswell, for holding this hearing. I would like to thank Bruce Nelson and Juan Garcia for joining us from the Farm Service Agency.

Today's hearing is the eighth audit of farm programs conducted by the Agriculture Committee's Subcommittees. We have evaluated everything from conservation to nutrition assistance so far. We gathered information about which programs are most effective and which can be streamlined. Having these facts on hand will help us make difficult decisions when we begin developing the next farm bill. Each of those audits was important in their own right, but I believe today's audit of Title I's programs and disaster assistance is particular significant.

Along with crop insurance, Title I programs form the very fabric of our farm safety net. They ensure that dramatic swings in commodities prices and volatile weather don't put our farmers and ranchers out of business. As a rancher I understand how difficult it is for producers to invest in a crop and see any hope of profit vanish because of factors beyond their control.

Not only are producers engaging in a risky industry, but they have to significantly leverage their assets to do so. Farmers and ranchers borrow more money each year than most Americans will borrow in a lifetime. And in addition to the high personal risk and questionable returns farmers accept as part of doing business, they also put in the hard labor every day.

I can tell you in these temperatures every chore is that much harder. And while we can avoid the heat here in Washington by crossing between our offices in the Capitol in air conditioned tunnels, our farmers and ranchers have no such luxury. There are no tunnels out to the pasture.

That is why I am so grateful to the men and women who choose farming as a career. They work hard every day, braving the uncertainties of weather and commodity markets to produce high quality food for Americans and consumers around the world.

While they do the hard work of producing our food, we have to do our part to support them. Without a safety net, a few bad seasons can put a farm out of business. When we lose that source of production, we don't usually get it back. So maybe instead of speaking about this as a farm safety net, we need to start calling it a food safety net. Perhaps that will get the message out that commodity support keeps farmers in business, which keeps food on our plates. And that is the message that seems to be getting lost.

When I talk to farmers and ranchers I hear a constant refrain, we are not asking for a handout, we just need a floor in place when the bottom drops out. That is what crop insurance and Title I programs provide, a floor, a safety net for food production.

So when opponents of farm policy start talking about the enormous amount of money that can be saved by eliminating this safety net, and they truly believe it is an enormous amount of money, I wonder what numbers they are using. The cost of losing food production surely outweighs the cost of a safety net, especially when you consider that many Title I programs don't kick in until prices fall below a set trigger.

I would like to get one thing straight right off the bat. There aren't enormous savings to be found from cutting farm programs. They comprise less than ½ of 1 percent of the Federal budget. That is only 50¢ out of every $100.

Now these are difficult times and the agriculture community is going to have to accept budget cuts. We don't believe that we should take a disproportionate hit. We are prepared to reduce our spending, however, and these audits help us determine the best places to trim our budget and streamline programs. We are here to take an honest look at the Title I programs to see how they are working in the countryside. Are they the helping one group of producers over another? Are they more effective in certain regions? Is there duplication?

We need to evaluate the new programs from the 2008 Farm Bill. For instance, are there ways to improve the ACRE program. I don't believe the SURE Program has worked the way most of us hoped it would. And it does not have a budgetary baseline once the 2008 Farm Bill expires. So we need to consider how that fits in with both our budget and our safety net.

We have to look at our legacy programs, too. Should the three-legged stool of direct payments, and the countercyclical programs and marketing loan assistance be updated to reflect the new trends in prices? I think we also need to look at the repercussions of eliminating programs. Do we eliminate all incentives for producers to participate? And then in turn when they do opt out do we lose the conservation compliance that comes with program participation? We need to consider the potential consequences of any program changes.

I am pleased that Mr. Nelson and Mr. Garcia are here to answer all of these questions. Understanding the true cost and benefits of our Title I programs will help us develop a better farm bill moving forward.

I look forward to your testimony, gentlemen, and I thank you once again for being here, and yield back the balance of my time, Mr. Chairman.

[The prepared statement of Mr. Lucas follows:]

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

Good morning. I'd like to thank Chairman Conaway and Ranking Member Boswell for holding this hearing. And I'd like to thank Bruce Nelson and Juan Garcia for joining us from the Farm Service Agency.

Today's hearing is the eight audit of farm programs conducted by the Agriculture Committee's Subcommittees.

We've evaluated everything from conservation to nutrition assistance so far. We gathered information about which programs are most effective and which can be streamlined. Having these facts on hand will help us make difficult decisions when we begin developing the next farm bill.

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Along with crop insurance, Title I programs form the very fabric of our farm safety net. They ensure that dramatic swings in commodity prices and volatile weather don't put our farmers and ranchers out of business.

As a rancher, I understand how difficult it is for producers to invest in a crop and see any hope of profit vanish because of factors beyond their control.

Not only are producers engaging in a risky industry, but they have to significantly leverage their assets to do so. Farmers and ranchers borrow more money each year than most Americans will borrow in a lifetime.

In addition to the high personal risk and questionable returns farmers accept as part of doing business, they also put in hard labor every day.

I can tell you—in these temperatures every chore is that much harder. And while we can avoid the heat here in Washington by crossing between our offices and the Capitol in air conditioned tunnels, our farmers and ranchers have no such luxury. There are no tunnels out to the pasture.

That's why I'm so grateful to the men and women who choose farming as a career. They work hard every day, braving the uncertainties of weather and commodity markets to produce high quality food for Americans and consumers around the world.

While they do the hard work of producing our food, we have to do our part to support them. Without a safety net, a few bad seasons can put a farm out of business. When we lose that source of production, we don't usually get it back.

So maybe instead of speaking about this as a farm safety net, we need to start calling it a food safety net. Perhaps that will get the message out that commodity support keeps farmers in business, which keeps food on our plates.

That message seems to be getting lost.

When I talk to farmers and ranchers, I hear a constant refrain: we're not asking for a handout; we just need a floor in place for when the bottom drops out.

That's what crop insurance and Title I programs provide: a floor. A safety net for food production.

So when opponents of farm policy start talking about the "enormous" amount of money that could be saved by eliminating this safety net, I wonder what numbers they're using.

The costs of losing food production surely outweigh the costs of a safety net. Especially when you consider that many Title I programs don't kick in until prices fall below a set trigger.

I'd also like to get one thing straight right off the bat: there aren't enormous savings to be found from cutting farm programs. They comprise less than ½ of 1 percent of the Federal budget. That's only 50¢ out of every $100.

Now, these are difficult times, and the agricultural community is going to have to accept budget cuts. But we don't believe that we should take a disproportional hit.

We are prepared to reduce our spending, however, and these audits help us determine the best places to trim our budget and streamline programs.

We are here to take an honest look at the Title I programs to see how they are working in the countryside. Are they helping one group of producers over another? Are they more effective in certain regions? Is there duplication?

We need to evaluate the new programs from the 2008 Farm Bill. For instance, are there ways to improve the ACRE program?

I don't believe the SURE program has worked the way most of us hoped it would. And it does not have a budgetary baseline once the 2008 Farm Bill expires. So we need to consider how that fits in to both our budget and our safety net.

And we have to look at our legacy programs too. Should the three-legged stool of direct payments, the countercyclical program, and marketing loan assistance be updated to reflect the new trends in prices?

I think we also need to look at the repercussions of eliminating programs. Do we eliminate all incentives for producers to participate and in turn when they do opt out, do we lose the conservation compliance that comes with program participation. We need to consider the potential consequences of any program changes.

I'm pleased that we have Mr. Nelson and Mr. Garcia here to help answer all of these questions.

Understanding the true costs and benefits of our Title I programs will help us develop a better farm bill moving forward.

I look forward to your testimony, and I thank you once again for being here.

The CHAIRMAN. Thank you, Mr. Chairman. I now recognize the Ranking Member for an opening statement.

OPENING STATEMENT OF HON. LEONARD L. BOSWELL, A REPRESENTATIVE IN CONGRESS FROM IOWA

Mr. BOSWELL. Thank you, Mr. Chairman, and I appreciate you having this hearing today. I want to thank everyone for joining us as we review our farm safety net system. I would especially like to thank our witnesses, Mr. Nelson and Mr. Garcia.

I am one of those around this place who knows my way through the FSA office. There have been times when we went through what we refer to in the farm business, and I think the Chairman has been there too, where we have had to remember the farm crisis of the late 1970s, early 1980s. And wow, I personally know our director in Iowa, John Whitaker and I thank you for his service and for selecting him. He is doing an outstanding job and has a great crew.

As a farmer, as I said I have always considered myself an eternal optimist, I used that word once or twice. You kind of have to be that way to do what Frank Lucas and Leonard Boswell do because you have to believe. No matter how hot it gets or how hard it rains or how dry it gets, we hope as much as we can that it will get better and our crop will grow and our livestock will survive and remain healthy.

Unfortunately, this is not always the case. Every now and then because of Mother Nature, the farmers and ranchers who feed our nation feel painful consequences to their operation, whether a storm tears down a grain bin or the sun wears down our livestock and even in some cases not only stops the efficiency of the feeding but causes death. I had farmers yesterday come into my office; turkey people as you know, have lost thousands of birds and it is not because they did something wrong. So if they are not protected, it has the impact to dramatically increase the cost of food.

The heat risks our producers face are happening before us across the nation. The news from the past week has shown livestock losses in Virginia all the way to Minnesota as well as my home State of Iowa and many other places. While those losses attribute to the need for a safety net, the ongoing farm income is also affected with this kind of weather. Unable to cool down, cattle feed less and gain less and in many cases die. As well, poor conditions cause a dairy cow to produce less, and after years of investment these issues skim profits and production off of each and every animal every day.

A big reason our producers succeed in an industry that relies on uncontrollable forces of rain, the sun, the soil, the market is because we provide a support system. And in return, and I think Chairman Lucas just pointed it out, and I know that Chairman Conaway has many times, we give the Americans the most abundant, safe and affordable food on this Earth, because we all invest in it. Whether you live in downtown New York or LA or Miami, we invest in it and that is what we get. And we are constantly from the Agriculture Committee telling our colleagues that are in these positions that you have an investment, you have a vital concern. This is not something you are just handing out to the farmers and ranchers. It is to protect the safe, affordable, abundant food supply better than any place in the world. I am constantly sharing that because we have a vested interest in this.

Programs in Title I, the farm bill, like ACRE, Livestock Indemnity, and this is what the turkey farmers were talking about yesterday, as you already know, and other disaster assistance programs are critical to maintaining our food supply and its affordability.

This Committee under the leadership of Chairman Lucas and Chairman Conaway is dedicated to working to ensure that policy in D.C. is practical for farmers and ranchers across America.

So thank you for your being here. And your testimony will be essential for us to move forward on the next farm bill I am sure. Thank you very much. I yield back.

[The prepared statement of Mr. Boswell follows:]

PREPARED STATEMENT OF HON. LEONARD L. BOSWELL, A REPRESENTATIVE IN CONGRESS FROM IOWA

Thank you Chairman Conaway. I would like to thank everyone for joining us here today as we review our farm safety net system. I would especially like to thank our witnesses. Mr. Nelson and Mr. Garcia, my colleagues and I look forward to hearing from you and to having the opportunity to review these programs with you.

As a farmer, I have always considered myself an eternal optimist. No matter how hot it gets or how hard it rains, I hope as much as I can that it will get better—that my crop will keep, and that my livestock will survive and remain healthy.

Unfortunately, that is not always the case. Every now and then, because of Mother Nature, the farmers and ranchers who feed our nation face painful ramifications to their operation. Whether a storm tears down a grain bin or the sun wears down our livestock the inputs and investments, if not protected, have the ability to dramatically increase the cost of food.

The heat risks our producers face are happening before us across our nation. News from the past week has shown livestock losses in Virginia all the way to Minnesota, as well as my home State of Iowa. While these losses attribute to the need for a safety net, the ongoing farm income is also affected by this kind of weather. Unable to cool down, cattle feed less and gain less. As well, poor conditions cause a dairy cow to produce less. After years of investments these issues skim profit and production off of each animal every day.

A big reason our producers succeed in an industry that relies on uncontrollable forces—the rain, sun, and soil—is because we provide a support system. In return, they have given Americans the most abundant, safe, and affordable food on the planet. Programs in Title I of the farm bill, like ACRE, Livestock Indemnity, and other disaster assistance programs are critical to maintaining our food supply and its affordability.

Our Committee is dedicated to working to ensure that policy in D.C. is practical for the farmers and ranchers across America. Thank you again, your testimony will be essential for us as we continue to move towards the next farm bill.

The CHAIRMAN. I thank the gentleman. I will make a couple of comments here. Not long ago this Subcommittee reviewed the Federal Crop Insurance Program. We know that without this public-private partnership something as basic as multi-peril crop insurance will be out of reach for most U.S. producers. That is something that everybody can get their arms around and appreciate.

Less obvious, however, are the reasons behind a commodity title to the farm bill and to standing disaster. People understand the production risks producers face, but folks are inclined to ask what is so unique about price risk and market volatility that producers face? Don't all of our small business owners face these sorts of things?

Texas Tech did a good job during the last farm bill of helping people understand the market conditions U.S. producers face. I would encourage each of my colleagues to get a copy of the *Foreign Crop Subsidies and Tariffs* handbook to gain a better understanding and sense of the distorted global markets in which our producers must compete. I can assure you the kind of dollars we are talking about here today pale by comparison to what foreign countries, both developed and developing, are providing their producers. In fact U.S. producers receive only a very basic level of support and our markets are among the most open in the world. As an accountant, I never faced these distorted global markets.

I never woke up one morning to learn that the U.S. has imposed an embargo on American accountants doing work for clients living in the former Soviet Union causing a collapse in my prices. I never encountered China turning off or on my access to clients in that country. I have never had to fight for access to clients in countries where the government has a single desk where it buys and sells all accounting work. I never had a situation where the government was buying my competitors their equipment for them. And I never experienced a price volatility where I could charge a client one year $100 and the next $20. I rarely had a client that big. You boys are a tough audience. I never had a client walk into my office and tell me the prices they would charge.

Are there risks in all businesses? Absolutely. Businesses open and close every day, but few are dealing with the incredible risks our producers face. The question for me is not whether to have a farm policy but what it should look like and how to make it the most effective, not only for producers but also for our taxpayers.

Agriculture and farm policy are too important to our economy and jobs to short shrift. President Reagan recognized this in the mid-eighties when he initiated the largest *ad hoc* effort in U.S. history to stop the farm financial crisis. A decade later Congress stepped in to address another farm crisis. These *ad hoc* efforts are very expensive, so having policies in place to not only deal with the crisis, but hopefully prevent one is the key to being cost effective for taxpayers and producers.

There are few guiding principles that I would like to apply when our colleagues and I develop the farm policy provisions for the 2012 Farm Bill. One, does the policy undermine crop insurance? Two, is the policy bankable to the banker—to the producer? In other words, does the policy mean anything to a lender? Is the policy tailored to producer risks? Are crops covered under Title I treated equitably under the policy? Can producers and their lenders understand the policy? With finite resources we need to make wise decisions as we invest in U.S. farm policy. These will be some of the guiding principles that I hope we can use.

The CHAIRMAN. The chair would request that other Members submit their opening statements for the record so that the witnesses may begin their testimony and to ensure there is ample time for questions.

[The prepared statements of Mr. Peterson and Mr. McGovern follow:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Thank you Chairman Conaway and Ranking Member Boswell for holding today's hearing and continuing this Committee's agricultural program audits in preparation for the next farm bill. This is the eighth audit hearing, focusing on Title I and the SURE program.

I have said this many times, but the budget is going to be our biggest challenge when we sit down to write a new farm bill. There is no doubt that we need to get our fiscal house in order. I have said repeatedly that agriculture can, and will, do its part. My concern is that we are being asked to cut agriculture spending three to four times more than other areas of the budget.

While only a small portion of farm bill spending comes from Title I, folks outside of agriculture have repeatedly targeted these programs for cuts, arguing that high commodity prices mean we can dismantle the farm safety net. We've been down this road before. In 1995 and 1996, we had high prices and a new Congressional majority who didn't like farm programs and wanted to cut the deficit. We passed a farm bill, Freedom to Farm, which saved a little money right away but we ended up spending a lot more when prices collapsed. The environment looks much similar now. These prices are not going to last forever and if we don't have an adequate safety net in place when prices fall we could screw up the one part of the economy that's actually working.

One Title I program that is of particular concern to my constituents in Minnesota is the sugar program. With so much focus on the budget, it is important to note that this is a no cost program. The sugar program is working as it is supposed to, it is administered well and it is something we should not mess with.

Of course, today's hearing is happening in a very uncertain budget climate. At this point, there is a lot of speculation about what will ultimately happen. I am hopeful that any cuts to agriculture are reasonable and fair compared to other parts of the budget.

Again, I thank the Chairman for holding today's hearing and look forward to hearing from our witnesses.

PREPARED STATEMENT OF HON. JAMES P. MCGOVERN, A REPRESENTATIVE IN CONGRESS FROM MASSACHUSETTS

Mr. Nelson, I regret not being able to stay longer at the July 27th Subcommittee hearing but I had to leave early due to a scheduling conflict. I would like to make a few points that I feel are important to keep in mind as we move forward with our work on the next farm bill. I have several questions for you and I respectfully request a written response.

On July 21st, I participated in the Subcommittee on Nutrition and Horticulture's audit hearing on Title IV Nutrition Programs. One area of discussion was eligibility requirements for receiving SNAP benefits, including income and asset limits. While I understand SNAP and other nutrition programs are administered by the Food and Nutrition Service, I am concerned that there is more focus on SNAP benefits and not enough on who is receiving farm subsidies.

- Can you tell me how much the average farmer earns per year?
- What is the maximum amount that a farmer can make and still be eligible for a Title I programs?
- Can you tell me what share of the annual taxable income does a direct payment constitute for the average farmer?
- Is it accurate to say that larger, wealthier farmers tend to receive larger benefits from Title I?

Just for the sake of comparison, the most a family of four can make to be eligible to receive benefits under the SNAP program is $28,668. The average SNAP benefit is $2,724 per household per year.

Next, I'd like to get a better sense of how your agency measures the accuracy of the benefits that you are paying.

Over the course of the last few months, many of my colleagues who serve on this Committee continue to falsely claim that fraud, waste and abuse is rampant in the SNAP program. In fact, many of my colleagues continue to misstate the level of overpayments to SNAP recipients. It's important to correct the false statements and to state for the record that SNAP is not only one of the most efficiently run programs at USDA, is one of the most efficiently run programs in the federal government. In fact, SNAP error rates are at historic lows and are at levels unseen in both the public and private sectors.

For example, in terms of SNAP oversight and measuring the accuracy of benefits paid, my understanding is that the states and federal government sample approximately 50,000 SNAP cases each year in order to develop a nationally and state-level representative sample of the caseload. Each case is reviewed by a state staffer who reviews every document in the case record, independent information about clients and re-interviews the SNAP client. The Federal Government then re-reviews a sample of the state sample in order to verify its accuracy. All states are measured against the same standard making it possible to compare states to each other and longitudinally. Errors are sorted into different categories: client caused and household caused. FNS also knows which aspect of the program was the source of the error, such as inaccurately calculating income or a certain deduction. Of course, this is just the quality control check at the end of a lengthy application and eligibility review process that thoroughly scrutinizes each household's eligibility.

- Would you please provide more information about how FSA measures the accuracy of Title I payments? I'd like to know how many cases are sampled, what level of review they undergo, whether there is a statistical audit of the accuracy, and where that information is published.
- What are the error rates in farm payments/subsides—*i.e.,* how many payments go to deceased farmers?

- What is the level of overpayments going to farmers?

As we continue moving towards a reauthorization of the farm bill, it's important for Members and the public to know that there is a vast monetary difference in the amount of money going to wealthy farmers *versus* a poor family of four. It's critical that we not demagogue SNAP simply because it's doing the job it was designed to do and, at the same time, turn a blind eye to the way our farm payment system is structured.

Thank you for taking the time to review my questions and I look forward to working with you and the FSA over the next several months.

The CHAIRMAN. And with that, I now turn to our witness for his opening statement. Bruce Nelson, Administrator for Farm Service Agency, the floor is yours, sir.

STATEMENT OF BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY JUAN M. GARCIA, ACTING DEPUTY ADMINISTRATOR FOR FARM PROGRAMS, FSA, USDA

Mr. NELSON. Mr. Chairman, Ranking Member Boswell, and Members of the Subcommittee, thank you for the opportunity to discuss Title I and disaster assistance provisions associated with the 2008 Farm Bill. My name is Bruce Nelson. I am the Administrator of the Farm Service Agency. And I am joined here today by FSA Acting Deputy Administrator for Farm Programs, Juan Garcia. I would like to briefly address our efforts toward efficient and accurate implementation of these important programs.

America's farmers and ranchers are the best in the world, providing food, fiber and fuel we depend on to grow our nation. Farmers drive our national economy and they are the nation's leading stewards of the environment. No matter where we live in this country all of us have a stake in the livelihoods of farmers.

A farmer faces many risks inherent to this work. Prices can plummet or a natural disaster can destroy a farm. The farm safety net exists to help offset this uncertainty and when misfortune strikes to help a farmer get back on their feet.

The Title I and disaster programs authorized under the farm bill, along with the farm loan programs I discussed in a recent hearing before your colleagues, are the primary tools that we use to help at FSA. FSA implements a wide variety of price support programs authorized under the 2008 Farm Bill. I included an update on these programs in my written testimony.

One program of note is the Average Crop Revenue Election Program. We have worked hard to educate producers regarding ACRE, which is not only new but requires producers to do a good deal of background research. Those who have participated in a direct payment program for many years had to make a complex choice on ACRE, which was a major reason we saw modest sign-up numbers.

These price support programs affect a very large number of producers. Last year FSA made seven million separate payments on Title I. That means one of our biggest responsibilities is to be sure we make payments quickly and accurately, and I take that responsibility very seriously.

FSA has a variety of mechanisms in place to prevent improper or inaccurate payments. Even one improper payment is one too many and when we identify a potential error we address it.

The disaster programs have also proven to be a very significant part of the safety net laid out in the 2008 Farm Bill. I am pleased to report that over the past 2 years FSA has fully implemented these disaster programs and delivered them in the field largely due to the commitment of our field staff and explaining and calculating complex new programs. Together with the 2008 Recovery Act, these programs have delivered more than $3 billion in assistance to more than 200,000 farmers and ranchers.

Unlike the Title I programs and most other farm bill provisions FSA has implemented, authorization for these five major disaster programs is set to expire at the end of this fiscal year.

Our biggest challenge in implementing both disaster and price support programs has been our aging IT infrastructure. We are very focused on the modernization and innovation of the delivery of agricultural systems program, our effort to streamline farm program delivery. We are complementing this work with an initiative to reduce crop reporting for farmers.

Recently when I testified regarding farm loan programs I had the opportunity to point out the successes we have had with modernizing our farm loan delivery. Modernization of our farm programs as you know is just as important; it gives us the opportunity to serve farmers better and faster using new tools to create a more efficient government agency. I am committed to seeing these successes carried through on-farm perhaps as they have been with farm loans.

Mr. Chairman, as we move forward toward development of the next farm bill I believe it is important that we approach this new legislation with an eye toward making a difference across rural America, for letting the needs of the American farmer drive our priorities.

I would like to echo Secretary Vilsack's sentiments regarding our needs for the next farm bill. We stand ready to innovate and adapt in implementing a farm bill that best addresses current challenges in rural America and needs faced by our agricultural producers. I would ask you and your colleagues to identify priorities and let us know what those priorities are in the next farm bill. And I would ask that you give the USDA the flexibility and the resources to generate results.

Finally, I ask that you work closely with FSA and with USDA to make sure we are accountable for getting the job done. My team and I at FSA look forward to working with you as this process takes hold.

Mr. Chairman, this concludes my statement, and I would be happy to try to provide answers to your questions now or any time in the future. Thank you very much.

[The prepared statement of Mr. Nelson follows:]

PREPARED STATEMENT OF BRUCE NELSON, ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for the opportunity to discuss Title I and disaster assistance provisions associated with the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). These programs, together with the Federal crop insurance program, form the backbone of the farm safety net. This hearing provides an opportunity to reflect on the performance of these programs under the 2008 Farm Bill, while thinking ahead to the upcoming 2012 debate.

Title I is very broad and covers not only our "traditional" commodity programs, but also the new Average Crop Revenue Election (ACRE) program, as well as dairy, sugar, and many other provisions. Disaster assistance programs are covered in Titles XII and XV and complement the Title I provisions. After discussing our experience with these programs, I would like to address our efforts to modernize and ensure high-quality, cost-effective program delivery, which is benefiting producers and streamlining our internal operations.

Direct and Counter-Cyclical Payment Program

The Farm Service Agency (FSA) operates the direct and countercyclical payment program, which was first authorized by the 2002 Farm Bill. Direct payments are made to producers with program crop base acres, and do not depend on the crop that is currently planted or on current yields or prices. A producer's payment is based on the farm's base acres associated with the crop, the farm's (fixed) program yield, and a fixed national payment rate established in statute. In total, FSA makes approximately $4.9 billion in direct payments annually, accounting for about 80 percent of Title I outlays in Fiscal Year (FY) 2011.

Like direct payments, countercyclical payments depend on base acres, but are made when market prices drop to levels that trigger payments. With grain and oilseed market prices at record, or near-record levels, countercyclical payments have been modest, and for FY 2010 and 2011, only producers with cotton and peanut base acres have received benefit. FSA will issue about $131.8 million in countercyclical payments in FY 2011. In comparison, countercyclical payments totaled $4.4 billion in FY 2006 and $3.2 billion in FY 2007, when market prices averaged significantly lower.

Average Crop Revenue Election (ACRE) Program

ACRE was first authorized by the 2008 Farm Bill, and is based on revenue risk rather than price risk. It provides an alternative to traditional farm programs and depends on both state- and farm-level triggers. Both the state-level and farm-level triggers—which are in turn based on historical average yields and national average market prices—must be met before a producer receives a payment. Because it is an alternative to traditional programs, an ACRE participant forgoes countercyclical payments and incurs a 20 percent reduction in direct payments and a 30 percent reduction in marketing assistance loan rates for all commodities on the ACRE-enrolled farm. Once a farm is enrolled in ACRE, that farm is required to stay enrolled in ACRE throughout the duration of the 2008 Farm Bill (through 2012).

Overall, ACRE participation has been strongest for corn, soybeans and wheat. In 2009, about 33 million acres of base acres were enrolled, including 13 million acres (16 percent) of corn base (over half of that total is in Illinois, Iowa, and Nebraska), and about 8 million acres (15 percent) of soybean base (Illinois and Iowa were again top states). Nearly 10 million acres of wheat base were enrolled in ACRE, about 13 percent of the total enrolled wheat base. For wheat, expected net returns, combined with strong educational efforts, improved ACRE participation for the crop, particularly in Oklahoma (2.5 million acres enrolled) and North Dakota (1.6 million acres).

The bulk of enrollment occurred in 2009, the first year of the program. An additional 1.2 million acres of base and 6,000 farms (not in the program in 2009) were enrolled in ACRE in 2010. In 2011, about 2,600 more farms have enrolled in ACRE.

Several reasons likely explain the relatively modest interest in this new program. ACRE requires producers to do a significant amount of "homework" to understand how it would work for their farms. Many producers have been participating in some form of direct payment since 1996 with Production Flexibility Contract payments, and later the direct payment program. This is further complicated by operators' having to explain to landlords and, at times, bankers, how expected ACRE net returns compare to net returns under the traditional programs. According to statute, ACRE participation is locked in for a farm throughout the remainder of the 2008 Farm Bill once that farm is enrolled in ACRE. Because of market uncertainties and without a clear understanding of this new program, most producers hesitated to commit their farms to a multi-year ACRE agreement. Basically, producers found themselves trading off the certainty of existing direct payments with the uncertainty of ACRE payouts.

For the 2009 crop year, about $446.6 million in ACRE payments were made. Wheat producers (who experienced both low prices and yield losses) accounted for about $310 million of that total, with an estimated $100 million paid for corn, $20 million for barley, $10 million for sunflower seed, and small amounts for several other crops. Oklahoma, Washington, Illinois, South Dakota, North Dakota, and Idaho received about 80 percent of the payments.

Because the magnitude of ACRE payments are determined by season average prices in any given year, there is a significant time lag between the start of a crop year and the issuance of payments. Further, the 2008 Farm Bill mandates that payments cannot be made until after October 1 of the calendar year following the calendar year of the harvest. We expect 2010 crop year payments to total about $24 million in FY 2012.

Marketing Assistance Loans

Marketing assistance loans provide producers with interim financing at harvest time to meet cash flow needs without having to sell their commodities. The harvested commodity is used as collateral for the loan. The value of marketing assistance loans made totaled about $7 billion in FY 2011. Market loan repayment provisions specify, under certain circumstances, that producers may repay loans at less than principal plus accrued interest and other charges.

Alternatively, producers can apply for a loan deficiency payment *in lieu of* securing a loan. Similar to the situation for countercyclical payments, high market prices have greatly reduced marketing loan benefits, which are expected to total less than $50 million in FY 2011.

Ensuring Compliance with Eligibility Requirements

Each year, FSA makes about seven million separate payments to farmers and ranchers. The vast majority of payments are made quickly and accurately. Over the past 2 years, FSA has taken a variety of actions to help identify and further limit the occurrence of improper payments.

The 2008 Farm Bill redefined eligibility requirements for DCP, ACRE, and certain other programs by lowering the average gross income (AGI) limit to $750,000 for on-farm income and to $500,000 for non-farm income from the previous cap of $2.5 million for all income. To ensure that only those participants who comply with AGI requirements receive specified farm program benefits, FSA entered into an agreement with the Internal Revenue Service (IRS). With the written consent of the program participant, the IRS performs a series of calculations using tax return data to determine a producer's average AGI values and compares those values with the AGI limits. IRS then provides to FSA a report that indicates whether or not the participant appears to meet or exceed each of the average AGI limitations. AGI compliance reviews for FY 2009 and 2010 are still underway and we look forward to being able to soon verify that producers are fully compliant with the law.

The 2008 Farm Bill also requires that FSA reconcile data with the Social Security Administration (SSA) to address concerns regarding payments to deceased persons. Before the 2008 Farm Bill was enacted, FSA started a data-matching process that compares program payment information to the SSA "death master file," starting with payments issued in FY 2007. Review of the data-match report and information on file in FSA offices revealed that 121,527 payments in FY 2007, totaling $108 million, were disbursed on behalf of deceased persons. However, relatively few of these payments warranted further action. The vast majority of the payments identified as issued to deceased producers were in fact earned or requested prior to death. If a producer is enrolled in a program and is due a payment and the producer passes away during that year, the payment will be issued to the estate of the deceased person. USDA issued a regulation in late 2010 making explicit that payments will not be made on behalf of a deceased person unless the payment was earned by that person while alive and was requested by that person or their authorized representative before or after their death.

Planting Flexibility, 10-Acre Base Provisions

We recently delivered two reports to Congress mandated by the 2008 Farm Bill— one on the impacts of the Planting Transferability Pilot Program (PTPP) and the other on the effects of provisions eliminating payments to FSA farms with 10 or fewer base acres. The Economic Research Service provided substantial assistance with these reports, which we greatly appreciate.

PTPP, first authorized in the 2008 Farm Bill, relaxes the planting restrictions, in certain FSA programs, placed on vegetables destined for processing, and is available in seven upper Midwestern States. PTPP emerged in response to claims by Midwestern vegetable processors that access to vegetables used for producing pickles, tomato paste, and canned beans, among other foods, has been constrained by statutory planting restrictions. These statutory fruit and vegetable planting restrictions date back to 1990, and were put in place to address concerns expressed by the produce sector that payments to farms with base acres planted to fruits and vegetables could lead to a significant decline in prices, which would be unfair to a sector that received relatively modest government support. Prior to PTPP, fruit and vegetables could be grown on base acreage if the farm has a history of planting fruit and vegetables. In these cases, payments are reduced acre-for-acre for each acre of fruit and vegetables planted. PTPP places farms with no history of planting fruit and vegetables on the same footing as those with a planting history for the select processing vegetables. Without PTPP, participating farms with no planting history would receive a far greater penalty.

FSA data for 2009 indicate that 10,215 acres were planted under PTPP, about 14 percent of the 75,000 allowable acres in the statute and a small share of total processing vegetable acreage. One hundred and fifty-five farms participated, with Illinois, Indiana, and Minnesota accounting for approximately 85 percent of the farms and acres. Several reasons explain the relatively low participation. Stagnant market demand and producers' flexibility to expand processing vegetable production without PTPP are major reasons. For growers to expand acreage, processors must offer attractive contract prices. Growers and processors, though, are very well aware that long-run demand for processing vegetables is stagnant or declining, and that net returns to other crops are often more attractive. Even if markets were more favorable, availability of non-base acres and a producer's prior vegetable planting history on base acres often provide sufficient acreage for expanded plantings.

Regarding the 10-acre base (base-10) analysis, the 2008 Farm Bill eliminates DCP and ACRE payments to FSA farms with 10 or fewer base acres. Farms classified as "limited resource" and "socially disadvantaged" are exempt from this provision. About 371,000 FSA farms, out of 2.2 million farms with base acres, became ineligible for payments as a result of the provision. The dollar amount of payments prohibited was $29.1 million, compared to approximately $5.9 billion total DCP and ACRE payments in 2009, since the affected farms control only 1.6 million, or 0.6 percent, of total base acres. However, the actual savings was likely smaller, since not all operators of FSA farms enroll in commodity programs in a given year. In 2008, prior to implementation of the provision, just 40 percent of base-10 FSA farms enrolled in the DCP program. Operators affected by the provision would forgo an average of $79 per farm in 2009, compared with the average DCP/ACRE payment across all FSA farms of $2,620. For farmers choosing not to enroll, the transaction cost of enrolling may outweigh the benefits.

Applying a 40 percent enrollment rate to 2009 data, there are an estimated 148,400 farms who no longer receive $11.7 million in payments. The administrative cost savings are another estimated $1.5 million, for a total savings of $13.2 million per year.

The base-10 provision had little impact in the Corn Belt and Great Plains, where FSA farm sizes are relatively large. In contrast, regions along or near the East Coast tend to have a high proportion of farms with small base acre holdings and have been more affected. For example, in the Eastern Upland and Southern Seaboard regions, 35 and 28 percent of FSA farms, respectively, became ineligible under the base-10 provision in 2009.

Supplemental Revenue Assistance Payments (SURE) Program

Title XII of the 2008 Farm Bill contains the SURE program, which provides assistance to crop producers for eligible losses in times of natural disasters. To be eligible for SURE (or any other 2008 Farm Bill disaster program except for the Livestock Indemnity Program), producers must have Federal crop insurance or Noninsured Crop Disaster Assistance Program (NAP) coverage on all their crops and be located in a county included in the geographic area covered by a natural disaster declaration issued by the USDA Secretary. The Secretarial disaster designation is not required if a farmer can prove a whole farm loss of more than 50 percent of normal, including farming operations across county or state lines.

As of July 12, 2011, payments for 2008 and 2009 crop losses to date total more than $2.6 billion. (Of this amount, about $0.8 billion can be attributed to an increase in benefits mandated under the American Recovery and Reinvestment Act.) Major recipient states include North Dakota ($358 million), Texas ($349 million), and Iowa ($289 million), which account for 40 percent of the total. Although these states have been key beneficiaries, SURE payments have been critical to helping producers in many other states. Twenty-seven states have received over $10 million since the inception of SURE.

SURE differs from previous disaster programs in that SURE losses and revenues are calculated based on all of a producer's land, including multiple farms combined, compared to ad hoc disaster program calculations made on a crop-by-crop basis. As a result of the whole-farm focus, a county may receive a Secretarial disaster designation, but few producers may be eligible for SURE payments. SURE's whole-farm nature and the number of variables used in the calculations make the program quite complex.

A significant lag exists between the timing of crop loss and receipt of SURE payment to allow for the calculation of actual farm revenue. Farm revenue depends on season average prices reported by USDA's National Agricultural Statistics Service, which are usually released 13 months after the start of the crop year. Actual farm revenue also depends on other data which are not available until well after a crop loss occurs, including marketing loan benefits, ACRE payments, crop insurance indemnities, and other payments. Producers have until July 29, 2011, to apply for assistance for 2009 crop losses under SURE. To date, payments for 2009 losses are approximately $465 million; however, producers have until July 29, 2011, to apply for assistance for 2009 crop losses under SURE.

Other Disaster Programs

The 2008 Farm Bill also authorizes disaster assistance programs for livestock and trees. These programs include the Livestock Indemnity Program (LIP), the Livestock Forage Disaster Program (LFP), the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP), and the Tree Assistance Program (TAP).

The Livestock Indemnity Program (LIP) provides assistance to producers who lose livestock due to natural disaster. For 2008–10 losses, about $110 million has been paid out under LIP as of July 12, 2011. LIP payments are made for livestock losses (death) above normal mortality rates at fixed payment rates per animal. Accordingly, LIP payments can be issued soon after a qualifying loss occurs to help producers rebuild herds and undertake other activities. These payments were particularly helpful to ranchers whose livestock were lost during major blizzards in the Northern Plains, as well as during extended heat in many Midwestern states during the summer of 2009. Major LIP recipient states include South Dakota ($30 million to date) and North Dakota ($20 million to date).

The Livestock Forage Disaster Program (LFP) compensates livestock producers for grazing losses due to drought. LFP has provided $380 million as of July 12, 2011 to ranchers affected by drought. LFP payments can typically be made within a few weeks of a county qualifying for assistance, which has been particularly helpful to ranchers during severe drought events. The major LFP recipient states are those that have suffered significant drought losses such as Texas ($155 million), North Dakota ($28 million), California ($26 million), and Georgia ($18 million).

The Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP) provides funds for losses that are not covered by other disaster programs. ELAP provides assistance for those livestock losses that are not covered by LIP or LFP. Funding is limited by statute to $50 million per calendar year. Of the $29 million disbursed to date for 2008–10 losses, primary recipient states include South Dakota (more than $4 million), Florida ($4 million), and California ($3 million). ELAP has provided substantial assistance to beekeepers whose bees have suffered from Colony Collapse Disorder.

The Tree Assistance Program (TAP) provides assistance to replace or rehabilitate trees, bushes and vines lost or damaged due to natural disasters. To date, TAP payments for 2008–10 losses have totaled nearly $9 million.

In addition, the Noninsured Crop Disaster Assistance Program (NAP) provides financial assistance to producers of crops where crop insurance is not available and when low yields, loss of inventory, or prevented planting occur due to natural disasters. NAP payments for 2008–10 losses have totaled $210 million.

Per the 2008 Farm Bill, losses incurred under SURE, LIP, LFP, ELAP, and TAP are not covered beyond September 30, 2011. Among the disaster assistance programs, only NAP losses will be covered beyond September 30, 2011. In contrast, authority for Title I programs discussed in this testimony extend through the 2012 crop year.

Sugar

The sugar program has supported grower returns from raising sugarcane and sugarbeets at minimal Federal cost since it was established in 1981. The sugar program has been a no cost program during the tenure of the 2008 Farm bill due to program operation and a tight sugar market in the United States and throughout the world. Cane and beet growers are supported by several programs that first establish a level of support, then provide USDA with supply controls tools to maintain the support level. The Sugar Price Support Loan Program establishes the support level by providing nonrecourse loans to processors of domestically grown sugarcane and sugarbeets based on loan rates mandated in farm bills. If market returns are lower than loan proceeds at the time of loan maturity, sugarbeet and sugarcane processors can fully satisfy their loan obligations by forfeiting sugar loan collateral to the Commodity Credit Corporation (CCC). Since sugar producers can always receive at least the loan proceeds from their crop, the loan rate acts as a floor on the market price of domestic sugar. The Price Support Loan Program also provides the beet and cane mills the financing to pay beet and cane growers for their crops long before they receive the revenue from the sale of their sugar.

To avoid Federal costs, the farm bill includes tools that permit USDA to manage domestic supply so that domestic sugar prices are higher than the support price, hence, eliminating forfeiture costs. Domestic supply is limited through (1) the Flexible Marketing Allotments for Sugar Program, which provides limits for the quantity of sugar that domestic sugarbeet and sugarcane processors can market; (2) the administration of Tariff Rate Quotas (TRQ) that limit foreign sugar imports at the low tier tariff; and (3) a new program, the Feedstock Flexibility Program for Bioenergy Producers (authorized under Title IX of the 2008 Farm Bill), which requires USDA to purchase expected surplus sugar in the marketplace and sell it to producers of bioenergy to prevent loan forfeitures under the Price Support Loan Program.

The enactment of the 2008 Farm Bill coincided with full implementation of the North American Free Trade Agreement (NAFTA), which allows sweetener trade between the U.S. and Mexico without a tariff. Before the 2008 Farm Bill, analysts expected that the U.S. would increase shipments of High Fructose Corn Syrup (HFCS), a cheaper sweetener than sugar, to Mexico. This situation was expected to displace Mexican sugar, production of which was expected to expand in response to U.S. sugar support prices that were raised in the 2008 Farm Bill. Mexican sugar was expected to flow into the U.S., resulting in U.S. prices falling below the Federal price support level, threatening sugar forfeitures to the CCC and thereby requiring activation of CCC purchases of surplus sugar for sale to bioenergy producers under the Feedstock Flexibility Program.

Compared to these expectations, U.S. sugar demand has increased significantly. In fact, greater Mexican imports did not saturate the U.S. market, but instead helped maintain adequate U.S. sugar supplies in response to the loss of refining capacity due to an explosion at the Savannah sugar refinery and a temporary reduction in beet sugar production. Even with increased Mexican imports, growing U.S. demand prompted USDA to increase the sugar import tariff-rate quota twice in both FY 2010 and FY 2011. Despite the almost doubling of sugar prices since 2008, sugar is increasingly used in the U.S. to replace other sweeteners in food products.

The sugar market outlook in the near term remains tighter than expected in 2008 and USDA does not anticipate forfeitures of sugar to the CCC and the activation of the Feedstock Flexibility Program under the current Farm bill.

Farm Storage Facility Loan (FSFL) Program

The Farm Storage Facility Loan (FSFL) program ensures that eligible producers have adequate capacity to store their harvested production through low-interest financing that can be used to build a new storage facility, upgrade existing storage, or purchase handling equipment. The maximum amount that may be borrowed is $500,000 per structure under the 2008 Farm Bill (increased from $100,000 under the re-establishment of FSFL in 2000 as authorized by the CCC Charter Act, and the repayment terms are for 7, 10, or 12 years (depending on the size of the loan). The 2008 Farm Bill also expanded eligibility for the FSFL program and, in addition to grains, low-interest loans are now available for biomass and hay facilities as well as cold storage for fruits and vegetables.

Interest in the FSFL program has increased in recent years; applications have increased from 1,717 in FY 2005 to 3,961 in Fiscal Year 2010. In FY 2006, the CCC made nearly $100 million in loans, while in FY 2010, loans exceeded $296 million. Much of the increased interest is on the part of corn producers who store the commodity for delivery at a later date to a nearby ethanol plant. Fruit and vegetable growers' interest in FSFLs for cold storage is relatively low at this time, and moderate interest exists for hay FSFLs.

Reimbursement Transportation Cost Payment for Geographically Disadvantaged Farmers and Ranchers (RTCP) Program

The RTCP program provides assistance to geographically disadvantaged farmers and ranchers in Hawaii, Alaska, and insular areas (Guam, American Samoa, Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Republic of the Marshall Islands, Republic of Palau, and the Virgin Islands of the United States). The program reimburses producers for a portion of the transportation cost of their agricultural commodity, or of inputs used to produce an agricultural commodity during a fiscal year. Under RTCP transportation costs of inputs used to produce an agricultural commodity include, but are not limited to, air freight, ocean freight, and land freight of chemicals, feed, fertilizer, fuel, seeds, plants, supplies, equipment parts, and other inputs as determined.

This program benefits farms and ranches in geographically disadvantaged areas of the U.S. Signup for 2010 RTCP program began Aug. 2, 2010 and ended on Sept. 10, 2010. Distribution of payments for 2010 RTCP began on July 20, 2011. In FY 2010, 1,545 geographically disadvantaged farmers and ranchers applied to participate in the program, and more are expected with the FY 2011 RTCP signup beginning July 25, 2011.

Acreage Crop Reporting Streamlining Initiative (ACRSI)

FSA requires that producers participating in any Title I program report all the cropland acreage on their farm each year to their local office. In field hearings, we repeatedly heard from producers that they were dismayed by the necessity to report acreage and production data to multiple agencies (not only FSA, but also the Risk Management Agency and the National Agricultural Statistics Service). To address these concerns, we have initiated the Acreage Crop Reporting Streamlining Initiative (ACRSI), a system which allows producers to report their acreage data only once to USDA.

We anticipate piloting this effort in four counties in Kansas in fall 2011 for 2012 crop wheat plantings. Feedback from this pilot will help us move this project forward to a nationwide scale. Over time, our ACRSI project will be leveraged to support our "Modernize and Innovate the Delivery of Agricultural Systems" (MIDAS) effort, which I will turn to next.

MIDAS

FSA has relied on aging technology which was installed in the mid-1980's, as well as segmented web-based IT systems that have created inefficiencies and threatened the delivery of Title I benefits. To address these issues, FSA has invested in the Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) program. MIDAS is an integrated business solution based on enterprise resource planning (ERP) technology. MIDAS will modernize Farm Programs delivery and will provide comprehensive and robust processes and tools to simplify Title I, Title II, and disaster program service delivery and improve customer service for both agency employees and producers.

Currently, MIDAS is developing the "to-be" global requirements, processes, and solution design. Over the longer term, MIDAS will be integrated with other initiatives, such as Geospatial Information Systems (GIS), the Department's Financial Management Modernization Initiative (FMMI), and the Enterprise Data Management (EDM) program. MIDAS has already improved service delivery by implementing recommendations from the USDA "Listening Sessions" and the FSA MIDAS Lean Six Sigma field office visits to improve processes. These efforts focused on modifying program forms and addressing web time out issues for web applications in high usage by field office employees, such as reconstitutions. As a result service delivery has been improved and opportunities for errors have been reduced.

Full implementation of MIDAS, which would occur in FY 2014 assuming the program is fully funded, will result in improved business processes and service delivery to our producers, ranchers and farmers, and USDA employees that provide day-to-day service to our customers. Through MIDAS, we will be able to adapt to and implement new programs more rapidly, with the time between passage of new legislation and program delivery to producers substantially reduced. Producer information will be collected once, not multiple times for multiple programs or multiple times for multiple agencies (through integration of MIDAS with ACRSI). Benefits will also be realized internally within FSA. Systems integration will result in improved performance and more reliable reporting. In addition, the need for manual processes (such as data entry) will be greatly reduced. This work is very similar in scope to the modernization and streamlining of FSA's farm loan programs—through which the agency has realized significantly shorter processing times and more efficient service through online business processes.

The MIDAS Project Office recently conducted a series of demonstrations for USDA management, FSA state and county offices, and others on the functionality of the ERP software solution. Based on initial feedback, the MIDAS demonstration was well received and state and county offices have re-confirmed that the software will meet the requirements of farm program delivery.

Working Toward the Next Farm Bill

Mr. Chairman, as we move forward toward development of the next farm bill, it is important that we approach this new legislation with an eye toward truly making a difference in the future of the lives of millions of rural Americans, while at the same time using scarce resources wisely. In the coming months, I look forward to providing answers to your questions and helping better frame and move the debate toward the topics and issues that are most important to our constituents.

I am happy to respond to any questions. Thank you.

The CHAIRMAN. Thank you, Mr. Nelson. Mr. Garcia, do you have an opening statement?

Mr. GARCIA. Good morning, Mr. Chairman. I do not have an additional statement at this time, just to thank you and the Committee Members for having us here today.

The CHAIRMAN. All right, thank you very much, I appreciate that. The chair would remind Members that they will be recognized for questioning 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. I appreciate my colleagues' understanding in that regard.

Also we have been joined by Mr. Ribble from Wisconsin. I ask unanimous consent that even though he is not a Member of the Subcommittee that he be permitted to join in the questioning of the witnesses. Without objection.

Mr. Nelson, we made some changes in the 2008 Farm Bill with respect to AGI and how that impacts eligibility. You also have some agreements with the IRS as to how that gets tracked. There were some initial concerns about producers having to share too much information with FSA locally and that there are some work-arounds for that. Can you walk us through that? And also kind of answer that question that gets distorted in the paper, in the media a lot is that the bulk of these farm program support payments go to large corporations that don't really need it. And so if you could walk us through the AGI efforts and how you have seen that play out.

Mr. NELSON. Well, I appreciate that question because as you are suggesting, there is a lot of information out there that isn't quite as accurate as it could be on this subject. The AGI limits that were established under the 2008 Farm Bill are that an individual producer can have up to $750,000 of on-farm adjusted gross income and $500,000 of off-farm adjusted gross income. USDA and FSA were tasked in the farm bill with deciding how best to try to ensure compliance with those AGI provisions, and basically it was a choice between having farmers bring their tax returns into our county offices around the country and have them do reviews, or the Department could work as we did and as we have now been implementing with the Internal Revenue Service on a data sharing process where producers authorize the Internal Revenue Service to data match against our USDA database. We basically get back an indication with a red flag or green flag whether the individual producer is in compliance or not. And I actually believe as a farmer, and my family has been on our place for about 100 years since my grandparents homesteaded, that it is a much preferable way to utilizing the Internal Revenue Service's capacity to assist us with this than to have farms and ranchers bring their tax returns down to local offices. And talking to our folks at least in Montana about this who work there, I think they are glad that it is being done this way as well.

Now, I understand there are some things that—some glitches along the way. For example, one of the things that I ran into out in Montana is that producers had to put the address that was on their tax return on the form that was sent into the IRS or it might come back to them. And so it took some time and it is still taking some time to make sure that producers understand what it is that is required for the IRS to accept those forms.

The CHAIRMAN. Mr. Nelson, does the IRS communicate directly with you or do they send the clearance to the producer and the producer brings in something from the IRS that says they are good to go?

Mr. NELSON. As I understand it, Mr. Chairman, we get the indication back from the Internal Revenue Service. The good news is that after October 1 we are going to eliminate that form that producers have had to send in to the Internal Revenue Service and we are going to do that authorization as a part of their other sign-up papers. We think will be a lot better for the producers and ultimately a lot easier on our employees out there too. Some offices had had to deal with producers coming in saying, "I don't know why the IRS didn't accept this." So moving to one form we think will be much better for everybody involved.

The CHAIRMAN. Is the turn-around time with the IRS quick enough to be able to not delay payments to producers?

Mr. NELSON. Mr. Garcia, I am going to let you talk about payments.

The CHAIRMAN. Mr. Garcia, what is your experience in Texas on this style of doing it?

Mr. GARCIA. Well, of course, Mr. Chairman, the individual producers that certified to their AGI we will not delay payments because it is a certification. After that we will review that with the IRS, we will get information on those producers that appear questionable. It is very important to note that we do not receive any particular income tax information from any producer. If a producer that we obtain on that list does appear questionable, we will notify the producer and ask him to provide to the national office any particular information that he has, either IRS records or his statement from his Certified Public Accountant, to clear that.

We want to provide the producer the best opportunity to prove to us that he is eligible based on those AGI provisions.

The CHAIRMAN. All right. Thank you.

Mr. Boswell, for 5 minutes, you are now recognized.

Mr. BOSWELL. Thank you, Mr. Chairman. I would be happy to defer to Chairman Lucas if he would like to, at this time.

Mr. LUCAS. I appreciate that courtesy, Ranking Member Boswell. Thank you very much.

Mr. BOSWELL. I will follow behind you.

Mr. LUCAS. Absolutely. Gentlemen, I have several questions. As the Chairman alluded to discussing the AGI issues, how many farmers have been flagged by the IRS as part of this process as having too high of an AGI to qualify?

Mr. GARCIA. Mr. Chairman, at the present time we do have a list in producers that we are looking at right now. We have sent some initial letters here a couple of months ago. We are in the process of sending some additional letters to producers to submit their information to us. We have quite a few producers that have not yet filed that form—I should not say that—they may have filed a form and there could have been some errors in filling out the form that are still questionable. We just obtained another report this month that we have forwarded to our county offices to check with those producers to ensure that they did receive a payment. Of course we also obtained those AGI forms producers that are getting payment with NRCS to the EQIP Program. So we are checking with NRCS to ensure that those producers did actually receive a payment. We are working on that particular listing and trying to resolve it as soon as possible.

Mr. LUCAS. So it is still a while before you can say how many farmers have been flagged by this procedure.

Mr. GARCIA. That is right.

Mr. LUCAS. Let's turn to the SURE Program for a moment, one of those things that does not have a baseline in the existing farm bill, and in a very tight budget as we all looked at these things. There have been comments out in the countryside about the complexities of signing up and, once you sign up, the length of time to receive a benefit when you qualify.

Gentlemen, would you care to comment on the complexities of implementing SURE and what the time or period between qualifying and actual payments have been issued, those kind of underlying issues?

Mr. NELSON. Yes, Mr. Chairman, that is a good question because I have heard from a lot of folks out in Montana about this over the last couple of years. The principal concern is with the timeliness of the payments, but it is also a matter of the complexity of the calculations that are hard for the folks in our county offices. As you know, there are factors within the SURE Program that basically dictate that we are not going to be able to make the payments until at least a year after the disaster occurred. And so this is something that we really look forward to working with you on because if we are going to have a good food safety net as you suggest out there, I think that we need to work on streamlining these provisions and we look forward to working with you on those.

Again, I also think the complexity of the calculations are part of the factor here that we need to look at as well to try to make it not only easier for folks in our county offices but for producers to understand. I talked to farmers in Montana who have no idea that they might be eligible for a SURE payment, but we got them to go in and apply and sure enough they got a SURE payment.

Mr. LUCAS. This is particularly important in Mr. Garcia and my part of the world because we are in the most wicked of droughts in the Southwest. And literally while there was some wheat cut in the northern part of the southern plains there will be no row crops this summer. If the weather patterns don't change it will be extremely difficult to think that you can put a wheat crop in the ground this fall. So this issue is going to receive incredible attention in our home region. So if there are ways to address that and accelerate it, certainly the Committee wants to know. And as we—whether it is a late farm bill this year or under regular order my preference is next summer in writing the next farm bill, we are going to be left working so hard for every penny of baseline money that we have to maximize it. So I just ask you to focus on that and I would look forward to comments later on in the coming weeks and months on this topic.

With that, I yield back my time and thank the Ranking Member for his courtesy.

The CHAIRMAN. Mr. Boswell now for 5 minutes.

Mr. BOSWELL. Thank you. I appreciate that discussion, even though my operation in southern Iowa we get some of those Chinook winds up there and I know something about droughts, Chairman Lucas, and I realize you are facing a real tough situation. So it will be interesting how this works.

I would like for you, if you could, just give us some update on—you have the personnel to do what you need to do. We went through different cycles of that and software, your IT staff, where are you at in that part of it in trying to run an efficient operation in all the different areas across the country. Could you comment on that a little bit?

Mr. NELSON. Well, thank you for that question because it gives me an opportunity to give a pat on the back, especially to the people out in our county offices who work very hard around the country doing the real work of this agency with farmers and ranchers every day, and they do a great job. And in 2011 with the budget that we have for this fiscal year we are able to sustain our staffing levels, as well as our field operations. But with the Congressional appropriations process for the next fiscal year still incomplete, one thing is pretty clear and that is that we will likely have fewer dollars for operations in Fiscal Year 2012 than we did this year.

Again, thanks to the belt tightening folks around the country in FSA, we have been able to continue to provide quality service to farmers and ranchers within this year's constrained overall funding level. In anticipation of what we might be facing for next year, I formed a state executive director workforce planning task force. And they are looking at ideas about how we tackle next year's budget. Our planning is also considering the potential for further offering of voluntary early retirements within the agency. The Department has authorized those for this fiscal year for all agencies, including the Farm Service Agency, and we did have a number of employees take us up on that offer when it was put out in the last month. And I believe the fact that a lot of folks in our county offices signed up for the early out is a sign of the stress out there in the county offices due to, among other things, the budget situation that we are facing in the future.

So I give our folks terrific high marks for what they have been doing. We are looking ahead to the budget for next year, trying to plan ahead. And when we get the final numbers we will cross that bridge when we get there.

Mr. BOSWELL. Just a little follow-up there. I know we had a lot of concern in days past about modernizing your computer system, the ACRSI we are operating while trying to move forward. How is that going? And where do we stand on the Modernize and Innovate the Delivery of Agriculture—the MIDAS program I guess we call it. Where do we stand on that?

Mr. NELSON. Congressman, I appreciate the chance to talk about this. I will turn it over to my colleague, Mr. Garcia, in a minute here. I sat across the desk from virtually every county office employee in Montana, and I have seen how hard this transition from 1985 computer technology to the modern era is. I was privileged several weeks ago to be part of a demonstration of this MIDAS project up here. It is important to remember that the MIDAS project isn't just about hardware and software, that is a big part of it. But a big part of it as well is that we are looking at how we do business with FSA in order to try to figure out a way to streamline and operate more efficiency. We have a Lean Six Sigma business re-engineering process that is a key part of MIDAS.

So look, this is really important for us to get done, as I said in my opening statement, because we need to have the same kind of efficiencies in our IT systems on the farm program side that we have in the farm loan program side. I take the GAO report that just came out very seriously, and I am working hard and I have already brought the FSA and USDA management teams together on this to make sure that we get this project done on time and on budget. It is too important for our employees and our county employees and farmers and ranchers.

Mr. BOSWELL. So you think you are kind of on track?

Mr. NELSON. We are on track and I am going to push hard if we are not on track to get on track.

Mr. BOSWELL. Okay, my time is up. Thank you very much, thank you.

The CHAIRMAN. I thank the gentleman. Austin Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. Gentlemen, I want to commend the people who worked at the local county offices in my State of Georgia, especially those in Turner County and Tift County that I know well. They are excellent people from the standpoint of their caliber of character and they are excellent employees for you and doing their job.

I don't have a specific question as much as a comment that I would kind of like to get your input on. For any business and as we work to get this economy to recover it is access to capital and regulatory certainty that those businesses need to have the comfort to go out and invest and grow those businesses. When you add in commodity prices and the volatility that we see with commodity prices and the input prices for farming, where do you see us today with regard to the risk spectrum of investing in agriculture from the farmer's standpoint over the years?

Mr. NELSON. Well, I think that you have brought up a great point because historically the principal risks in agriculture have been natural disasters and low prices. But you have brought up great points here that I think added substantially to that risk and put our producers in an increasingly vulnerable position out there. And that is the high cost of production. In 1975, you could plant and raise an acre of corn for $81. That cost today is $286 an acre. And those costs of production or trends of corn have been the same for wheat and soybeans and the other commodities. The capital investment required to get involved in agriculture just between 2002 and 2008 for the crop production sector went up 77 percent. And in the first 9 months of this fiscal year alone the capital requirements in the crop production sector have gone up 9.5 percent. So we created this safety net back in the thirties to try to make sure that we didn't ever jeopardize our food security in this country. It has been updated in every farm bill since. And we look forward to working with you to update it this time within what we know are going to be some pretty severe budget restraints.

Mr. AUSTIN SCOTT of Georgia. Any other comments, Mr. Garcia?

Mr. GARCIA. If I can add, Congressman, farm bill programs do provide risk management for our producers out there. If the prices fluctuate we do have a commodity loan program where they can place their commodity into the loan for a period of 9 months. As prices go up they can repay the loan. Of course through crop insurance provisions, and then we have the SURE Program that complements crop insurance. The ACRE Program is another program where there is some risk management involved for those fluctuating prices. We do have those programs available that have helped our producers manage that risk.

Mr. AUSTIN SCOTT of Georgia. You have ongoing dialogue with the Environmental Protection Agency about the uncertainty that they create for the farmer and the agricultural community?

Mr. NELSON. Well, I just would like to say that when I was here a few weeks ago talking along with my colleague Dave White from NRCS, we both emphasized that achieving environmental benefits, environmental protection through voluntary conservation programs at USDA is in our minds much preferable to the regulatory approach of other government agencies. And so I think that is an important thing to keep in mind as you approach the farm bill, that those investments in those conservation practices that help farmers comply with regulations from other government agencies, that they do so voluntarily and in a partnership with the government is a great way to go.

Mr. AUSTIN SCOTT of Georgia. I thank the gentleman. I apologize that I will be leaving before the end of the hearing, but I appreciate your time and your testimony.

The CHAIRMAN. I thank the gentleman. Mr. Scott from Georgia.

Mr. DAVID SCOTT of Georgia. Thank you very much, Chairman Conaway. And I appreciate the hearing and welcome Mr. Nelson and Mr. Garcia to the Committee.

I think it is no secret that farm incomes are historically volatile, they fluctuate widely and often unpredictable and quite frankly are as fickle as the weather. And yes, farm incomes are relatively high now, but they may not be tomorrow. It is the role of the farm bill's Title I programs to provide a buffer against these lean times.

I mention that, Mr. Chairman, because cuts or drastic changes to eligibility requirements for these programs are not felt equally across all commodities. Different commodities have different economies of scale and input or operating costs. And so slapping a stringent one-size-fits-all income tax or slashing commodity support across the board just makes very little economic sense to me.

We have to remember income does not always equal profit and this distinction is especially vital when your income has to be reinvested in your operations to keep it up and running.

So Mr. Nelson, I want to ask you just a simple question here and I will forgive you in advance if you say you don't know the answer, but I want to get this out here. Mr. Nelson, do you know what is the average cost of a new cotton harvester?

Mr. NELSON. One of the things that I am looking forward to in this position is learning about cotton and crops from other parts of the country, Congressman. And my friend Juan Garcia is going to take me down to Texas in a couple weeks and teach me. So I don't know. I am looking forward to finding out. I know what a combine costs for our farm back in Montana, about $350,000, as much as a really, really, really nice house in Montana.

Mr. DAVID SCOTT of Georgia. Well, last night in anticipation of this hearing I looked up the nearest I could find as to what a cotton harvester would cost a farmer. And it would cost roughly $600,000 to buy a new cotton harvester from John Deere. Not to toot my own horn or anything, but I have an MBA from the Wharton School of Finance, I have studied economics, I love economics, I try to get into it, but what I am not is a banker. So I may be missing something here, but let me ask you how on Earth is a farmer going to be able to convince a bank to finance the purchase of a machine like the cotton harvester which costs over a half million dollars so that they can sustain or expand their business when they cannot demonstrate a significant stable source of income? Can you explain that to me, Mr. Nelson? Do you have any thoughts on that?

Mr. NELSON. What I can say is from my own experience with the bankers is that the first question that I always got asked when I went in to get our line of credit for our farm of the year is have you been to FSA and signed up for the programs? And do you have a crop insurance policy? So I think part of the answer is that it is the safety net that is created by Congress, working together with USDA, that can help give the bankers some confidence in making those loans. It is part of the answer, it is not the whole answer, because you have a cash flow, I found that out, but that is part of the answer. If there is a strong safety net there, then the lending institutions out there, whether it is commercial private lenders or FSA itself, have some basis for thinking farmers are going to make it when the tough years that inevitably will come along come along.

Mr. Garcia?

Mr. DAVID SCOTT of Georgia. Very good answer.

Mr. GARCIA. Congressman, of course it is very difficult for a farmer to purchase a $600,000 cotton harvester out there and be able to cash flow. They have to farm quite a few acres in order to make that work. I tell the story often with cotton prices the way they have been that if you go to the department store and pay $50 or $60 for a part of blue jeans, the farmers is only getting $0.90 out those $50 or $60 for that pair of blue jeans. So what we are seeing and what we have seen in the past because of the high cost of equipment, as you mentioned, is that many of our producers do not have the harvesting equipment and they rely on custom services in order to harvest their cotton. So it is very difficult with commercial lending the way it is right now. Thank you.

Mr. DAVID SCOTT of Georgia. I appreciate that, Mr. Chairman. I just wanted to conclude if I may in 10 seconds, and I know that America's farmers know we are having a hard time in Washington. I do want to make the statement we need to be sensitive as we look at these cuts we are engaged in a monumental debate how to straighten out our own economy and our spending, and I agree and the farmers agree with us that it must be done.

I just want to make this concluding statement. If we as a nation want to remain the leader of the world in producing high quality, high volume food and fiber at stable prices, then we must not balance the budget on the backs of those farmers and producers who are engaged in that enterprise. The world's population is growing rapidly and soon we will have to feed and clothe billions more people, and so we need to be very sensitive to the needs of our farmers and cutting these Title I programs is just something we have to be careful with.

Thank you for the time, Mr. Chairman.

The CHAIRMAN. Yes, the gentleman's time has expired. Mr. Ribble, from Wisconsin for 5 minutes.

Mr. RIBBLE. Thank you very much, Mr. Chairman. And I appreciate you allowing me to come this morning to this Subcommittee. I do have a couple comments I wanted to make, and Mr. Nelson and Mr. Garcia, thank you very much for being here. Mr. Nelson, it is good to see you.

As you know, Title I of the farm bill has a general prohibition of growing fruits and vegetables on program acres. I understand that this is to ensure that the fresh produce industry is not hurt by produce production on subsidized farm program acres.

The 2008 Farm Bill included a Planting Flexibility Pilot Program to allow crop producers in Midwestern states like Wisconsin to grow fruits and vegetables for processing on some of their acres. The USDA Economic Research Service report on the pilot concluded that it did not harm the fresh fruit, fresh produce industry.

In your view, is this due to the requirement that fruits and vegetables could only be grown for processing?

Mr. NELSON. Congressman, I don't know that I have an answer to your question as to the why, and so that is something that I would like a chance to look into.

Mr. RIBBLE. Certainly.

Mr. NELSON.——and get back to you on. I can report that there were a little over, as I recall, about—Mr. Garcia, how many acres, up to 75,000 acres that was allotted under that pilot.

Mr. GARCIA. Yes, we had the—Planting Flexibility Pilot Program that was initiated with the farm bill for seven Midwestern states, including Illinois, Iowa, Illinois and Minnesota, in which we offered that program to assist producers that did not have a planting history of fruits and vegetables. The way the farm bill program works is that in order for a producer to be able to plant fruits and vegetables on what we call base acres of a commodity they must either have a planting history or be able to double crop that vegetable with that other regular commodity.

So we have had some success in that program, Congressman. We had around 150 farms that had participated on that. There is some consideration there as far as participation because of the demands in the prices of vegetables, but it is a program that is available and has produced some participation and we will look into it further to see if we can increase that.

Mr. RIBBLE. I would appreciate that. I am curious if you think that additional planting flexibility allowed for fruits and vegetables under contract for processing, would you expect that to have an adverse affect on the fresh produce industry?

Mr. NELSON. We would be happy to look into that. One other point that I want to make on that is that it appears that there were a number of producers who were able to use non-base acres to expand their vegetables production. So that in addition to the low demand out there for those particular vegetables are what we attributed to the relatively low participation rates at this point.

But again, we will look into your question and get back to you.

Mr. RIBBLE. I appreciate that.

And just another kind of different direction here, we are expecting it is possible direct payments could be reduced from some of the budget pressures that the country is facing. Farmers who receive direct payments under current law are expected to comply with certain conservation practices. If direct payments are reduced or altogether eliminated, do you anticipate that producers would continue with various conservation practices, and would USDA recommend putting centers in place to ensure farmers keep their land production for future generations?

Mr. NELSON. Well, we would look to work with you on provisions here, but I think it is important to note that all of the other FSA programs that producers might want to participate in, as well as the NRCS programs, require conservation compliance. So it will be up to individual producers whether they weigh the cost, the conservation compliance against the benefits. But again we would look forward to working with you on that issue as you discuss and debate that provision of the farm bill.

Mr. RIBBLE. Thank you very much, and thank you, Mr. Chairman. I appreciate you letting me be here.

The CHAIRMAN. The gentleman yields back. Ms. Sewell, from Alabama, for 5 minutes.

Ms. SEWELL. Thank you, Mr. Chairman, and I thank our witnesses for being here today.

As you may all know, Alabama forest landowners suffered tremendous losses during the April tornados that caused such great devastation across my district. It has recently come to my attention that Alabama's nonindustrial private forest landowners will receive a little over $3 million from FSA's Emergency Forest Restoration Fund. As it currently stands, the funding is totally inadequate to meet our needs and the requirements of our state.

What can be done to aid in the restoration of our forest, and in case of inadequate directed funding, and are there any FSA accounts that currently have a balance that those funds can be shifted to.

Mr. NELSON. Congresswoman, as I recall the figures—and I don't have them with me today—but we are very close to the limit on the amount of funds that are available in that program, and I would be happy to have Mr. Garcia add to this to see if there are any other programs that can assist those producers. If those counties do have Secretarial natural disaster designations or Presidential designations, then they are eligible for emergency loan assistance under our farm loan program and there is a provision in there for physical losses as well that we need to look at and see whether that might apply in this particular situation.

Mr. Garcia.

Mr. GARCIA. Congresswoman, as you mentioned, we have had several disasters throughout the United States. The Emergency Forest Restoration Program is a very important program that assists producers in rehabilitating their forests. Presently, the funding for that program is very challenging. We have obligated all our funding. We have several requests from some states because of all the disaster situations that have occurred. Presently, we do not have any other funding source to switch money around.

The other program that also—that we face a challenge with right now is the Emergency Conservation Program, which also assists producers in rehabilitating conservation practices, and we offer cost-share and assistance for that, also.

So with all the disasters that we had, the wildfires, the tornadoes, the flooding along the Mississippi and Missouri, it has posed a great challenge for us, and what we do as far as an agency, we allocate funding to certain counties, and as those funds are released back to us, for example, they are not used, then we can go ahead and approve other requests as they come in.

Ms. SEWELL. So right now there is not really any other source other than the emergency loan assistance that could aid farmers in restoring their forests?

Mr. NELSON. Congresswoman, we will look into that and get back to you, but I believe that is unfortunately right now where we stand, but we will get back to you.

Ms. SEWELL. Thank you.

Now, in these difficult budgetary times, it is very important that we analyze the effectiveness of our safety net programs, and I would really like to know your opinion as to what safety net programs under Title I have been the most effective and which ones you think could be better improved.

Mr. NELSON. Well, I think rather than talk about individual programs, what I would like to talk about is an approach for your consideration as we look ahead to discussion about that title of the farm bill. Again, as I said, in every farm bill since the 1930s, the safety net has been updated, and we need to do that again. And what I would suggest is that the goal here and the priority ought to be that we cover both the crop and the livestock sector with our safety net; that we have effective safety net programs for all crops around the country; and that we treat all regions of the country equitably. Because as one of the Members pointed out earlier, there are a lot of differences in agriculture around the country, and one size doesn't fit all. And so we need to try to make sure when we put a safety net package together that it does take into consideration that things are very different in Mr. Garcia's State of Texas, in your home State of Alabama, and my home in Montana, and we have to have the flexibility in the administration of these programs to make them work every place.

Ms. SEWELL. Thank you.

The CHAIRMAN. Thank you very much. Mrs. Schmidt for 5 minutes.

Mrs. SCHMIDT. Thank you, Mr. Chairman, and if these have already been asked, I apologize. I want to focus a little bit on the marketing assistance loans and the loan deficiency payments, if I might, and I understand if you don't know all these answers, that is okay. You can get back with us.

But are there scenarios where producers make the use of marketing loans, even when the average marketing year price ends up exceeding those loan rates?

Mr. NELSON. Congresswoman, from having taken marketing assistance loans on our farm, and my family has done it for years, the answer is yes. In anticipation of higher prices, if you need cash at harvest time and you have some grain in the bin and you can take a loan as that is not normally the optimal time in order to market your crop. The marketing assistance loans, the bulk of the volume of those are in December and in January, and that is clearly because producers are able to use the flexibility of that program to take income either at the end of a year for tax purposes or the beginning of a year for tax purposes.

So the answer to your question is yes, but it is because it buys producers time, in particular if they believe that the market is trending up but they need cash at that point.

Mrs. SCHMIDT. Thank you. Has the Marketing Assistance Loan Program created any unusual market distortions between crops or among various classes of a particular commodity? For example, USDA has issued loan rates for durum wheat at levels significantly higher than other wheat classes, and has that affected outlays?

Mr. NELSON. We would like to look into that a little bit, the issue of market distortions, and get back to you, if we could for the record, Congresswoman.

Mrs. SCHMIDT. Thank you. After the 2008 Farm Bill, the USDA began issuing a 30 day posted county price and an alternate price. Has that made a difference in the operation of the program, and would there be changes you might consider for the future or recommend to Congress?

Now is your chance to give us some recommendations.

Mr. GARCIA. Well, I am trying to think of how to answer this. The 30 day posted county price is still in effect, and those are the prices, of course, that producers use to determine (if they do have their commodity in the loan) when they want to take it out of loan. Of course, if you have a producer that has a commodity loan, whether it be warehouse stored or farm stored, they have to have the market for it. They have to have a buyer. So those posted county prices are used both by the producer and, of course, the buyers of the commodity, and we do have those posted on our website so producers are able to look at those particular prices on a daily basis. If they are also dealing with their elevator, the elevators could look at those on a daily basis and could determine that, especially, when to market that commodity and get the best price available.

Mrs. SCHMIDT. Okay. And is there anything you would like to change with the program or improve with the program?

Mr. GARCIA. It is probably something that we will have to look at.

Mrs. SCHMIDT. You will get back to us?

Mr. GARCIA. I am sorry, it is something we will have to look at as we look at the farm bill negotiations for this upcoming farm bill.

Mrs. SCHMIDT. All right. And ACRE was a new program that was brought out in the 2008 Farm Bill and the sign-up generally for ACRE programs was considerably lower than anticipated. To what do you attribute that response? And you have indicated there are regional disparities in the sign-up. But we have also heard of some of the counties being particularly well represented with ACRE participants due to activity from the FSA, and do you think that has enabled the bump-up in it, and do you see any changes or improvements to that?

Mr. NELSON. Congresswoman, I had, right before I came back to work for FSA in the summer of 2009, a chance to go back to my hometown of Fort Benton, Montana, to an FSA meeting about the ACRE program. Chouteau County is the largest wheat producing county in the state. There are about 115 producers there, most of whom I grew up with and farmed with over the years. And the principal reasons that I got out of that and I have gotten since for the ACRE sign-up numbers being lower than anticipated were, first of all, it was an unknown. For about 13 years at that point with the production flexibility payments and then direct contract payments, producers had been able to count on a fixed amount of money, and this was something where there was risk as to whether they would make as much as they had historically made or not.

Second thing was, is summertime is a bad time for farmers to have to make decisions like this. I mean——

Mrs. SCHMIDT. Good point.

Mr. NELSON. Yes, it is the last thing that producers want to be doing is be in our offices or having to make major financial decisions about their farming operation when they know they ought to be out on a tractor or combine or swather or fixing fence.

And the third thing is at that meeting is a lot of us remember the late nineties when prices went down precipitously and we all had a lot of LDP payments for the next few years, and so there was some concern about the 30 percent reduction in the market loan rate as well. I have heard those kind of concerns echoed from other producers since, and I would attribute that largely, at least in our part of the country, to why the sign-up wasn't higher.

The CHAIRMAN. Thank you. The Ranking Member of the full Committee, Mr. Peterson, for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman. Mr. Nelson, I wanted to try to figure out where we are at on this permanent disaster program. It is like 2 years after it happened before you can actually figure out how much it is, right? I mean, it is—the way it is set up, it takes you a long time to figure out the actual loss. So at this point you don't even know what you have spent for 2010, right?

Mr. NELSON. Congressman, that is correct because the sign-up for the 2010 SURE program actually ends this Friday July 29, 2010?

Mr. PETERSON. Yes.

Mr. NELSON. I am sorry, 2009. I was wrong, and so because of features within the program, we are looking forward to working with you to addressing because the timeliness of payments under this program are something that really need to be looked at.

Mr. PETERSON. Well, we were trying to deal with CBO and so forth and that was part of the problem, but so what I am wondering about, is there a limitation of $4 billion or was that just the estimate of the baseline? Is there any limitation on the program other than it was only 4 years, so it runs out this September? So, these folks that have losses this year are going to be able to sign up at some point. Is there any kind of problem in terms of how much money that costs or was the only limitation we put on this just the 4 years and not any limitation on the amount that is spent?

Mr. NELSON. Congressman, as I understand it, and I want to have the opportunity to clarify the answer here, it is my understanding that these disaster programs, SURE, LFP, TAP and LIP were only funded for the period 2008 through September 30 of this year. There was an estimate on the baseline. You could spend whatever needed to be spent out of CCC to meet the obligations for the program for that period of time. The Emergency Livestock Assistance Program was the only one of the five that had a cap on it of $50 million a year.

So I guess the upshot of my answer is that they are CCC funded through September 30 of this year but they are not part of the baseline.

Mr. PETERSON. Well, so if I understand how all this works, whatever it ends up costing will be the new baseline or I guess the baseline expires on this, that is right? This is not an ongoing baseline because it was only 4 years so it doesn't make any difference. So anyway, the money will be there for anybody that has losses through this September 30?

Mr. NELSON. Correct.

Mr. PETERSON. With the exception of livestock, which may get capped or something?

Mr. NELSON. The Emergency Livestock Assistance Program is the only one of the five that has a spending cap. We do have the authority to fund all approved applications for the other programs through September 30.

Mr. PETERSON. Right. Have you had requests or people talking to you about trying to do some kind of *ad hoc* disaster in addition to this?

Mr. NELSON. I haven't had anybody talk to me about it, but I might not necessarily be the one that they would approach, Congressman.

Mr. PETERSON. You haven't heard any talk about it? Okay. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Mrs. Ellmers, from North Carolina, for 5 minutes.

Mrs. ELLMERS. Thank you, Mr. Chairman.

Along the lines of getting just a baseline of where we are at, when you are talking with the farmers what are the programs that they say that they need the most? What is it that seems to be the biggest concern and the biggest focus?

Mr. NELSON. Well, I can speak best from the part of the country that I know which may or may not represent the rest of the country, but the principal concern of producers back in Montana and our part of the Northern Great Plains are the safety net programs.

We are a disaster prone region of the country. We are heavily participatory in Federal crop insurance, as well as FSA programs, and so I would say, again from the perspective of Montana and other Northern Great Plains States, that the safety net programs are the ones that the producers are the most concerned about.

Mr. Garcia?

Mr. GARCIA. Well, Congresswoman, as far as the Southwest area and really throughout the nation, as Administrator Nelson mentioned, safety net programs are very important. We have many producers that do participate in the commodity loan program. As we talked earlier, that is an important program for them, and then also the permanent disaster programs, as Ranking Member Peterson was talking about, especially in this year where we have had so many disasters throughout the nation.

The Livestock Forage Program has been very beneficial, in which we have been issuing payments this year for producers in the Sunbelt area, Texas, Oklahoma, Kansas, and now the drought is moving back east towards Missouri, Mississippi, Alabama, and that area. So those programs have been very important to our producers.

Mrs. ELLMERS. Along the lines of the commodity programs, given that most of the crops are experiencing high prices right now, how does that compare to previous years' prices?

Mr. NELSON. Well, the programs that are—DCP is a fixed cost program, and that is our biggest program. The countercyclical payments have gone down substantially. We were making over $4 billion of payments just about 3, 4 years ago. Now we are down to a little over $140 million of countercyclical payments this year for just a couple of commodities. And so the high prices have helped there, but on the other hand, as Mr. Garcia is pointing out, we are looking at a big part of the country this year with tornados, floods, a drought that just keeps expanding, and an increasing impact on producers out there. And so I anticipate that we are going to see substantially higher participation in the safety net disaster programs this year than we have seen in the last couple of years.

Mrs. ELLMERS. And you mentioned the DCP programs as the biggest program that you have. Which of those programs are currently making payments to producers right now? I mean, is there one that seems to be the——

Mr. NELSON. I think there are a couple of disaster programs that work particularly well. The Livestock Forage Program, for example, and the reason that that works well, I believe, is there is an automatic trigger tied to the national drought monitors. So when a county hits a certain ranking on the national drought monitor for X period of time they become eligible. The producers can come in and sign up, and again, because it is CCC funded, the producer doesn't have to wait for the payments like they do on other programs where there is limited funding like the Emergency Livestock Assistance Program. So that is one of the programs that I think is working well for producers right now.

Livestock Indemnity Program is another one of the safety net programs because that is essentially triggered by a natural disaster that causes livestock losses. That is the trigger. Again, it is CCC funded, so the funds are available for producers.

Mrs. ELLMERS. Great. Thank you so much. I yield back the remainder of my time.

The CHAIRMAN. The gentlelady yields back. Mrs. Hartzler from Missouri.

Mrs. HARTZLER. Thank you, Mr. Chairman. Hello.

I just was wondering, we talked about direct payments a little bit. They are in the news once in a while here lately, and just wondered if you could give me sort of an idea of what percentage of farmers participate in the direct payments program right now.

Mr. GARCIA. Thank you for your question. If I can give you some figures on acres, if that might suffice, there is close to 272 million acres of crop acreage bases in the United States that we have for particular commodity crops, cotton, grains, sorghum, soybeans, and so forth. Out of that, 222 million are enrolled in DCP. Now, I am giving you 2010 figures, Mrs. Hartzler.

Mrs. HARTZLER. Okay.

Mr. GARCIA. So and there are 35 million acres that are enrolled in the ACRE program in 2010. So we have around 14 million acres of base that are not currently—that were not enrolled in 2010 for either DCP or the ACRE program. So a large percentage of the farms do participate in the direct and countercyclical program throughout the states.

Mrs. HARTZLER. In your opinion, what would be the impact on farmers if direct payments were to be done away with?

Mr. NELSON. Congresswoman, we would like the opportunity to work with you on that during your discussion of the provisions of the farm bill.

Mrs. HARTZLER. I am not saying I am proposing it, by the way. I just want to clarify that. I just want some information.

Mr. NELSON. What I would like to do is that there has been analysis done by USDA on who gets the payments and of different scenarios for the program, and we would be happy to provide those analyses to you for your consideration as you look at this program during the discussion of that provision of the farm bill.

Mrs. HARTZLER. I have read the FAPRI analysis of it and just interested in your hearing your perspective on that. Do you also have figures showing if cuts were made at different levels, the impacts of totally eliminating—I mean various cuts at different levels?

Mr. NELSON. Congresswoman, I can't say for sure that all of that is covered in the analysis, but we will get you what we do have and we would be happy to follow up with you to see if we could get some more information for you.

Mrs. HARTZLER. Okay. Just some other sort of related questions. What are farmers' biggest concerns with respect to just program delivery right now, given your connection to producers in the field?

Mr. NELSON. Well, again, I am only in a position really to speak for the part of the country that I come from at this point. Again, I think it is timeliness of payments of some of these programs because of the factors within the ACRE and SURE program, for example, that mean that it is at least a year later before we can begin making payments to producers under those provisions. I think that is especially of concern in disaster or emergency-related programs that we need to have a more timely mechanism for making payments, again, for those programs in particular.

Mrs. HARTZLER. Do you have some analysis of over say the past 10 years the impact that direct payments have had on the percentage of net farm income that they have had? Of course, it depends on the price. It depends on how your crops are doing. But I am just curious, some years, bad years, I would assume the direct payments make a large percentage of the income that would come in that year. Other years obviously not. So do you have a graph or something showing over time——

Mr. NELSON. Congresswoman, yes, we do, and so—and again, we would be happy to provide that.

Mrs. HARTZLER. Okay. Great. Thank you very much. I yield back my time.

The CHAIRMAN. The gentlelady yields back. Mr. Huelskamp, I apologize. I took you out of order but you are recognized for 5 minutes. Sorry about that.

Mr. HUELSKAMP. No problem, Mr. Chairman. Thank you. Good to be here. I have a few questions to follow up on Representative Hartzler's question about key programs in your mind.

If Members of the Committee had to select one particular program as top priority, what would your recommendation be?

Mr. NELSON. Again, Congressman, I am going to go back to my answer that we believe the safety net is critical and rather than comment on individual programs, again, I would like to talk about that as we work with you to craft the safety net and update the safety net that we look at making sure that we have both the livestock and the crop sectors covered, that we have all crops covered effectively, and that we treat all regions of the country equitably. If we keep those goals in mind within the budget constraints that we know we are all going to face, we look forward to again crafting a safety net that works for producers today.

Mr. HUELSKAMP. And I appreciate that. That is difficult. The answer to the question for my producers is on the crop side. It is very clear it is about crop insurance, number one, without a doubt. I don't know if that varied or how much it varied across the country. One thing I would request is simply a list of the safety net programs, those you are considering safety net programs, and then everything else. That word gets thrown around a lot. I am new to Washington, and I want to know exactly what is in that category.

Speaking of crop insurance, though, I was looking at farm prices in my home area of Dodge City this morning. Very nice if you had some to sell. Whole crop of wheat is selling at $1.40; corn, $7.25; soybeans, $13.16. My concern about a crop insurance program is it only deals with—it does not deal with the input costs, which are not on the board, and those are particularly higher and going higher. Is there any particular changes in the crop insurance program that you would suggest to deal with that aspect of the cost side *versus* the revenue?

Mr. NELSON. Congressman, the crop insurance program is a little bit outside of our Farm Service Agency area, but what I would suggest is important on our side with respect to crop insurance is that we make sure that the SURE program, if it continues, is crafted to fit together with crop insurance to help fill the kind of gaps that you are talking about that crop insurance doesn't cover. That is what they are designed to do, is to work together, not be duplicative but to actually supplement and complement each other. I think with any dimension of the safety net but particularly the SURE program in particular, which is the biggest one relating to crops, that it is very important that consideration of any future version of it again be crafted to fit very closely together to cover the gaps that crop insurance doesn't cover.

Mr. HUELSKAMP. And is crop insurance in your category of safety net programs?

Mr. NELSON. As a farmer, it would be in my category.

Mr. HUELSKAMP. Well, I am not worried about the farmer. I am worried about the agency.

Mr. NELSON. I would have to say yes. It is a critical part of the safety net, but it is not the whole safety net.

Mr. HUELSKAMP. Understood. The other question would be, again, on the revenue side, outside of government, do you have any analyses of the potential impact of the proposed free trade agreements and its impact on the actual cost to programs and the return to farmers?

Mr. NELSON. You know, Congressman, what I would like to suggest on that is that we have our trade team at USDA come up and brief you on those issues. We would really look forward to that opportunity to do so for you and any other Members and staff that would like to get together on that. So that offer is on the table.

Mr. HUELSKAMP. Thank you. I would love to take you up on that. I would also request as well, though, that certain other members of the Administration and Members of Congress certainly need to hear that briefing, and we can sit and talk about programs all day. But, if we can just sell more stuff and we got folks out there—we are losing markets every day by Washington, whoever's to blame, sitting around and letting those markets be taken over by our competitors, and we are losing not just today but in the future as well by our failure to move. And I am very frustrated by that. Whatever you can do and whatever the USDA can do to get that done, I mean, that makes this discussion a lot easier when we are able to solve that step.

But I appreciate the responses and look forward to and would love to have you in my office to visit about that directly.

Mr. NELSON. Thank you very much.

The CHAIRMAN. The gentleman's time has expired. The gentleman from New York, Mr. Gibson, for 5 minutes.

Mr. GIBSON. Thank you very much, Mr. Chairman. I appreciate the panelists being here today.

I represent a district in upstate New York. We have about a thousand farms, about half of them dairy, and this is a good time for the hundredweight price of milk, but there are challenges with input. I am curious if you have any analysis, if ethanol subsidies were reduced or eliminated, how would that impact the price per bushel?

Mr. NELSON. Congressman, we are going to need to get back to you on that and I just want to make sure that I understand what you are talking about is whether or not ethanol subsidies and their effect on feed grain prices, the impact that they have had on the livestock sector?

Mr. GIBSON. That is correct. I am curious to know what analysis that you may have on the elasticity of price if these—if we reform the subsidies, various unspectrum degradation in terms of stepping them back, also an estimate on impact on the market if they were eliminated. And I look forward to a response for the record on that.

Mr. GIBSON. The other piece I just want to follow up, I am curious to know what your analysts or your subject matter experts, what ideas that you may have with regard to crop insurance reform. This is a topic that often comes up with my farmers, and I would like to be able to share with them the latest insight from your experts.

Mr. NELSON. I am going to turn this over to Mr. Garcia because he is actually involved with a project that we are working on on crop reporting jointly with crop insurance, and let him take this one.

Mr. GIBSON. Thank you.

Mr. GARCIA. Congressman, of course, when we are talking about crop insurance reform, as the Administrator mentioned, the Farm Service Agency does collaborate with the Risk Management Agency, who is in charge of the crop insurance provision and we work with them very closely. And what we have been working with them on especially after this 2008 Farm Bill when the SURE program was approved, we have been working with Risk Management Agency to fully understand all the different types of policies that are available, whether it is a production policy or a revenue policy. We had to spend quite a bit of time learning those particular different policies to write our regulations for the SURE program.

So it is very important that the Risk Management Agency and the producers talk to their insurance agencies. I do know that the crop insurance organizations do constantly have meetings throughout the year with their private insurance agents and ask for recommendations on how the particular policies should be changed.

Now, the one thing that we are very excited about that we are working with the Risk Management Agency right now that will help our farmers tremendously, is that our producers will only file one acreage report. Right now the farmers have to file an acreage report with their private insurance agency and then another acreage report with the Farm Service Agency. So we are working on a project right now where producers would just file one time and we will use that acreage for both agencies.

Mr. GIBSON. Thank you. And I guess the last point, assess the EQIP program and your thoughts on perhaps the way forward there.

Mr. NELSON. Well, the EQIP program is an NRCS program, and it is the premier conservation program in our CS office, and I think there has been a tremendous amount of good work done with that program over the years. This is more from an individual producer point of view than an FSA Administrator point of view. Originally, the program was set up so that it was only long-term contracts, and that was beneficial for producers that could afford to make the financial commitment to a long-term cost-share agreement under EQIP. I think they greatly improved the program a few years ago when they started offering annual practices, which I believe allows a lot more producers, again who aren't in a position to make long-term financial commitments to cost-share practices, to participate in that program. So I think that was a substantial improvement.

We don't jointly administer the program within NRCS, but we do work closely with them on any number of other programs.

Mr. GIBSON. Thank you very much, and let me just say, Mr. Chairman, and I will turn it back, that it is actually one of the more popular programs back home. There are some folks who have a decided point of view that FSA perhaps could play a more active role in it going forward. Maybe we can collaborate on that going forward.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman yields back.

Mr. Nelson, we want to thank you for being here today. I want to thank whoever your team put together the answers to our audit questionnaire. I am sure both of you slaved over it mightily, but somewhere in your system you put this together and thank you very much. It is very helpful to what we are trying to do here.

Couple of quick this and that. In some of the responses, you talked about improper payment rates on the various programs. They appear to be really good, but what is the recovery experience with respect to going after those improper payments? Can you give us some sort of thought on how quickly the—or what your experience of getting money back had there been an improper payment?

Mr. NELSON. Congressman, I am glad that we do have a chance to talk about that because it gives me the opportunity to say that FSA last year made seven million correct payments, and I think that that is important for the record, but we know with that many correct payments, as I said in my opening remarks, even one improper payment is one too many, and we find out when one may have been improper, we review it and we go back and determine whether or not it actually was improper. We have implemented a couple of things. We talked about the AGI checks with the Internal Revenue Service earlier, but in addition to that, four times a year, twice that required by Congress, we do check the death master file at the Social Security Administration to determine whether or not we are making improper payments to producers who have passed away. And again, that has been an important step forward, but I think it is important to note for the record as well that sometimes a payment to a producer who has passed away is a proper payment because we had a contract with that producer when they passed away and just like any other contract in this country, when somebody passes away, we make that payment to the estate.

The CHAIRMAN. But you are actually experiencing recovering— the very few payments that are made improperly, you are experiencing recovery of those dollars?

Mr. NELSON. I am sorry if I missed your point a little bit. We have pretty good experience with that, but it does involve getting in touch with the producer, and they do have appeal rights and so they have the opportunity to say, in front of first the agency and then the National Appeals Division, hey, that payment was proper. We also have the 90 day rule that has been in the statutes for quite some time that in some cases prevents us from going back and getting the money back from producers even if it is established——

The CHAIRMAN. If you don't catch the improper payment within 90 days then——

Mr. NELSON. In certain cases, sir.

The CHAIRMAN. Let me ask you one other real quick one, Mr. Nelson. You talked earlier to one of the Members about capital cost increases from a certain period through today, 90 percent just in this year. What impact does land cost, and can you break out those increases by what land—increase in land prices have had in your numbers?

Mr. NELSON. Congressman, I don't have that with me, but we would certainly be happy to try to provide that.

The CHAIRMAN. Okay. All right. Mr. Scott, any final comments? All right.

Well, again, gentlemen, thank you both for being here. Look forward to working with you in your new roles as leadership at FSA.

Under the rules of the Committee, today's record of the hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member.

This hearing of the Subcommittee on General Farm Commodities and Risk Management is adjourned.

[Whereupon, at 11:36 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED QUESTIONS

Response from Bruce Nelson, Administrator, Farm Service Agency, U.S. Department of Agriculture *

Questions Submitted By Hon. Eric A. "Rick" Crawford, a Representative in Congress from Arkansas

Question 1. Given the current make up of farm safety net programs, including the marketing loan, direct and countercyclical program, and ACRE do you think it is important for Congress to look at streamlining programs in the next farm bill? What would be the impact on your agency, the Farm Service Agency, If you were only implementing and administering streamlined programs? Would this improve your service and support to farmers, and if so how?

Question 2. What has been the current enrollment level in ACRE across all crops and for rice specifically? What is your impression of why such a low enrollment level?

Question 3. Of all the current safety net programs, can you rank them by degree of complexity and level of cost/resources to implement and administer?

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE

1. Program Name

Direct and Countercyclical Program (DCP).

2. Subprograms/Department Initiatives

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) reauthorizes direct and countercyclical payments, with some changes, that were previously authorized under the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). FSA enters into annual contracts with agricultural producers to maintain base acres on participating farms. During the contract period, eligible land on the participating farm, may be planted to any commodity except fruits, vegetables (other than mung beans and pulse crops), and wild rice.

FSA is responsible for overall implementation of DCP. Producers enroll and payments are initiated at the FSA County Office administratively designated for the farm.

DCP Direct Payments:

Direct payments are paid annually and are not based on producers' current production choices, but instead are tied to base acres and program yields. Direct payments do not provide an incentive to increase production of any particular crop and the payments support farm income without affecting producers' current production decisions.

The 2008 Farm Bill continues the direct payments that began under the 2002 Farm Bill. Direct payment rates for the eligible DCP commodities are statutory and as follows:

- Wheat: $0.52 per bushel
- Corn: $0.28 per bushel
- Grain sorghum: $0.35 per bushel
- Barley: $0.24 per bushel
- Oats: $0.024 per bushel
- Upland cotton: $0.0667 per pound
- Rice, long grain: $2.35 per hundredweight
- Rice, medium/short grain: $2.35 per hundredweight
- Soybeans: $0.44 per bushel
- Other oilseeds: $0.80 per hundredweight
- Peanuts; $36 per ton

For each commodity, the total direct payment for producers on a farm is determined by multiplying 83.3 percent for 2009 through 2011 and 85 percent in 2008 and 2012 of the farm's base acreage *times* the farm's direct payment yield *times* the direct payment rate.

Countercyclical Payments:

* There was no response from the witness by the time this hearing went to press.

Countercyclical payments provide support counter to the cycle of movement of market prices as part of a "safety net" in the event of low crop prices. Countercyclical payments for a commodity are only issued if in a given year, the effective price for a commodity is below the target price for the commodity. The countercyclical payment rate is the amount by which the target price of each commodity exceeds its effective price. The effective price for each commodity equals the direct payment rate *plus* the higher of:

- the national average market price received by producers during the marketing year as determined by the USDA Secretary,
- or the national loan rate for the commodity.

Target prices, as provided by the 2008 Farm Bill, for each commodity are as follows:

Crop	2008	2009	2010–12
Wheat	$3.92/bu	$3.92/bu	$4.17/bu
Corn	$2.63/bu	$2.63/bu	$2.63/bu
Grain sorghum	$2.57/bu	$2.57/bu	$2.63/bu
Barley	$2.24/bu	$2.24/bu	$2.63/bu
Oats	$1.44/bu	$1.44/bu	$1.79/bu
Upland cotton	$0.7125/lb	$0.7125/lb	$0.7125/lb
Rice, long grain	$10.50/cwt	$10.50/cwt	$10.50/cwt
Rice, medium/short grain	$10.50/cwt	$10.50/cwt	$10.50/cwt
Soybeans	$5.80/bu	$5.80/bu	$6.00/bu
Other oilseeds	$10.10/cwt	$10.10/cwt	$12.68/cwt
Dry peas	(*)	$8.32/cwt	$8.32/cwt
Lentils	(*)	$12.81/cwt	$12.81/cwt
Chickpeas, small (Garbanzo bean, Desi)	(*)	$10.36/cwt	$10.36/cwt
Chickpeas, large (Garbanzo bean, Kabuli)	(*)	$12.81/cwt	$12.81/cwt
Peanuts	$495/ton	$495/ton	$495/ton

* Not available.

3. Brief History

For crop years 2002 through 2007, pursuant to the 2002 Farm Bill (P.L. 107–171), wheat, corn, barley, grain sorghum, oats, upland cotton and rice, (the same crops that were previously eligible for fixed annual Production Flexibility Contract (PFC) payments for producers under the 1996 Farm Bill) oilseed crops, including soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, and peanuts were crops eligible for a fixed direct payment. (PFC payments were based on historical yields and acreage. Direct payments were received whether or not a crop was planted, and did not depend on what crop was planted, (except for fruit and vegetable restrictions)). The 2008 Farm Bill further authorizes these types of direct payments for the 2008 through 2012 crop years, with some changes, and adds pulse crops beginning with the 2009 crop year.

Countercyclical payments (countercyclical payments are similar to the deficiency payments authorized under the earlier Acreage Reduction Program (ARP), which mandated strict acreage limitations and mandatory acreage idling or set-aside requirements) were authorized for the 2002 through 2007 crop years pursuant to the 2002 Farm Bill for these same crops.

Under the 2008 Farm Bill, peanuts continue to be eligible for direct and countercyclical payments, and continue to have slightly different statutory requirements than for other crops.

The 2008 Farm Bill provides that the base acres and program yields established by the 2002 Farm Bill that were effective September 30, 2007, will constitute the base acres and yields for the 2008 through 2012 crop years. The 2008 Farm Bill, however, requires adjustments to base acres for various reasons including, but not limited to, land no longer being devoted to agricultural uses.

4. Purpose/Goals

The Direct and Counter-Cyclical Program (DCP) provides annual payments to eligible producers on farms enrolled for the 2008 through 2012 crop years. Both direct and countercyclical payments are computed using the base acres and payment yields established for each farm.

The intent of DCP is to provide a safety net for farmers, while allowing farmers planting flexibility. The program protects farmers from low market prices of program commodities, and helps ensure farmer's cash flow needs are met. Roughly 80 percent of all farms with base acres are enrolled in DCP.

5. Success in Meeting Programmatic Purpose/Goals

DCP has successfully met its programmatic goals.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Direct Payments	$0	$4,151,272	$5,288,646	$5,234,599	$4,962,372	$3,957,175	$4,821,206	$5,222,325	$4,898,085	$4,950,510
Countercyclical Payments	0	1,742,999	809,381	2,771,503	4,355,612	3,158,554	359,064	730,918	902,584	131,848

This program is funded by Commodity Credit Corporation (CCC). Budget authority for this CCC program is based on actual outlays.

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Direct Payments	$0	$4,151,272	$5,288,646	$5,234,599	$4,962,372	$3,957,175	$4,821,206	$5,222,325	$4,898,085	$4,950,510
Countercyclical Payments	0	1,742,999	809,381	2,771,503	4,355,612	3,158,554	359,064	730,918	902,584	131,848

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

Any farm with base acres is eligible to participate in DCP. A producer on a farm with base acres is eligible to receive payment if the following criteria are met:

- Actively Engaged in Farming provisions.
- Highly Erodible Land and Wetland provisions.
- Average Adjusted Gross Income provisions.
- Conservation Compliance provisions.
- Controlled substance provisions.
- Federal Crop Insurance Corporation fraud provisions.

Additionally, farms that contain fewer than 10 base acres do not earn a payment unless that farm is at least 50 percent owned by a socially disadvantaged or limited resource farmer or rancher.

10. Utilization (Participation) Data

Under the 2008 DCP, 1.1 million producers enrolled 1.8 million farms with 260.9 million base acres. Under the 2009 DCP, 940,000 producers' enrolled 1.5 million farms with 226.4 million base acres (Note that for 2009, 90,000 producers' enrolled 131,000 farms with 33.9 million base acres in ACRE program). Preliminary 2010 DCP enrollment numbers show that 903,300 producers' enrolled 1.6 million farms with 222.3 million base acres (Note that for 2010, 94,000 producers' enrolled 137 thousand farms with 35.1 million base acres in the ACRE program). Preliminary reports for the 2011 DCP indicate that the number of producers, farms, and base acres will decrease marginally due to a slight increase (about 1,000 farms) in ACRE participation.

11. Duplication or Overlap with Other Programs

Beginning with the 2009 crop, ACRE payments provide a revenue-based safety net that is an alternative to price based countercyclical payments. To enroll a farm in ACRE, producers agree to forgo countercyclical payments, take a 20 percent reduction in direct payments, and a 30 percent reduction in the marketing assistance loan rates.

12. Waste, Fraud and Abuse

Improper Payments Information Act review was conducted on DCP in accordance with Appendix C to OMB Circular A–123. Based on random sampling, a 1.77 percent error rate was recorded for 2010 DCP.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Marketing Assistance Loans (MAL) and Loan Deficiency Payments (LDP) Program.

2. Subprograms/Department Initiatives

Subprograms:

MAL and LDP:

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) reauthorizes non-recourse marketing assistance loans (MAL) and loan deficiency payments (LDP) and makes them available for the 2008–2012 crops of wheat, corn, grain sorghum, barley, oats, upland cotton, extra-long staple cotton, long grain rice, medium grain rice, soybeans, other oilseeds (including sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed), dry peas, lentils, small chickpeas, large chickpeas, graded wool, non-graded wool, honey and peanuts.

MALs and LDPs are marketing tools available to producers beginning upon harvest or shearing. The MAL provides cash when market prices are typically at harvest-time lows, which allows the producer to delay the sale of the commodity until more favorable market conditions emerge. Allowing producers to store production at harvest or shearing provides for a more orderly marketing of commodities throughout the year.

MALs for commodities are considered nonrecourse when the MAL can either be redeemed by the repayment of the MAL or by delivering the pledged collateral to the Commodity Credit Corporation (CCC) as full payment for the MAL at maturity. MAL repayment provisions specify, under certain circumstances, that producers may repay MALs at less than loan rate (principal) plus accrued interest and other charges. Alternatively, loan deficiency payment (LDP) provisions specify that, *in lieu of* securing a MAL, producers may elect to receive an LDP.

LDPs are payments made to a producer who, although eligible to obtain a MAL, agrees to forgo the loan in return for a payment on the eligible commodity. The LDP payment is the difference between the county loan rate and CCC determined value for the applicable commodity or class of commodity multiplied by the eligible quantity. LDPs are only applicable when the market price or CCC determined value is less than the county loan rate.

MAL repayment and LDP provisions are intended to minimize potential delivery of loan collateral to CCC, accumulation of CCC-owned stocks, storage costs, discrepancies in marketing loan benefits across state and county boundaries, and allow U.S. produced-commodities to be marketed freely and competitively. Accumulating CCC-owned stocks tends to make U.S.-produced commodities less competitive in world markets and can result in substantial storage costs to taxpayers.

Recourse Loans:

Recourse loans are commodity loans for which the commodity offered as collateral does not meet the specified quality eligibility requirements and may not be delivered or forfeited to CCC in satisfaction of the loan indebtedness. Recourse loans must be repaid in full on or before the loan maturity date at principal plus interest. The following are considered recourse loans: high moisture corn and grain sorghum, and seed cotton; acquired grain for high moisture corn or grain sorghum loans; distress loans on any commodity that is not stored in eligible storage; and any commodity otherwise eligible for nonrecourse loan but not meeting the quality eligibility requirements according to U.S. grading standards.

Graze-Out Payments:

Graze-out payments are payments made to eligible producers who although eligible to obtain a loan elect to use acreage planted to barley, oats, triticale, or wheat for livestock grazing and agree to forgo any other harvesting of the commodity on this acreage during the applicable crop year. The payment rate is determined by the amount the applicable commodity loan rate exceeds the CCC-determined value of the commodity for the county where the farm is located. Graze-out payments are only applicable when the market price or CCC determined value is less than the county loan rate.

Department Initiatives:

None.

3. Brief History

The Commodity Credit Corporation (CCC) was created on October 17, 1933, by the CCC Charter Act, and established for the purpose of stabilizing, supporting, and protecting farm income and prices. The CCC Charter Act gave CCC the authority to carry out price and income support activities, and initially made commodity loans available to cotton and corn producers.

The Agricultural Adjustment Act of 1938 (1938 Act) is considered a permanent part of agricultural legislation. In the original law. Congress enacted the first comprehensive legislation dealing with price support, and provided price support loans for wheat, corn, and cotton. Price support for peanuts and wool were subsequently added. Currently, when current legislation is not renewed, the law reverts back to the permanent provisions of the 1938 Act, along with the Agricultural Act of 1949 (1949 Act).

The 1949 Act is permanent legislation of U.S. agricultural policy and has been amended by every subsequent farm bill. The 1949 Act made commodity loans available to producers of approved commodities at a rate established in the legislation, or subsequent amendments. The commodities included wheat, corn, cotton, peanuts, rice, honey, honey, grain sorghum, barley, oats, rye and soybeans.

The Food Security Act of 1985 (1985 Farm Bill) authorized producers to repay their commodity loans at a level that is the lesser of principal plus interest, or at the prevailing market price as determined by the Secretary, thus the applicable commodity loans became known as Marketing Assistance Loans (MAL). From 1985 until 1990, repayments at the prevailing market price were required to be made by a negotiable certificate issued by CCC as an in-kind payment.

The 1985 Farm Bill also introduced the Loan Deficiency Payment (LDP) which enabled eligible producers of rice and cotton to forgo obtaining a commodity loan and instead receive a payment based on the difference between the county loan rate and CCC determined value for the applicable commodity or class of commodity *times* the eligible quantity

The Food Agriculture, Conservation and Trade Act of 1990 (1990 Farm Bill) continued MAL and LDP provisions but allowed MAL repayments with cash. The 1990

Farm Bill added wheat, feed grains and oilseeds as commodities eligible for LDP and also allowed recourse loans for silage and high moisture feed grains.

4. Purpose/Goals

MALs and LDPs are marketing tools available to producers of eligible commodities. The MAL program supports America's farmers and ranchers by providing producers with short term interim financing after harvest and during the shearing season for wool, and providing significant income support for eligible commodities when market prices are below statutory loan rates. MALs also facilitate the orderly marketing and distribution of all commodities throughout the year, giving producers flexibility on when to sell their commodities.

Producers can settle their loan by either repaying the loan or by forfeiting the commodity to CCC as full payment for the MAL at maturity. MAL repayment provisions specify, under certain circumstances, that producers may repay at less than the loan rate (principal) plus accrued interest.

The LDP program is an alternative to the MAL program. If a producer agrees to forgo receiving a MAL and provided there is a rate in effect, the producer may obtain an LDP on their harvested commodity. An LDP rate is in effect when the alternative repayment rate is below the applicable crop year commodity loan rate. Like MALs, LDPs support America's farmers by providing price income support to producers and giving producers flexibility on when to sell their commodities.

The intent of MAL repayments and LDP's was to minimize the potential delivery of loan collateral to CCC, limit the accumulation of CCC-owned stocks, minimize storage costs, stabilize the discrepancies in marketing loan benefits across state and county boundaries, and allow U.S. produced commodities to be marketed freely and competitively. Accumulating CCC-owned stocks tends to make U.S. produced commodities less competitive in world markets and can result in substantial storage costs to taxpayers.

When market prices are low, LDP participation tends to increase. Likewise when market prices are high, LDPs are not authorized which leaves only the MAL option open to producers for providing them the influx of cash at harvest.

5. Success in Meeting Programmatic Purpose/Goals

Total Number of MALs and LDPs by Crop Year

Program	Crop Years								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Marketing Assistance Loans	193,132	132,276	209,997	185,132	158,154	99,828	101,551	74,662	66,507
Loan Deficiency Payments	221,545	300,936	1,843,984	1,500,137	180,640	18,864	35,734	33,903	25,500

MALs are used by producers of loan commodities who at harvest take advantage of the low interest CCC loans on the commodities they produce to pay their crop expenses, and market these commodities later in the year when prices are usually higher. LDPs are only applicable when the current market price is below the established commodity loan rate.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Marketing Assistance Loans	$10,130,603	$10,718,057	$9,149,591	$12,619,239	$12,013,778	$11,286,100	$9,509,047	$8,290,909	$7,189,585	$7,014,700
Loan Deficiency Payments	5,344,682	693,390	461,177	3,855,624	4,629,556	173,736	6,036	145,497	191,647	36,565

Budget authority for CCC programs is based on obligations. Funds obligated in one fiscal year may not be disbursed until a succeeding fiscal year or fiscal years. In the case of these two programs, obligations, budget authority and outlays are incurred at the same time period.

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Marketing Assistance Loans	$10,130,603	$10,718,057	$9,149,591	$12,619,239	$12,013,778	$11,286,100	$9,509,047	$8,290,909	$7,189,585	$7,014,700
Loan Deficiency Payments	5,344,682	693,390	461,177	3,855,624	4,629,556	173,736	6,036	145,497	191,647	36,565

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
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Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
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Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
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Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
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NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0

Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

To be eligible for MAL or LDP, the producer must comply with conservation and wetland protection requirements, submit an acreage report to account for all cropland on the farm, have and retain beneficial interest in the commodity until the MAL is repaid or CCC takes title to the commodity, and meet the applicable adjusted gross income limitations.

Several commodities have been added to the list as eligible for MAL and LDP through previous farm bills. Current commodities eligible for MAL and LDP include wheat, barley, oats, corn, grain sorghum, soybeans, long and medium rice, peanuts, cotton, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, graded and nongraded wool, mohair, honey, dry peas, lentils, small chickpeas, and beginning with the 2009 crop year, large chickpeas. Hay, silage, and unshorn pelts are eligible for LDP only. Mohair was recently removed from the list of eligible commodities for both MAL and LDP through the remainder of Fiscal Year 2011.

A person or legal entity with an average adjusted gross non-farm income that exceeds $500,000 is not eligible for an LDP or market loan gain (MLG). These producers may request an MAL but must repay the MAL at principal plus interest. The MLG rate equals the amount by which the applicable loan rate exceeds the MAL repayment rate.

10. Utilization (Participation) Data

Producer participation in the MAL or LDP program includes producers from all fifty states, some to a much larger extent than others. Depending on the predominate commodities produced in the state and the current market price of these commodities, some years a particular state has many MAL and just a few LDPs, and other years both MAL and LDP numbers are high.

11. Duplication or Overlap with Other Programs

MALs and LDPs are not a duplication of other USDA programs.

12. Waste, Fraud and Abuse

To comply with the Improper Payments Information Act of 2002, FSA conducts internal investigations through the County Office Review Program of high risk programs. MALs and LDPs have been reviewed numerous times in the last few years. The error rate for improper payments for MALs was 0.52 percent in 2011. For LDPs, the error rate for improper payments was 0.44 percent in 2010.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Average Crop Revenue Election (ACRE) Program.

2. Subprograms/Department Initiatives

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) authorizes annual direct and countercyclical payments, with some changes, similar to the direct and countercyclical payments (DCP) previously authorized under the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). In addition, the 2008 Farm Bill authorized the optional ACRE program as an alternative to the traditional countercyclical program. ACRE consists of two payment types, direct payments (ACRE direct) and revenue-based countercyclical payments (ACRE). Similar to DCP, FSA enters into annual contracts with agricultural producers to maintain base acres on participating farms and makes direct payments on these base acres (see previous response for DCP). In contrast, ACRE's revenue based countercyclical payments are made on crops planted on the farm during the current contract year as opposed to the historical plantings of DCP. During the contract period, eligible land on the participating farm, may be planted to any commodity except fruits, vegetables (other than mung beans and pulse crops), and wild rice.

FSA is responsible for overall implementation of ACRE. Producers enroll and payments are initiated at the FSA County Office administratively designated for the farm.

ACRE Direct Payments:

ACRE direct payments are not based on producers' current production choices, but instead are tied to base acres and yields. Direct payments do not provide an incentive to increase production of any particular crop and the payments support farm income without affecting producers' current production decisions.

The 2008 Farm Bill continues the direct payments that began under the Farm Security and Rural Investment Act of 2002. Direct payments under the ACRE program are identical to those available under DCP except that the ACRE direct payment rate is 80 percent of the DCP direct payment rate. ACRE direct payment rates for the eligible ACRE commodities are as follows:

- Wheat: $0.416 per bushel
- Corn: $0.224 per bushel
- Grain sorghum: $0.28 per bushel
- Barley: $0.192 per bushel
- Oats: $0.0192 per bushel
- Upland cotton: $0.05336 per pound
- Rice, long grain: $1.88 per hundredweight
- Rice, medium/short grain: $1.88 per hundredweight
- Soybeans: $0.352 per bushel
- Other oilseeds: $0.64 per hundredweight
- Peanuts: $28.80 per ton

ACRE Payments:

ACRE payments are issued when two conditions are met for a commodity. Actual State Revenue falls below the State ACRE Guarantee and Actual Farm Revenue falls below the Farm ACRE Guarantee.

Once it has been determined that both conditions have been met for the farm to earn an ACRE payment, the payment is computed for a year by multiplying:

- 83.3 percent (85 percent in 2012) of the planted and considered planted acres on the farm not to exceed the total base acres on the farm by
- the farm productivity index by
- the lesser of:
  - state ACRE guarantee minus actual state revenue
  - state ACRE guarantee times 25 percent

Note: Similar to DCP, Federal crop insurance or NAP is not required for participation in ACRE.

3. Brief History

Background:

The optional ACRE Program is an alternative revenue-based safety net to the price-based safety net provided by countercyclical payments in DCP for crop years 2009 through 2012. Producers must elect to participate in ACRE rather than in the traditional DCP. Producers are required to sign-up for ACRE (or DCP) annually. ACRE provides producers an option to protect against declines in market revenue. ACRE involves state and farm revenue changes from guarantee revenue levels that are based on national prices, state planted yields, and farm planted yields.

A decision to participate in ACRE may be made in any of the crop years 2009–2012; however, the ACRE election is irrevocable and cannot be changed from the time of election through the 2012 crop year. Producers may elect the ACRE alternative on a farm-by-farm basis.

ACRE Tradeoffs:

Producers who elect and enroll a farm in ACRE agree to: (1) forgo DCP countercyclical payments, (2) a 20 percent reduction in their direct payments, and (3) a 30 percent reduction in the marketing assistance loan rates for all commodities produced on the farm which are eligible for ACRE payments.

4. Purpose/Goals

The purpose of ACRE is to offer producers an alternative approach to managing risk. ACRE provides, payments to producers when farm revenues fall below a set threshold. This contrasts with the price based protection offered by countercyclical payments. The ACRE program provides payments to eligible producers on farms enrolled for the 2009 through 2012 crop years to partially offset annual reductions in market revenue.

5. Success in Meeting Programmatic Purpose/Goals

The ACRE program has successfully met its programmatic goals to provide a revenue-based countercyclical safety net to producers. However, enrollment in ACRE has been lower than expected.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
ACRE Payments	0	0	0	0	0	0	0	0	0	$446,633

This program is funded by Commodity Credit Corporation (CCC). Budget authority for this CCC program is based on actual outlays.

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
ACRE Payments	0	0	0	0	0	0	0	0	0	$446,633

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance						
Price Support and Marketing Assistance Loans		11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments		173,751	6,036	148,553	191,647	36,565
Direct Payments		3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments		3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments		0	0	0	0	446,633

Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

Any farm with base acres is eligible to participate in ACRE; however, to receive an ACRE payment, producers on the farm must plant a covered commodity (wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, other oilseeds, dry peas, lentils, small chickpeas, and large chickpeas) or peanuts.

A producer on a farm with base acres is eligible to receive payment if the following criteria are met:

- Actively engaged in farming provisions
- Highly Erodible Land and Wetland provisions
- Average (3 year) Adjusted Gross Income not to exceed $750,000 for farm income and $500,000 for non-farm income
- Conservation Compliance provisions
- Controlled substance provisions
- Federal Crop Insurance Corporation fraud provisions

Additionally, farms that contain fewer than 10 base acres do not earn a payment unless that farm is at least 50 percent owned by a socially disadvantaged or limited resource farmer or rancher.

10. Utilization (Participation) Data

Under the 2009 ACRE Program, 90,000 producers enrolled 131,000 farms with 33.9 million base acres. Preliminary 2010 ACRE enrollment numbers, show that, 94,000 producers enrolled 137,000 farms with 35.1 million base acres. Preliminary reports for the 2011 ACRE Program indicate that enrollment will increase by about 1,000 farms.

11. Duplication or Overlap with Other Programs

ACRE payments provide a revenue-based safety net that is an alternative to price based traditional countercyclical payments. To enroll a farm in ACRE, producers agree to forgo traditional countercyclical payments, take a 20 percent reduction in direct payments, and a 30 percent reduction in the marketing assistance loan rates.

12. Waste, Fraud and Abuse

No such instances have to date been identified. FSA minimizes the risk of improper ACRE payments by working in partnership with the Internal Revenue Service to determine whether or not the participant appears to meet or exceed AGI limitations.

13. Effect of Administrative PAYGO

See *Exhibit 1.**

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1. Program Name

Supplemental Revenue Assistance Payments (SURE) Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

SURE is a nationwide crop disaster program authorized by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) to provide assistance to producers suffering production, quality and/or revenue losses due to natural disasters. Unlike prior *ad hoc* disaster programs, the 2008 Farm Bill created a Trust Fund during FY 2008–11 to provide funding for assistance to producers incurring 2008 through September 30, 2011 disaster-related losses.

SURE is based on a producer's entire farming operation in all counties (and states) rather than on individual crop losses. Payments are calculated in an amount equal to 60 percent of the difference between the SURE guarantee and the calculated SURE total farm revenue. The SURE guarantee cannot exceed 90 percent of the expected revenue for the producer's farming operation.

The American Recovery and Reinvestment Act of 2009 (ARRA) increased 2008 SURE program benefits for participants by increasing the guarantee calculation for both insurable and noninsurable (NAP) crops.

SURE is one of five complementary disaster programs authorized by the 2008 Farm Bill. The others are Emergency Assistance for Livestock, Honey Bees, and

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* **Editor's note:** *Exhibit 1* is printed at the end of the questionnaire.

Farm-Raised Fish Program (ELAP), Livestock Indemnity Program (LIP), the Livestock Forage Program (LFP), and the Tree Assistance Program (TAP).

4. Purpose/Goals

SURE helps mitigate the impacts of natural disasters on producers such as prevented planting, loss of production, loss due to quality, and decreases in market prices received. SURE provides a revenue guarantee (SURE guarantee) for a producer's total farming interest. SURE is a supplement to Federal crop insurance and the Noninsured Crop Disaster Assistance Program (NAP) to reduce producers' financial losses and cover shallow losses not covered by crop insurance or NAP.

5. Success in Meeting Programmatic Purpose/Goals

SURE successfully provides financial assistance to producers who suffer qualifying losses due to natural disasters. As of July 19, 2011, 103,709 producers received approximately $2.1 billion for 2008 crop year losses, and to date, 32,273 producers have qualified for approximately $485 million for 2009 crop year losses. Crop year 2009 SURE sign up is scheduled to end on July 29, 2011.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
SURE	$0	$0	$0	$0	$0	$0	$0	$0	$1,195,517	$1,287,000
SURE Recovery Act	0	0	0	0	0	0	0	0	$688,805	$171,393

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
SURE	$0	$0	$0	$0	$0	$0	$0	$0	$973,434	$1,287,000
SURE Recovery Act	0	0	0	0	0	0	0	0	$578,327	$255,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance						
Price Support and Marketing Assistance Loans		11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments		173,751	6,036	148,553	191,647	36,565
Direct Payments		3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments		3,158,554	359,064	1,213,300	902,584	131,848

ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

To be eligible for SURE benefits, producers and entities must:

(1) Obtain crop insurance and/or NAP on all crops of economic significance (a crop contributing at least five percent to the total farm's expected revenue), unless they qualify as a Limited Resource, Socially Disadvantaged, or Beginning Farmer or Rancher.

(2) Have at least one crop of economic significance suffer at least a 10% production loss, adjusted for quality, due to a natural disaster.

(3) Have a risk and ownership share in a qualified crop, in a Secretarial declared disaster county or contiguous county, or if not located in a qualified county, have a 50 percent or greater actual production loss for the farm compared with normal production for the farm.

(4) For the 2008 program year, no person as defined and determined under provisions in 7 CFR Part 1400 in effect for 2008, may receive more than $100,000 total in payments under SURE, ELAP, LIP, and LFP combined. For 2009 and subsequent years, no person or legal entity, excluding joint venture or general partnership, may receive directly or indirectly, more than $100,000 total in payments under SURE, ELAP, LIP, and LFP, combined.

(5) Also, in applying the limitation on average adjusted gross income (AGI) for 2008, an individual or entity is ineligible for payment under SURE if the individual's or entity's average adjusted gross income exceeds $2.5 million for 2007, 2006, and 2005 under the provisions in 7 CFR Part 1400 in effect for 2008 unless 75 percent or more of their income was from farming, ranching or forestry. For 2009 through 2011, the average AGI limitation relating to limits on payments for persons or legal entities, excluding joint ventures and general partnerships, with certain levels of average adjusted gross income will apply. Specifically, for 2009 through 2011, a person or legal entity with an average adjusted gross non-farm income, as defined in 7 CFR Part 1404.3 that exceeds $500,000 will not be eligible to receive SURE payments. Direct attribution provisions also apply to SURE for 2009 and subsequent years. Under direct attribution, any payment to a legal entity—also will be considered for payment limitation purposes to be a payment to a persons or legal entity with an interest in the legal entity or in a sub-entity.

10. Utilization (Participation) Data

2008 Crop Year				2009 Crop Year (to date)	
Non-stimulus		Stimulus		Total Participants	Total Dollars
Total Participants	Total Dollars	Total Participants *	Total Dollars		
89,831	$1,294,950,257	103,709	$815,381,190	32,273	$485,287,214

The 2008 crop year included Stimulus funds. Not everyone qualified for Stimulus funds. Producers with high levels of Federal crop insurance coverage may not have been able to fully take advantage of Stimulus funds because SURE payments are capped at 90 percent of a producer's expected revenue.

The last day to sign-up for 2009 benefits is July 29, 2011. A large percentage of 2009 data has not been reported as of this date.

Acreage data is not available because the SURE application process is completed manually, therefore acreage data is not compiled in an automated format.

11. Duplication or Overlap with Other Programs

SURE assists producers with crop losses and is a supplement to crop insurance and NAP. In many instances the producer or entity has already received crop insurance indemnities and/or NAP payments and these payments are included in determining the total farm revenue to count against the SURE guarantee. For the 2009 crop year, counties receiving a Secretarial disaster designation due to excessive moisture may have had producers qualify for assistance under the Crop Assistance Program (CAP) on some crops. However, any Federal Government assistance received for crop losses that are covered under SURE during a program year are counted as revenue for the farm, thus reducing the total SURE payment by the amount of payment received for that loss.

12. Waste, Fraud and Abuse

Compliance reviews for SURE are required to ensure accuracy of the information provided by producers. If a producer is selected, the information is recorded in the National Compliance Review database. Additional selections may be required when County Committees, District Directors or State Committees have reason to believe inaccurate data or certifications were provided. Those found with inaccurate data may have to refund the SURE payment or part of the payment.

When RMA and FSA data does not match or falls outside of acreage tolerance rules, FSA notifies RMA of the discrepancy and the two agencies work to correct inaccuracies. For instance, FSA may deny RMA prevented planting acreage if documented evidence exists that supports the lack of prevented planting conditions.

Currently SURE is in the early stages of being audited by the Office of Inspector General. At this time, we do not have any indication of on-going systemic waste, fraud, and abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Livestock Forage Disaster Program (LFP).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) authorized the Livestock Forage Disaster Program (LFP) to provide compensation to eligible livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or that is planted specifically for grazing. The grazing losses must be due to a qualifying drought condition during the normal grazing period for the county. LFP also provides compensation to eligible livestock producers that have suffered grazing losses on rangeland managed by a Federal agency (public lands) if the eligible livestock producer is prohibited by the Federal agency from grazing the normal permitted livestock on the public lands due to a qualifying fire.

The grazing losses must have occurred on or after January 1, 2008, and before October 1, 2011.

LFP is one of five complementary disaster programs authorized by the 2008 Farm Bill. The others are Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), Livestock Indemnity Program (LIP), the Supplemental Revenue Assistance Payments (SURE) Program, and the Tree Assistance Program (TAP).

4. Purpose/Goals

Provide compensation to livestock producers that have suffered grazing losses for livestock. The grazing losses must be due to a drought condition during the normal grazing period for the county or the eligible livestock producer must be prohibited by a Federal agency from grazing the normal permitted livestock on public lands due to a qualifying fire.

5. Success in Meeting Programmatic Purpose/Goals

LFP successfully provides immediate financial assistance to livestock producers who suffer qualifying grazing losses due to drought (on private and public lands) or fire (on public lands). Livestock producers received compensation for grazing losses totaling approximately $163.9 million for 2008 calendar year losses, $98.1 million for 2009 calendar year losses, and $32 million for 2010 calendar year losses. As of July 12, 2011, livestock producers have received compensation in the amount of approximately $86.4 million for 2011 calendar year losses.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
LFP	$0	$0	$0	$0	$0	$0	$0	$2	$264,664	$524,000

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
LFP	$0	$0	$0	$0	$0	$0	$0	$0	$263,263	$50,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
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Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000

Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
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NAP Payments	126,951	73,989	40,700	98,745	116,873
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FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
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Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

LFP provides compensation to eligible livestock producers that have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or that is planted specifically for grazing. The grazing losses must be due to a qualifying drought condition during the normal grazing period for the county. LFP also provides compensation to eligible livestock producers that have suffered grazing losses on rangeland managed by a Federal agency if the eligible livestock producer is prohibited by the Federal agency from gazing the normal permitted livestock on the managed rangeland due to a qualifying fire.

The grazing losses must have occurred on or after January 1, 2008, and before October 1, 2011.

An eligible livestock producer that owns or leases grazing land or pastureland physically located in a county rated by the U.S. Drought Monitor as having a:

- D2 (severe drought) intensity in any area of the county for at least 8 weeks during the normal grazing period is eligible to receive assistance in an amount equal to one monthly payment;
- D3 (extreme drought) intensity in any area of the county at any time during the normal grazing period is eligible to receive assistance in an amount equal to two monthly payments; or
- D3 (extreme drought) intensity in any area of the county for at least 4 weeks during the normal grazing period or is rated a D4 (exceptional drought) at any time during the normal grazing period is eligible to receive assistance in an amount equal to three monthly payments.

Eligible livestock are livestock (alpacas, beef cattle, beefalo, beefalo, dairy cattle, deer, elk, emus, equine, goats, llamas, poultry, reindeer, sheep or swine) that have been or would have been grazing the eligible grazing land or pastureland:

- during the normal grazing period for the specific type of grazing land or pastureland for the county suffering from drought, or
- when the Federal agency excluded the livestock producer from grazing the normally permitted livestock on the managed rangeland due to fire.

To be eligible for LFP for the grazing land incurring losses because of a qualifying drought or fire for which assistance is to be requested, producers must:

- obtain a policy or plan of insurance for the grazed forage crop under the Federal Crop Insurance Act (FICA); or
- file the required paperwork and pay the administrative fee by the applicable state application closing date for the Noninsured Crop Disaster Assistance Program (NAP).

Note: Eligible farmers and ranchers who meet the definition of "Socially Disadvantaged," "Limited Resource," or "Beginning Farmer or Rancher" does not have to meet this requirement.

For the 2008 program year, no person as defined and determined under provisions in 7 CFR Part 1400 in effect for 2008, may receive more than $100,000 total in payments under LFP, the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), Livestock Indemnity Program (LIP) and the Supplemental Revenue Assistance Payments (SURE) Program, combined. For 2009 and subsequent years, no person or legal entity, excluding joint venture or general partnership, may receive directly or indirectly, more than $100,000 total in payments under LFP, ELAP, LIP, and SURE, combined.

Also, in applying the limitation on average adjusted gross income (AGI) for 2008, an individual or entity is ineligible for payment under LFP if the individual's or entity's average adjusted gross income exceeds $2.5 million for 2007, 2006, and 2005 under the provisions in 7 CFR Part 1400 in effect for 2008 unless 75 percent or more of their income was from farming, ranching or forestry. For 2009 through 2011, the average AGI limitation relating to limits on payments for persons or legal entities, excluding joint ventures and general partnerships, with certain levels of average adjusted gross income will apply. Specifically, for 2009 through 2011, a person or legal entity with an average adjusted gross non-farm income, as defined in 7 CFR Part 1404.3 that exceeds $500,000 will not be eligible to receive LFP payments. Direct attribution provisions also apply to LFP for 2009 and subsequent years. Under direct attribution, any payment to a legal entity also will be considered for payment limitation purposes to be a payment to a persons or legal entity with an interest in the legal entity or in a sub-entity.

Producers must provide a completed application for payment and supporting documentation to their administrative FSA county office within 30 calendar days after the end of the calendar year in which the grazing loss occurred.

10. Utilization (Participation) Data

72,705 livestock producers have received compensation under LFP totaling $380,384,965 for grazing losses due to drought (on private and public lands) or fire (on public lands) due to fire that have occurred on or after January 1, 2008, and before October 1, 2011.

Livestock Forage Disaster Program Payments as of July 12, 2011

State	2008 LFP Payments Disbursed	2009 LFP Payments Disbursed	2010 LFP Payments Disbursed	2011 LFP Payments Disbursed	Total LFP Payments Disbursed
AL	$8,970,452		$3,436,639	$1,018,350	$13,425,441
AK					$0
AZ	$112,019	$2,881,334	$1,924,860	$1,788,812	$6,707,025
AR			$223,938	$1,822,648	$2,046,586
CA	$10,465,247	$14,349,563	$1,430,587		$26,245,397
CO	$4,274,245	$36,612	$20,314	$1,414,975	$5,746,146
CT					$0
DE					$0
FL	$2,653,553	$6,079,415	$23,166	$5,722,708	$14,478,842
GA	$13,676,692	$2,683,255		$1,970,068	$18,330,015
HI	$2,770,495	$3,246,585	$4,031,805	$2,180,142	$12,229,027
ID					$0
IL					$0
IN			$527,276		$527,276
IA					$0
KS	$1,280,842			$318,273	$1,599,115
KY	$6,550,532		$275,589		$6,826,121
LA			$2,164,080	$2,392,366	$4,556,446
ME					$0
MD					$0
MA					$0
MI		$61,486	$265,612		$327,098
MN	$1,703	$813			$2,516
MS			$1,134,122		$1,134,122
MO			$803,802		$803,802
MT	$6,310,926	$593,988			$6,904,914
NE					$0
NV	$1,222,059	$889,741	$4,290		$2,116,090
NH					$0
NJ					$0
NM	$6,674,520	$2,139,308	$4,606	$9,718,946	$18,537,380
NY					$0
NC	$7,379,022		$72,426		$7,451,448
ND	$28,315,713				$28,315,713
OH					$0
OK	$2,105,355	$3,773,266		$14,801,107	$20,679,728
OR	$761,349	$222,072	$1,134,019		$2,117,440
PA			$1,567		$1,567
PR					$0
RI					$0
SC	$4,848,645	$1,127,386		$24,820	$6,000,851
SD	$50,278				$50,278
TN	$12,791,638				$12,791,638
TX	$40,073,665	$58,975,944	$12,486,955	$43,263,996	$154,800,560
UT	$505,429	$223,403	$288,312		$1,017,144
VT					$0
VA	$1,217,885		$380,936		$1,598,821
WA		$468,451			$468,451
WV			$617,919		$617,919
WI		$295,234	$50,160		$345,394
WY	$918,932		$665,722		$1,584,654

Livestock Forage Disaster Program Payments as of July 12, 2011—Continued

State	2008 LFP Payments Disbursed	2009 LFP Payments Disbursed	2010 LFP Payments Disbursed	2011 LFP Payments Disbursed	Total LFP Payments Disbursed
Total dollars	$163,929,493	$98,048,746	$31,969,515	$86,437,211	$380,384,965
Total Applications	37,340	16,495	6,852	12,018	72,705

11. Duplication or Overlap with Other Programs

LFP provides compensation for grazing losses for covered livestock due to drought (on private and public lands) or fire (on public lands). ELAP covers eligible grazing losses due to other eligible adverse weather events and loss conditions not due to drought or fire on federally managed lands, as determined by the Secretary. The amount of any payment for which a livestock producer may be eligible under LFP may be reduced by any amount received by the livestock producer for the same or any similar loss from any Federal disaster assistance program.

12. Waste, Fraud and Abuse

There has been no Office of Inspector (OIG) or Government Accountability Office (GAO) audit of LFP. However, FSA conducts its own internal investigations through its county office review process and through its internal review audit process. These reviews have not raised any significant issues of waste, fraud, and abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Livestock Indemnity Program (LIP).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) authorized the Livestock Indemnity Program (LIP) which provides disaster assistance to livestock owners and contract growers who suffered livestock death losses in excess of normal mortality due to adverse weather during the calendar year, including losses due to hurricanes, floods, blizzards, disease, wildfires, extreme heat, and extreme cold.

Eligible LIP losses must have occurred on or after January 1, 2008, and before October 1, 2011.

LIP is one of five complementary disaster programs authorized by the 2008 Farm Bill. The others are Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), Livestock Forage Program (LFP), the Supplemental Revenue Assistance Payments (SURE) Program, and the Tree Assistance Program (TAP).

4. Purpose/Goals

Provide compensation to eligible livestock owners and contract growers for eligible livestock deaths in excess of normal mortality as a result of an eligible adverse weather event.

5. Success in Meeting Programmatic Purpose/Goals

LIP successfully provides financial assistance to livestock producers who suffer livestock death losses in excess of normal mortality because of eligible adverse weather events. Livestock producers received compensation for livestock death losses totaling approximately $25.5 million for 2008 calendar year losses, $62.5 million for 2009 calendar year losses, and $16.3 million for 2010 calendar year losses. As of July 12, 2011, livestock producers have received compensation in the amount of approximately $6.3 million for 2011 calendar year losses.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
LIP	$0	$0	$0	$0	$0	$0	$0	$5,761	$89,438	$77,000

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
LIP	$0	$0	$0	$0	$0	$0	$0	$2,947	$91,825	$77,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

LIP provides compensation to livestock owners and contract growers who suffer livestock deaths in excess of normal mortality caused by eligible adverse weather events during the calendar year, including losses because of hurricanes, floods, blizzards, disease, wildfires, extreme heat, and extreme cold. The livestock death losses must have occurred on or after January 1, 2008, and before October 1, 2011. The livestock death losses must have also occurred in the calendar year for which benefits are being requested.

Eligible livestock owners must have legally owned the livestock on the day the livestock died. Eligible contract growers may receive payments for poultry or swine only and must have, on the day the livestock died:

- had possession and control of the eligible livestock; and
- a written agreement setting specific terms, conditions and obligations of the parties involved regarding production of livestock.

To be eligible for LIP, the owner or contract grower's livestock must:

- have died as a direct result of an eligible adverse weather event:
  - that occurred on or after January 1, 2008, but before October 1, 2011;
  - no later than 60 calendar days from the ending date of the applicable adverse weather event(s); and
  - in the calendar year for which benefits are being requested.
- have been maintained for commercial use as part of a farming operation on the day they died; and
- not have been produced for reasons other than for commercial use as part of a farming operation which includes wild free roaming animals, pets, or animals used for recreational purposes, such as hunting or show.

For the 2008 program year, no person as defined and determined under provisions in 7 CFR Part 1400 in effect for 2008, may receive more than $100,000 total in payments under LIP, the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), Livestock Forage Disaster Program (LFP) and the Supplemental Revenue Assistance Payments (SURE) Program, combined. For 2009 and subsequent years, no person or legal entity, excluding joint venture or general partnership, may receive directly or indirectly, more than $100,000 total in payments under LIP, ELAP, LFP, and SURE, combined.

Also, in applying the limitation on average adjusted gross income (AGI) for 2008, an individual or entity is ineligible for payment under LIP if the individual's or entity's average adjusted gross income exceeds $2.5 million for 2007, 2006, and 2005 under the provisions in 7 CFR Part 1400 in effect for 2008 unless 75 percent or more of their income was from farming, ranching or forestry. For 2009 through 2011, the average AGI limitation relating to limits on payments for persons or legal entities, excluding joint ventures and general partnerships, with certain levels of average adjusted gross income will apply. Specifically, for 2009 through 2011, a person or legal entity with an average adjusted gross non-farm income, as defined in 7 CFR Part 1404.3 that exceeds $500,000 will not be eligible to receive LIP payments. Direct attribution provisions also apply to LIP for 2009 and subsequent years. Under direct attribution, any payment to a legal entity also will be considered for payment limitation purposes to be a payment to a persons or legal entity with an interest in the legal entity or in a sub-entity.

Producers who suffer livestock death losses must submit a notice of loss and an application for payment to the local FSA service center that maintains their farm records within prescribed deadlines along with adequate proof that the eligible livestock death occurred as a direct result of an eligible adverse weather event.

10. Utilization (Participation) Data

As of July 15, 2011, 15,953 livestock producers have received compensation under LIP totaling $110,670,892 for livestock deaths that have occurred on or after January 1, 2008, and before October 1, 2011, in excess of normal mortality due to eligible adverse weather events.

Livestock Indemnity Program Payments as of July 12, 2011

State	2008 LIP Payments Disbursed	2009 LIP Payments Disbursed	2010 LIP Payments Disbursed	2011 LIP Payments Disbursed	Total LIP Payments Disbursed
AL	$37,794	$132,220	$270,584	$1,098,581	$1,539,179
AK					$0
AZ		$3,197			$3,197
AR	$412,372	$326,652	$441,513	$107,715	$1,288,252
CA	$87,965	$38,347	$2,353	$8,083	$136,748
CO	$1,803,635	$196,740	$359,359		$2,359,734
CT		$9,800		$26,956	$36,756
DE			$39,956		$39,956
FL	$63,514	$28,388	$48,592	$24,851	$165,345
GA	$41,312	$173,644	$66,297	$69,751	$351,004
HI	$169,000	$29,318			$198,318
ID	$286,351	$368,886	$270,613	$1,008	$926,858
IL	$56,063	$2,861	$3,505	$17,773	$80,202
IN	$30,081	$121,031	$10,283	$30,290	$191,685
IA	$604,067	$1,160,283	$837,663	$94,457	$2,696,470
KS	$74,910	$1,388,046	$1,538,042	$498,362	$3,499,360
KY	$2,071,058	$1,954,936	$2,771,729	$433,584	$7,231,307
LA	$1,297,023	$40,110	$34,287		$1,371,420
ME	$16,199	$10,841			$27,040
MD		$13,758	$90,209		$103,967
MA				$3,999	$3,999
MI	$27,239	$29,947		$8,879	$66,065
MN	$319,643	$550,448	$329,553	$92,718	$1,292,362
MS	$90,670	$83,258	$59,064	$39,708	$272,700
MO	$209,337	$471,998	$606,558	$836,328	$2,124,221
MT	$430,213	$3,435,950	$574,825	$298,588	$4,739,576
NE	$308,986	$2,856,961	$1,115,303	$12,078	$4,293,328
NV	$8,596	$120,063	$32,229		$160,888
NH	$6,900				$6,900
NJ		$4,759	$61,550		$66,309
NM	$1,365,695	$1,100,770	$378,267	$579,931	$3,424,663
NY	$120,086	$38,405	$30,793	$59,642	$248,926
NC	$85,748	$153,267	$397,428	$67,256	$703,699
ND	$1,363,691	$17,893,403	$319,104	$293,919	$19,870,117
OH	$27,600	$48,167	$62,659	$6,748	$145,174
OK	$337,903	$835,202	$418,424	$795,186	$2,386,715
OR	$106,169	$122,220		$78,630	$307,019
PA		$1,202	$116,754	$3,435	$121,391
PR	$582,249	$16,108	$1,558		$599,915
RI				$4,590	$4,590
SC	$33,206	$20,380	$3,950	$6,650	$64,186
SD	$5,102,720	$23,376,238	$1,134,243	$194,328	$29,807,529
TN	$66,019	$29,239	$263,840	$36,593	$395,691
TX	$6,359,396	$2,527,482	$152,612	$229,014	$9,268,504
UT	$725,779	$160,229	$928,773	$1,250	$1,816,031
VT				$23,407	$23,407
VA	$6,900	$96,007	$1,300,888	$119,435	$1,523,230
WA	$62,141	$118,543	$210		$180,894
WV		$14,799	$1,007,678	$17,325	$1,039,802
WI	$110,654	$160,289	$150,796	$24,691	$446,430
WY	$561,493	$2,268,998	$175,901	$13,441	$3,019,833
Total dollars	$25,470,377	$62,533,390	$16,407,945	$6,259,180	$110,670,892
Total Applications	2,073	7,310	4,567	2,003	15,953

11. Duplication or Overlap with Other Programs

LIP is not a duplication of other USDA disaster programs. LIP covers livestock death losses in excess of normal mortality due to eligible adverse weather events. ELAP covers eligible livestock death losses, as determined by the Secretary, that are not covered under LIP. The amount of any payment for which a livestock producer may be eligible under LIP may be reduced by any amount received by the livestock producer for the same or any similar loss from any Federal disaster assistance program.

12. Waste, Fraud and Abuse

There has been no Office of Inspector General (OIG) or Government Accountability Office (GAO) audit of the program during the last 4 years. However, OIG has conducted financial audits of the program which have not identified any significant issues. Likewise, internal audits conducted by FSA through its county office review process have found no significant instances of waste, fraud, and abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Tree Assistance Program (TAP).

2. Subprograms/Department Initiatives

N/A.

3. Brief History

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) authorized the Tree Assistance Program (TAP) to provide disaster assistance to eligible orchardists and nursery tree growers to replant or rehabilitate trees, bushes, and vines that were lost or damaged because of an eligible natural disaster. TAP is available to orchardists and nursery tree growers who commercially raise perennial trees for production of an annual crop and for those nursery tree growers who produce nursery, ornamental, fruit, nut, or Christmas trees for commercial sale.

Eligible losses must have occurred on or after January 1, 2008, and before October 1, 2011.

TAP is one of five complementary disaster programs authorized by the 2008 Farm Bill. The others are Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP), Livestock Indemnity Program (LIP), the Supplemental Revenue Assistance Payments (SURE) Program, and the Livestock Forage Program (LFP).

4. Purpose/Goals

Provide compensation to eligible orchardists and nursery tree growers to replant or rehabilitate trees, bushes, and vines that were lost or damaged because of an eligible natural disaster. TAP provides cost-share on various replanting and rehabilitation practices to assist producers in reestablishing a viable orchard or nursery stand.

5. Success in Meeting Programmatic Purpose/Goals

TAP successfully provides cost-share assistance to orchardists and nursery tree growers who suffer tree, bush, or vine losses or damage due an eligible natural disaster. Orchardists and nursery tree growers received cost-share amounts totaling $156,736 for 2008, approximately $2 million for 2009, and $2.3 million for 2010 calendar year losses.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority (Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
TAP	$0	$0	$0	$0	$0	$0	$0	$0	$2,198	$5,000

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays (Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
TAP	$0	$0	$0	$0	$0	$0	$0	$0	$1,507	$5,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000

Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

To be eligible for TAP payments, the eligible orchardist or nursery tree grower must have:

- planted, or be considered to have planted (by purchasing the orchard or nursery prior to the loss of the existing stand) trees, bushes, or vines for commercial purposes, or
- a production history on planted or existing trees, for commercial purposes.
- suffered loss due to an eligible natural disaster in excess of 15 percent mortality or damage, adjusted for normal mortality.
- obtained coverage under the Federal Crop Insurance Act or Noninsured Crop Disaster Assistance Program (NAP). "Socially Disadvantaged," "Limited Resource," and "Beginning Farmers or Ranchers" do not have to meet this requirement.

Producers who planted, or are considered to have planted trees they are eligible for assistance in the form of:

- replanting and the cost of seedlings or cuttings, for tree, bush, or vine replacement the lessor of either of the following:
    - 70 percent of the actual cost of the practice
    - total amount calculated using the national rates established for that practice.
- rehabilitation and the cost of pruning, removal, and other costs incurred for salvaging existing trees, bushes, or vines, or in the case of mortality, to prepare the land to replant trees, bushes, or vines, the lesser of the following:
    - 50 percent of the actual cost of the practice
    - amount calculated using the national rates established for that practice.

Producers who had a production history on planted or existing trees they are eligible for assistance for the cost of pruning, removing debris, and other costs incurred for salvaging existing trees or, for tree mortality, to prepare the land to replant trees the lessor of the following:

- 50 percent of the actual total cost of the practice
- total amount calculated using national rates established for the practice.

Eligible applicants qualify for TAP only if the tree, bush, or vine mortality in each stand, for each eligible natural disaster, exceeds the 15 percent loss threshold, plus normal mortality. The 15 percent mortality, adjusted for normal mortality, must be met before damaged trees are eligible for payment.

Eligible losses must have occurred on or after January 1, 2008, and before October 1, 2011.

The cumulative total quantity of acres planted to trees, bushes, or vines, where a producer may receive TAP, cannot exceed 500 acres for all years, 2008 through 2011.

For the 2008 program year, no person as defined and determined under provisions in 7 CFR Part 1400 in effect for 2008, may receive more than $100,000 total in payments under TAP. For 2009 and subsequent years, no person or legal entity, excluding joint venture or general partnership, may receive directly or indirectly, more than $100,000 total in payments.

For the 2009 and subsequent program years, producers or legal entities whose average non-farm Adjusted Gross Income (AGI) exceeds $500,000 are not eligible. For the 2008 program year, producers are not eligible if their average AGI is $2.5 million or greater, unless 75 percent or more of their AGI is from agriculture. Direct attribution provisions also apply to TAP for 2009 and subsequent years. Under direct attribution, any payment to a legal entity also will be considered for payment limitation purposes to be a payment to a persons or legal entity with an interest in the legal entity or in a sub-entity.

TAP applicants who suffer eligible losses must file a Tree Assistance Program Application within 90 calendar days from the occurrence of the disaster event or the date when the loss become apparent to the producer. Upon completion of the practices the producer must provide copies of all sales receipts, invoices, canceled checks or other documentation necessary to determine cost. Practices must be completed within 12 months of an approved application.

10. Utilization (Participation) Data

Number of producers applying for TAP	Number of producers receiving payment
2008—289	161
2009—194	87
2010—366	74
2011—110	*6

*As of July 19.

11. Duplication or Overlap with Other Programs

TAP does not duplicate benefits delivered by other USDA disaster assistance programs. It is the only program that provides compensation to replant or rehabilitate trees, bushes, or vines that were lost or damaged as the result of a natural disaster. The Noninsured Crop Disaster Assistance Program (NAP) complements TAP by covering the actual loss of fruit or nut production. There is no overlap between those programs. Regarding nursery, again TAP pays for the cost of re-establishing (seedling or grafts) or rehabilitating the nursery while NAP covers the loss of value of the crop at the time the disaster occurs.

12. Waste, Fraud and Abuse

There has been no extensive Office of Inspector General (OIG) or Government Accountability Office (GAO) audit of the program during the last 4 years. Currently, we do not have a current audit that indicates on-going systemic waste, fraud, or abuse. FSA conducts its own internal investigation through its county office review process and through its internal review audit process.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP).

2. Subprograms/Department Initiatives

None.

3. Brief History

The Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) established five disaster assistance programs: ELAP, Livestock Forage Disaster Program (LFP), Livestock Indemnity Program (LIP), Supplemental Revenue Assistance Payments Program (SURE) and the Tree Assistance Program (TAP). Sections 12033 and 15101 of the 2008 Farm Bill authorized the Secretary to use up to $50 million per year from the Agricultural Disaster Relief Trust Fund to provide emergency relief to eligible producers under ELAP.

4. Purpose/Goals

ELAP provides emergency assistance to eligible producers of livestock, honeybees and farm-raised fish that have losses due to disease, adverse weather or other conditions, including losses due to blizzards and wildfires. ELAP covers losses occurring on or after January 1, 2008, and before October 1, 2011 that are not covered under any of the other disaster assistance programs established by the 2008 Farm Bill.

5. Success in Meeting Programmatic Purpose/Goals

To date, ELAP has successfully provided over $29 million in benefits to eligible livestock, honeybee, and farm-raised fish producers for 2008 through 2010 calendar year losses nationwide. The following table provides the total benefits disbursed nationwide to eligible livestock, honeybee and farm-raised fish producers for the calendar year in which the losses occurred.

Calendar Year of Loss	ELAP Payments Disbursed
2008	$10,779,914

Calendar Year of Loss	ELAP Payments Disbursed
2009	$11,824,366
2010	$6,572,795
Total	$29,177,076

ELAP has been particularly beneficial to beekeepers whose bees suffered from Colony Collapse Disorder (CCD). The following table provides approximate benefits disbursed nationwide to eligible honeybee producers due to CCD.

Calendar Year of Loss	ELAP Honeybee Payments
2008	Over $6 million
2009	Over $7 million
2010	Over $5 million

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority (Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
ELAP	$0	$0	$0	$0	$0	$0	$0	$0	$21,460	$50,000

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays (Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
ELAP	$0	$0	$0	$0	$0	$0	$0	$0	$21,413	$50,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

General Producer Eligibility:

To be considered an eligible producer for ELAP, producers must:

- file a notice of loss, no later than 30 calendar days of when the loss is apparent to the producer and file an application for payment by the applicable signup deadline.

- have suffered eligible losses of livestock, honeybees, and farm-raised fish because of an eligible adverse weather event or loss condition that occurred on or after January 1, 2008 and before October 1, 2011 and in the calendar year for which assistance is being requested.
- have suffered losses that are physically located in the county where the eligible adverse weather or eligible loss condition occurred.
- for every commodity in which the producer has an interest for the relevant program year:
  - in the case of an insurable commodity, obtain catastrophic coverage or better under a policy or plan of insurance administered under the Federal Crop Insurance Act except this obligation will not include forage crops intended for grazing.
  - in the case of a noninsurable commodity, obtain Noninsured Crop Disaster Assistance Program coverage by filing the required paperwork and paying the administrative fee by the applicable state application closing date, except that this requirement will not include forage on grazing land

There is a $100,000 limitation per crop year that applies to payments received under ELAP, LFP, LIP or SURE. Individuals or entities are ineligible for a payment under ELAP for 2008 if their average Adjusted Gross Income for 2005, 2006 and 2007 exceeds $2.5 million. For 2009 through 2011, an average adjusted gross non-farm income limitation of $500,000 applies.

Eligible Losses:

An eligible loss under ELAP is a loss that an eligible producer or contract grower of livestock, honeybees, or farm-raised fish incurs because of an eligible adverse weather event or loss condition including, but not limited to, blizzards and wildfires. To be considered an eligible loss, the loss must have occurred:

- during the calendar year for which payment is being requested.
- on or after January 1, 2008, and before October 1, 2011.
- in the county where the eligible adverse weather event or loss condition occurred.

Eligible livestock losses include livestock death losses and livestock feed and grazing losses that are not due to drought or wildfires on federally managed lands, caused by an eligible adverse weather event or loss condition.

Eligible honeybee losses include the loss of honeybee colonies in excess of normal mortality, honeybee hives, and purchase or produced honeybee feed losses caused by an eligible adverse weather event or loss condition.

Eligible farm-raised fish losses include death losses of eligible bait fish or game fish and purchased or produced farm-raised fish feed losses caused by an eligible adverse weather event or loss condition.

10. Utilization (Participation) Data

The following table provides the number and amount of ELAP payments disbursed by state for the 2008 through 2010 calendar years.

State	2008 No. of Payments	2008 ELAP	2009 No. of Payments	2009 ELAP	2010 No. of Payments	2010 ELAP	Total ELAP Payments Disbursed
AL	11	$80,808	17	$78,610	5	$34,515	$193,933
AK	5	$6,084					$6,684

State	2008 No. of Payments	2008 ELAP	2009 No. of Payments	2009 ELAP	2010 No. of Payments	2010 ELAP	Total ELAP Payments Disbursed
AZ	1	$106,000	13	$234,123	5	$162,892	$497,015
AR	1	$10,008	3	$157,780	4	$127,667	$295,455
CA	54	$1,206,084	59	$1,380,580	29	$593,593	$3,180,257
CO	2	$83,522	5	$49,261	8	$60,248	$193,031
CT			1	$3,044			$3,044
FL	187	$2,918,121	14	$272,028	109	$803,963	$3,994,112
GA	15	$225,720	17	$141,021	9	$55,447	$422,188
ID	17	$367,022	18	$360,546	15	$384,246	$1,111,814
IL	5	$21,168	5	$15,876	1	$4,608	$41,652
IN	2	$30,405	7	$73,409	1	$3,744	$107,558
IA	15	$210,922	15	$376,150	11	$133,741	$720,813
KS	8	$82,912	8	$34,801	4	$41,168	$158,881
KY	5	$2,016	8	$2,916	11	$118,657	$123,589
LA	136	$775,927	23	$98,768			$874,695
MD			4	$11,196	1	$19,008	$30,204
MA	2	$100,000	4	$102,124	4	$200,504	$402,628
MI	12	$334,758.29	11	$153,259	6	$67,266	$555,283
MN	12	$276,836	17	$423,641.64	11	$277,328	$977,806
MS	3	$9,899	11	$52,258	108	$235,871	$298,028
MO	10	$36,703	3	$9,285	4	$39,015	$85,003
MT	21	$329,634	190	$1,132,114	10	$209,485	$1,671,233
NE	16	$136,990	3	$43,956	23	$97,711	$278,657
NM	4	$7,602	3	$34,735	93	$305,619	$347,956
NY	9	$180,562	10	$178,997	15	$203,191	$562,750
NC	22	$124,397	26	$38,302	14	$71,736	$234,435
ND	17	$605,980	64	$895,631	8	$283,596	$1,785,207
OH	6	$24,171	11	$49,392	5	$19,109	$92,672
OK	1	$7,803	33	$213,427	1	$600	$221,830
OR	11	$117,754	16	$303,612	7	$114,070	$534,836
PA	9	$73,962	18	$158,271	9	$173,359	$405,592
SC	2	$2,196	3	$7,363			$9,559
SD	50	$1,082,515	207	$2,122,966	134	$1,170,655	$4,376,076
TN	1	$1,584	2	$2,088	3	$5,381	$9,053
TX	15	$658,553	17	$532,950.19	6	$121,839	$1,313,342
UT	8	$137,903	5	$61,128	10	$74,540	$273,571
VA	5	$18,820	7	$5,952	10	$24,946	$49,718
WA	6	$248,123	16	$482,416	3	$164,628	$895,161
WV					1	$1,084	$1,084
WI	11	$102,645	10	$70,713	9	$66,727	$240,085
WY	4	$39,805	162	$1,460,342.60	11	$101,038	$1,601,186
Totals	**721**	**$10,779,914**	**1,066**	**$11,824,366**	**718**	**$6,572,795**	**$29,177,076**

11. Duplication or Overlap with Other Programs

There is no overlap or duplication. ELAP is specifically authorized to provide assistance for losses not covered under any other disaster assistance program established by the 2008 Farm Bill.

12. Waste, Fraud and Abuse

There has been no Office of Inspector (OIG) or Government Accountability Office (GAO) audit of ELAP. FSA conducts its own internal investigations through its county office review process and through its internal review audit process. These reviews have not raised any significant issues of waste, fraud, and abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Noninsured Crop Disaster Assistance Program (NAP).

2. Subprograms/Department Initiatives

N/A.

3. Brief History

NAP was initially authorized under the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103–354). NAP was reauthorized under Section 196 of the Federal Agriculture Improvement and Reform Act of 1996 (P.L. 104–127) which also terminated the prior authorities. NAP provides financial assistance to producers of noninsurable crops when natural disasters occur. The regulations governing NAP are found at 7 CFR Part 1437.

NAP is a permanent program designed to reduce financial losses that occur when natural disasters cause a catastrophic loss of production or prevented planting for noninsurable crops by providing coverage equivalent to the catastrophic risk protection (CAT) level of crop insurance.

4. Purpose/Goals

NAP provides financial assistance to producers of noninsurable crops when low yields, loss of inventory, or prevented planting occur due to natural disasters. NAP is a standing risk tool producers can use to mitigate noninsured crop losses similar to crop insurance.

5. Success in Meeting Programmatic Purpose/Goals

During 2009, NAP producer enrollment increased by 19.73 percent over 2008, in part, because the 2008 Farm Bill requires total farm participation in NAP and/or purchase of crop insurance for eligibility for other disaster programs (specifically, SURE, TAP, and ELAP). Although participation increased, dollars paid out in crop year 2010 decreased from approximately $89 million for crop year 2009 to $52 million in 2010. It is important to note that dollars paid are directly related to the severity and number of disasters that occur in any given crop year.

NAP continues to provide coverage equivalent to catastrophic (CAT) insurance for each commercial crop or agricultural commodity, except livestock, for which CAT is not available.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Non-Insured Assistance Payments	$182,199	$237,149	$124,108	$109,619	$66,268	$126,951	$73,989	$62,064	$98,745	$116,873
NAP Fees	−16,319	−8,359	−12,550	−9,879	−9,155	−7,760	−11,529	−23,621	−19,396	−29,086
Net Budget Authority	165,880	228,790	111,558	99,740	57,113	119,191	62,460	38,443	79,349	87,787

Budget authority for CCC programs is based on obligations. Funds obligated in one fiscal year may not be disbursed until a succeeding fiscal year or fiscal years. In the case of these two programs, obligations, budget authority and outlays are incurred at the same time period.

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Non-Insured Assistance Payments	$182,199	$237,149	$124,108	$109,619	$66,268	$126,951	$73,989	$62,064	$98,745	$116,873
NAP Fees	−16,319	−8,359	−12,550	−9,879	−9,155	−7,760	−11,529	−23,621	−19,396	−29,086
Net Outlays	165,880	228,790	111,558	99,740	57,113	119,191	62,460	38,443	79,349	87,787

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
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Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
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NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

An eligible producer is a landowner, tenant or sharecropper who has an ownership share and shares in the risk of producing an eligible crop. Crops must be non-insurable crops and agricultural commodities for which the CAT level of crop insurance is not available, and must be any of the following commercially produced crops:

- crops grown for food;
- crops planted and grown for livestock consumption, including, but not limited to grain and forage crops, including native forage;
- crops grown for fiber, such as cotton and flax (except for trees);
- crops grown under a controlled environment such as mushrooms and floriculture;
- specialty crops, such as honey and maple sap;
- value loss crops, such as aquaculture, Christmas trees, ginseng, ornamental nursery and turfgrass sod;
- sea oats and sea grass; and
- seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Producers must apply for NAP coverage and pay the applicable service fee at their local Farm Service Agency (FSA) office 30 calendar days prior to the beginning of the coverage period. The application and service fees must be filed by the application closing date as established. The service; fee is $250 per crop or $750 per producer per administrative county, not to exceed a total of $1,875 per producer with farming interests in multiple counties. Limited resource producers may request a waiver of the NAP service fees.

Producers are required to provide acreage and production reports in a timely manner, and in the event a loss occurs, file a notice of loss within the earlier of 15 days of the disaster event or when the damage becomes apparent to the producer. To finalize a claim producers have until the subsequent year's acreage reporting date to submit an application for payment

For 2009 and subsequent years, no person or legal entity, excluding joint venture or general partnership, may receive directly or indirectly, more than $100,000 total in payments under NAP.

For 2009 and subsequent years, the average AGI limitation relating to limits on payments for persons or legal entities, excluding joint ventures and general partnerships, with certain levels of average adjusted gross income will apply. Specifically, for 2009 and subsequent years, a person or legal entity with an average adjusted gross non-farm income, as defined in 7 CFR Part 1404.3 that exceeds $500,000 will not be eligible to receive NAP payments. Direct attribution provisions also apply to NAP for 2009 and subsequent years. Under direct attribution, any payment to a legal entity also will be considered for payment limitation purposes to be a payment to a persons or legal entity with an interest in the legal entity or in a sub-entity.

10. Utilization (Participation) Data

Number of producers obtaining NAP coverage	Number of producers receiving payment
2008—53,222 *	16,509
2009—63,724 *	16,958
2010—52,572 *	9,194
2011—52,058 *	Not yet available

* If a producer is operating in two counties, the producer would be counted twice.

11. Duplication or Overlap with Other Programs

By statute, NAP is prohibited from paying multiple benefits for the same loss. If the producer is eligible to receive NAP payments and benefits under any other program administered by the Secretary for the same crop loss, the producer must choose whether to receive NAP payments or benefits from any other program. Exceptions to this rule include past *ad hoc* Crop Disaster Programs and recently the Supplemental Revenue Assistance Payments (SURE) Program. SURE is a supplemental program to crop insurance and NAP coverage and only pays on shallow losses. NAP payments are included in total farm revenue when SURE payments are calculated.

NAP works in concert with the Tree Assistance Program (TAP). TAP compensates eligible producers of commercial fruit, nut, and nursery crops to cover the cost of reestablishing or rehabilitating lost or damaged trees, bushes, or vines while NAP covers the actual loss of fruit or nut production. Similarly, for nursery losses, TAP pays for the cost of re-establishing (seedling or graft) or rehabilitating the nursery where NAP covers the loss of value of the crop at the time the disaster occurs.

12. Waste, Fraud and Abuse

The Department is not aware of any national problems of fraud, waste, and abuse. To comply with the Improper Payments Information Act of 2002, FSA conducts internal investigations through the County Office Review Program of high risk programs. NAP overpayments have decreased from 22.94 percent in Fiscal Year 2006 to 11.65 percent in Fiscal Year 2010. Many of the improper payments are due to complexities of the program associated to calculating an approved yield. The National Office has developed and enhanced corrective actions each year to address IPIA findings and NAP Compliance Overview findings.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Sugar Program.

2. Subprograms/Department Initiatives

The sugar program is a collection of Federal programs designed to support, at minimal Federal cost, producer returns from growing sugarcane and sugarbeets. The programs collectively referred to as the Sugar Program include: the Price Support Loan Program, the Flexible Marketing Allotments for Sugar Program, the Tariff Rate Quota Program, and the Feedstock Flexibility Program for Bioenergy Producers.

The *Price Support Loan Program* establishes the support level by providing nonrecourse loans to processors of domestically grown sugarcane and sugarbeets based on loan rates mandated in farm bills. If market returns are lower than loan proceeds at the time of loan maturity, sugarbeet and sugarcane processors can fully satisfy their loan obligations by forfeiting sugar loan collateral to the Commodity Credit Corporation (CCC). Since sugar producers can always receive at least the loan proceeds from their crop, the loan rate acts as a floor on the market price of domestic sugar.

The remaining programs work to limit the domestic sugar supply to result in higher domestic prices than the support price imposed by the sugar loan program, and hence, minimize or eliminate forfeiture costs. The Department limits domestic supply through (1) the *Flexible Marketing Allotments for Sugar Program,* which provides limits for the quantity of sugar that domestic sugarbeet and sugarcane processors can market; (2) an imported sugar supply control strategy that includes a prohibitively high tariff rate for unrestricted imports and adjustable *Tariff Rate Quotas* (TRQ) that limit foreign sugar imports at the low tier tariff; and (3) the *Feedstock Flexibility Program for Bioenergy Producers,* which authorizes USDA to purchase surplus sugar in the marketplace and sell it to producers of bio-energy to prevent loan forfeitures under the Price Support Loan Program. The Feedstock Flexibility Program is authorized under Title IX of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). To date, the Feedstock Flexibility Program has not been needed due to high domestic sugar prices. Regulations implementing the Feedstock Flexibility Program are currently under development.

3. Brief History

Domestic sugar production has been supported by tariffs on imported sugar since 1789. The early tariffs were established primarily to provide government revenue. However, since 1894, the tariffs were created primarily to support the domestic sugar industry. Extensive government regulation of the sugar industry began with the Sugar Act of 1934, which established the domestic sugar market supply control strategy still used today. Market shares were assigned for domestic beet sugar, domestic raw cane sugar, and imported sugar. The Sugar Act was allowed to lapse during the 1974 sugar price spike.

Sugar loan provisions were first included in the Food and Agriculture Act of 1977, and modified to the current non-recourse loan program under the Food and Agriculture Act of 1981. By 1984, overproduction in the U.S. led to forfeitures costing the U.S. Treasury $105 million. In response. Congress inserted the no-cost provision requiring program administrators to strongly avoid forfeitures in the 1985 Farm bill. Tariff-rate quotas (TRQs), which allow a set amount of imports with almost no tariff and an unrestricted high tier tariff on additional imports, replaced strict import quotas in the late 1980s. TRQs are based on each country's share of the U.S. market during 1975–81 when imports were relatively unrestricted. The 1990 Farm bill reinstated domestic supply controls as the marketing allotment program. The 2008 Farm Bill also mandated the Feedstock Flexibility Program.

4. Purpose/Goals

The purpose of the sugar program is to support producer returns from raising sugarcane and sugarbeets, to the extent practicable, at no cost to the Federal budget.

5. Success in Meeting Programmatic Purpose/Goals

CCC has been fairly successful in achieving the goals of the sugar program. The market value of production of sugarbeets and sugarcane increased 14 percent and 40 percent, respectively, between FY 2005 and FY 2010. Beet processors forfeited 40,000 tons of 2004-crop beet sugar with a loan value of 22.7¢ per pound. CCC sold the sugar inventory back to the market for 21.8¢ per pound, for a net realized loss of $742,000. Since 2005, the domestic market has tightened and the primary sugar program issue has been focused on maintaining adequate supplies.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Total Outlays	$736,807	$879,856	$871,130	$824,168	$794,209	$1,051,171	$1,237,787	$1,118,371	$875,200	$891,402
Total Receipts	866,883	964,016	809,865	910,135	783,815	l,026,436	1,272,821	1,118,369	875,200	891,402
Net Expenditures	−130,076	−84,161	61,265	−85,966	10,394	24,735	−35,034	2	0	0

These programs are funded by Commodity Credit Corporation (CCC). Budget authority for these CCC programs is based on actual outlays.

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Total Outlays	$736,807	$879,856	$871,130	$824,168	$794,209	$1,051,171	$1,237,787	$1,118,371	$875,200	$891,402
Total Receipts	866,883	964,016	809,865	910,135	783,815	1,026,436	1,272,821	1,118,369	875,200	891,402
Net Expenditures	−130,076	−S4,161	61,265	−85,966	10,394	24,735	−35,034	2	0	0

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

To be eligible for loans, a sugarbeet or sugarcane processor must: agree to all the terms and conditions in the loan application, and execute a note, security agreement, and storage agreement with CCC. Sugar pledged as collateral during the crop year must be processed and owned by the eligible processor and stored in a CCC-approved warehouse. The loan collateral must have been processed in the United States.

In order to be pledged as loan collateral, sugar and in-process sugar must be dry and free flowing; free of excessive sediment; and free of any objectionable color, flavor, odor, or other characteristic that would impair its merchantability or that would impair or prevent its use for normal commercial purposes.

10. Utilization (Participation) Data

Since FY 2000, loan participation has been steady with, on average, about 21 percent of the sugarcane crop's annual production placed under loan with the CCC. Around 26 percent of the annual sugarbeet crop is normally placed under loan. Loans, which are generally placed early in the fiscal year once harvest begins, help the processor make advance payments to growers upon delivery of their beets to the processor. This permits growers to be paid for their beet or cane crop up to 10 months earlier than the processor (usually owned by the growers) receives revenues from the sale of the sugar made from the crop.

11. Duplication or Overlap with Other Programs

The Sugar Program is not duplicative of other commodity programs, as it offers unique benefits to the sugar market and its participants. However, there is some beneficial overlap with other programs. For instance, growers of sugarcane and sugarbeets must be in compliance with highly erodible and wetlands regulations in order to protect processor eligibility. Likewise, these growers must meet all certified acreage reporting requirements.

12. Waste, Fraud and Abuse

There has been no extensive Office of Inspector (OIG) or Government Accountability Office (GAO) audit of the program during the past 5 years. Although on rare occasion accusations of misconduct have arisen, internal FSA review indicated no waste, fraud or abuse. Furthermore, the sugar regulation authorizes CCC to require sugarbeet processors, sugarcane processors, sugarcane refiners and importers of sugar, as selected by CCC, to submit a report prepared by an independent Certified Public Accountant that reviews information submitted to CCC during the previous crop year. These reports have yet to indicate waste, fraud or other abuses.

13. Effect of Administrative PAYGO

Exhibit 1 shows the costs and savings related to USDA's Administrative PAYGO Scorecard.

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1. Program Name

Farm Storage Facility Loan (FSFL) Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

The FSFL Program was originally authorized by the Commodity Credit Corporation (CCC) Charter Act of 1933. Specifically, the CCC Charter Act provides that the Corporation may make loans to grain producers needing storage facilities and that loans shall be made in areas in which the Secretary determines that there is a deficiency of such storage.

The CCC had made loans for storage facilities intermittently since 1948 and stopped issuing storage facility loans in 1982 based on studies that revealed that producers had sufficient storage for their crops. However, demand for storage has increased dramatically since 1995 and storage shortages currently exist in some areas. The net decrease in storage capacity from 1996 to 1998 has been about 79.5 million bushels, or nearly one percent of total capacity. During this same period, grain production increased by nearly eight percent, from 14 billion bushels in 1996 to 15 billion bushels in 1998. As a result, it was determined there was insufficient capacity to allow farmers to store their grain, forcing farmers to sell at harvest when prices are usually at their lowest. Therefore, on February 2, 2000, the Secretary announced the availability of financing for on-farm storage and handling facilities.

Section 1614 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), authorized the Secretary to establish a storage facility loan program to producers of grains, oilseeds, pulse crops, hay, renewable biomass, and other storable commodities (other than sugar), as determined by the Secretary. Accordingly, regulations implementing the 2008 Farm Bill added fruits and vegetables as eligible commodities for on-farm storage. The maximum loan amount is $500,000 per structure and depending on the loan amount, the FSFL borrower has the option of selecting 7, 10, or 12 year repayment terms for the FSFL.

4. Purpose/Goals

The purpose of the FSFL Program is to assist producers with low-interest financing for adequate capacity to store their harvested production until they sell it on the open market. The FSFL Program adds additional storage capacity in deficit areas and producers also benefit from the potential for higher market returns on their crops.

5. Success in Meeting Programmatic Purpose/Goals

The FSFL Program has been very successful with meeting program goals to provide low interest financing for on-farm storage. Since FSFL was reestablished in FY 2000, over 27,900 FSFL's have been disbursed providing on-farm storage for over 785 million bushels of eligible commodities. The FSFL Program has seen increased interest in the past several years mainly due to the construction of ethanol plants in the Midwest and South. The vast majority of FSFL borrowers make their annual installment payments on time as the program has a delinquency rate of less than 0.005 percent.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Farm Storage Facility Loans—Subsidy	$3,025	$1,897	$2,322	$1,157	$1,238	$475	$1,540	$12,500	$15	$0

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Farm Storage Facility Loans—Subsidy	$1,654	$820	$1,502	$989	$290	$502	$1,135	$4,796	$7,446	$0

The FSFL Program is a credit reform program. Budget Authority and outlays reflect estimated subsidy costs of disbursing the direct loans in each fiscal year.

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan. The administrative costs included in the table below are the aggregate costs for all the programs in the table. Costs for individual programs are not available.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance						

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	8,905	8,620	9,529	8,355	8,140

9. Eligibility Criteria

Producers requesting a FSFL must provide information to the FSA County Office to support the need for on-farm storage. Specific eligibility requirements for applicants are as follows:

- producer of an eligible commodity
- engaged in farming
- has a satisfactory credit rating as determined by CCC
- demonstrates the ability to pay the down payment and repay the debt resulting from FSFL
- has no delinquent Federal debt as defined by the Debt Collection Improvement Act of 1996
- has not been convicted under Federal or state law of a controlled substance violation
- provide proof of insurance requirements, such as:
    - multi-peril crop insurance
    - all-peril structural insurance
    - flood insurance, if applicable
- demonstrates compliance with USDA provisions for highly erodible land and wetland provisions
- demonstrates compliance with National Environmental Policy Act
- demonstrates compliance with any applicable local zoning, land use and building codes for the applicable farm storage facility structure.

10. Utilization (Participation) Data

The FSFL Program has provided financing for on-farm storage for over 785 million bushels of eligible commodities since FY 2000. FSFL applications have increased from 1,717 in FY 2005 to 3,961 in FY 2010. In FY 2006, the Commodity Credit Corporation (CCC) made nearly $100 million in FSFLs, while in FY 2010 the loan amount of FSFLs exceeded $296 million. To date, in FY 2010, 3,926 FSFLs have been obligated and disbursed totaling $291 million. Currently, in FY 2011, 2,110 FSFLs have been obligated and disbursed totaling $175 million. Also, in FY 2011, applications for 93 hay storage structures were received and 55 have been disbursed, and eight fruit and vegetable applications were received and one has been disbursed.

11. Duplication or Overlap with Other Programs

The USDA's Rural Development (RD) Mission Area has grants and loans for certain energy efficiency improvements under the Rural Energy for America Program (REAP). Producers are eligible for certain grants and loans to purchase or replace energy efficient equipment in commodity storage structures.

CCC is currently collaborating with RD to identify any cases where duplication or overlap of FSFL disbursements may have occurred with the grant and loan program offered by RD. If duplication of benefits have occurred, CCC is reducing the outstanding FSFL principal by the amount of the RD grant or loan. To prevent this from continuing, CCC implemented a form that producers sign before their final FSFL disbursement. This form provides producer certification that they have not applied, been approved for, or received government grants or loans on the same structure requested for FSFL. Having this certification before the FSFL disbursement will ensure that there is no duplication or overlap of benefits under FSFL.

12. Waste, Fraud and Abuse

The FSFL Program has been reviewed frequently by County Office Reviewers and it has been determined that the program findings are insignificant. Additionally, because second party reviews are performed by FSA staff and final cost documents are submitted by producers to support the cost of the storage structure before all FSFL closings, waste, fraud, and abuse would be considered minimal.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Durum Wheat Quality Program (DWQP).

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 1613 of the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill) authorized up to $10 million to be appropriated for each of the 2009 through 2012 Fiscal Years (FY) to compensate producers of durum wheat for up to 50 percent of the actual cost of fungicide applied to control Fusarium head blight, a fungal disease commonly known as "wheat scab."

The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2010 provided $3 million for this program in FY 2010. No funding was appropriated for this program in FY 2009 or 2011. To date, no funding has been appropriated for this program for FY 2012.

If applications for assistance exceed the funding availability for a particular crop year, payment amounts are reduced by a 'national payment factor' so that each applicant receives a pro-rata share of the available funding. In FY 2010, payments were reduced by a national payment factor of 0.9663.

4. Purpose/Goals

The purpose of this program is to provide cost-share assistance to durum wheat producers for the purchase and application of an eligible fungicide used on acres planted to durum wheat to control wheat scab.

5. Success in Meeting Programmatic Purpose/Goals

DWQP successfully provided cost-share assistance to durum wheat producers for their share of the purchase price of an eligible fungicide and the cost of applying the eligible fungicide to durum wheat acres. In FY 2011, over $2.8 million was allocated to durum wheat producers in Idaho, Minnesota, Montana, North Dakota and South Dakota.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Durum Wheat Quality Program	$0	$0	$0	$0	$0	$0	$0	$0	$3,000	$0

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Durum Wheat Quality Program	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,850

Of the $3 million appropriated for this program in FY 2010, $150,000 is being held in reserve for possible future appeal cases.

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

The program has only been available during FY 2010, the portion of Agency overhead expenditures allocated to the program during the fiscal year have not been captured but are believed to be minimal.

9. Eligibility Criteria

Producer Eligibility:

To be considered an eligible producer, the producer must have a share in the treated durum wheat crop planted on eligible acres and in the cost of either or both of the following:

- purchasing an eligible fungicide
- applying an eligible fungicide to eligible acres.

Eligible Fungicide:

To be considered an eligible fungicide for DWQP, the fungicide must be:

- registered with the Environmental Protection Agency (EPA), as required under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), unless exempt from FIFRA requirements
- compliant with pesticide regulations in the state in which benefits are being requested
- used specifically for one fungicide treatment in the applicable crop year, to control Fusarium head blight on eligible acres.

Eligible Acres:

To be considered eligible acres for DWQP, the acres must be planted to durum wheat and treated with an eligible fungicide to specifically control Fusarium head blight and applied during the flowering stage.

10. Utilization (Participation) Data

In FY 2011, over $2.8 million was allocated to 1,020 durum wheat producers in Idaho, Minnesota, Montana, North Dakota and South Dakota. DWQP provided cost-share assistance to durum wheat producers for 551,984 acres in the following five states.

State	Acres
Idaho	150
Minnesota	4,713
Montana	17,362
North Dakota	528,257
South Dakota	1,501
Total	551,984

11. Duplication or Overlap with Other Programs

DWQP does not duplicate or overlap any other USDA program.

12. Waste, Fraud and Abuse

There has been no Office of Inspector (OIG) or Government Accountability Office (GAO) audit of DWQP. FSA conducts its own internal investigation through its county office review process and through its internal review audit process. The potential for fraud and abuse is minimal since producers are required to show proof of purchase and treatment with an EPA approved fungicide.

13. Effect of Administrative PAYGO

DWQP is funded through the discretionary appropriations process; accordingly, it is not subject to Administrative PAYGO procedures

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1. Program Name

Reimbursement Transportation Cost Payment (RTCP) Program for Geographically Disadvantaged Farmers and Ranchers.

2. Subprograms/Department Initiatives

Subprograms—None.

Department Initiatives—None.

3. Brief History

The 2008 Farm Bill authorized the RTCP program to provide assistance to geographically disadvantaged farmers and ranchers in Hawaii, Alaska, and insular areas (Guam, American Samoa, Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, Republic of the Marshall Islands, Republic of Palau, and the Virgin Islands of the United States). The program reimburses producers for a portion of the transportation cost of their agricultural commodity, or inputs used to produce an agricultural commodity during a fiscal year. Under RTCP transportation costs of inputs used to produce an agricultural commodity include, but are not limited to, air freight, ocean freight, and land freight of chemicals, feed, fertilizer, fuel, seeds, plants, supplies, equipment parts, and other inputs as determined. RTCP is subject to appropriated funding. The 2010 Agriculture Appropriations Bill authorized $2.6 million and the 2011 Defense and Full-Year Continuing Appropriations Act of 2011 authorized $1.996 million to assist geographically disadvantaged farmers and ranchers in accordance with Section 1621 of the 2008 Farm Bill.

4. Purpose/Goals

The purpose of the RTCP is to assist geographically isolated farmers and ranchers to access inputs needed for production (seed, fertilizer, pesticides, *etc.*) and get their product to market. The goal of the program is to provide payments to these targeted producers to offset a portion of their transportation costs.

5. Success in Meeting Programmatic Purpose/Goals

This program benefits farms and ranches in geographically disadvantaged areas of the U.S. Signup for 2010 RTCP program began Aug. 2, 2010 and ended on Sept. 10, 2010. Distribution of payments for 2010 RTCP began on July 20, 2011. In FY 2010, 1,545 geographically disadvantaged farmers and ranchers applied to participate in the program, and more are expected with the FY 2011 RTCP signup beginning July 25, 2011.

6. Annual Budget Authority (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Reimbursement Transportation Costs	$0	$0	$0	$0	$0	$0	$0	$0	$2,600	$1,996

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Annual Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Estimated
Reimbursement Transportation Costs	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,600

8. Annual Delivery Cost (FY 2002–FY 2011) ($ in Millions)

The program first received funding in FY 2010, the portion of Agency overhead expenditures allocated to the program during the fiscal year have not been captured but are believed to be minimal.

9. Eligibility Criteria

To be eligible for RTCP program benefits, producers must:

- Be a geographically disadvantaged farmer or rancher producing and marketing, including the transportation of an agricultural commodity in an approved area;
- Submit an application during the specified period applicable for each fiscal year;
- Provide proof of the amount of costs incurred for the transportation of the agricultural commodity or input used to produce an agricultural commodity;
- Comply with conservation and wetland protection requirements on all their land;
- Have an average non-farm income that does not exceed $500,000; and
- Be a citizen or a legal resident alien of the United States in accordance with 7 CFR Part 1400 for foreign persons.

10. Utilization (Participation) Data

- A total of 1,545 applicants applied to receive benefits under RTCP for FY 2010.
- Signup for FY 2011 RTCP began on July 25, 2011, and will end on September 9, 2011.

11. Duplication or Overlap with Other Programs

No duplication or overlap with other programs.

12. Waste, Fraud and Abuse

Minimal to no waste, fraud, or abuse in the RTCP program because verifiable evidence of costs incurred are required to qualify for program benefits.

13. Effect of Administrative PAYGO

RTCP is funded through the discretionary appropriations process; accordingly, it is not subject to Administrative PAYGO procedures.

EXHIBIT 1

Administrative PAYGO Scorecard

(In Millions of Dollars)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Savings										
GSM–102 implementation of risk based approach (FAS/GSM)	(139.0)	(139.0)	(139.0)	(139.0)	(139.0)					
RMA Terminations not previously counted (RMA/Crop Ins.)				(4.6)	(23.0)	(23.4)	(23.7)	(24.1)		
Forest Service Increase Timber and Payment to State Receipts (FS/KV)	(51.0)									
2008 $2 CRP Maintenance Reduction—present & future (FSA/CRP)				(0.1)	(0.6)	(24.6)	(28.7)	(31.6)		
2009 Reduction in CRP maintenance payments (FSA/CRP)				(43.6)	(1.5)					
2010 CRP Modification (Duck, Quail, SAFE/Reduction in bottomland hardwood) (FSA/CRP)					0.0	0.0	0.0	0.0	0.0	(2.9)
Crop Insurance Standard Risk Agreement (RMA/Crop Ins.)					(2,000.0)					
Costs										
Title XIX Treatment Facilities (FNS/SNAP)	3.0	4.0	6.0	6.0	6.0					
Forest Service Change in K–V Trust Fund Spending (FS/KV)	51	18								
Factor Removal (RMA/Crop Ins.)			0.4	2.7	8.3					
RMA Crop Expansions (RMA/Crop Ins.)				0.6	12.8					
CCC Section 4 Limit (FSA/CCC)	7.5	10.8	6.9	5.3						
Food Aid Commodity Swaps (FSA/CCC)		77.0	60.0	111.0	67.0					
Federal Base Acre reinstatement (FSA/Direct and Counter-cyclical)				5.0						
Wetland Incentives (FSA/CRP)				7.8	14.6	17.3	19.2	20.8		
CREP Incentives (FSA/CRP)				0.7	2.3	7.3	9.5	10.8		
ACRE sign-up extension (FSA/ACRE)					30.0					
2009 CRP extensions (FSA/CRP)				19.0						

July 2009 Increase in minimum dairy prices (CCC/Dairy Product Price Support)				7.0						
RMA—PRF–RI in MT (Board Approved) (RMA/Crop Ins.)				4.6	23.0	23.4	23.7	24.1		
CRP Initiatives (FSA/CRP)					500.0					
Crop Insurance Initiatives (RMA/Crop Ins.)					1,500.0					
Available Savings	(128.5)	(29.2)	(65.7)	(17.6)	(0.0)	0.0	0.0	(0.0)	0.0	(2.9)

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF USDA RESEARCH PROGRAMS)

THURSDAY, JULY 28, 2011

SUBCOMMITTEE ON RURAL DEVELOPMENT,
RESEARCH, BIOTECHNOLOGY, AND FOREIGN
AGRICULTURE,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:05 a.m., in Room 1300 of the Longworth House Office Building, Hon. Timothy V. Johnson [Chairman of the Subcommittee] presiding.

Members present: Representatives Johnson, Thompson, Scott, Costa, and Kissell.

Staff present: Mike Dunlap, John Goldberg, Tamara Hinton, DaNita Murray, Debbie Smith, Lauren Sturgeon, Suzanne Watson, Andy Baker, Nona S. Darrell, Liz Friedlander, Anne Simmons, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS

The CHAIRMAN. This is a hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture entitled, *Agriculture Program Audit: Examination of USDA Research Programs,* will come to order.

I have an opening statement to make and I think the Ranking Member will and then we will proceed.

Good morning. This hearing is the ninth in a series of audits of USDA farm programs. Through these discussions we hope to gain a better understanding of how each program is operating and what we might do to improve farm policy moving forward.

As we move forward to write the next farm bill, we have to be mindful of current challenges and also anticipate future issues. A few perennial challenges for agriculture are that farmers and ranchers share all the obstacles that any small business faces such as access to credit, market demand, and variable input costs. Farmers and ranchers must also rely on weather to grow and harvest their crops and in spite of these challenges, our farmers and ranchers work hard every day to supply our country and consumers around the world with a safe and affordable supply of food and fiber.

In addition to these challenges, we will soon face the issues of a dramatically growing population. The United Nations predicts that our population will grow ⅓ by 2050 and feeding over nine billion people on the planet would require a 70 percent increase in ag products. The only way to meet that growing demand will be through technological advances. In fact, research on new crop varieties, best practices, and biotechnology has been one of the most successful methods of increasing production to keep pace with demand.

Continued investment in research can provide the necessary foundation to our farmers to remain competitive. The research projects conducted through public and private institutions touch every area of our lives. From research in food science and biotechnology, to integrated pest management, to agriculture extension and services, this Committee feels it is important to continue finding more efficient methods of production. It also includes educating rural and urban communities through agricultural extension services and youth programs.

The USDA research mission is divided among four distinct agencies, and this morning we will be hearing from the administrators of each one. One of the many ways USDA works to fulfill the core mission of research, education, and extension is through land-grant colleges and universities throughout the United States. I might say parenthetically, my own University of Illinois being one of the preeminent institutions in the country in a lot of regards and specifically in this regard.

USDA also conducts research in extension through Federal research stations located throughout the country and around the world. Through the gathering of market and production data, the Department of Agriculture also provides statistical information on the rural economy and the agriculture industry at large. This information is extremely valuable as policy makers work to craft agricultural and economic policies for rural America. As we consider the next farm bill, we are faced with scarce resources, so this Subcommittee has the responsibility to improve the administration of research programs to make the most efficient and effective use of funds available.

Some of the areas we would like to address this morning are the duplication of programs, research priorities, USDA leveraging of Federal resources and the cost of administration and research mission area. In each area we are looking for opportunities to streamline. And I thank all the witnesses for appearing before the Subcommittee and look forward to our discussion.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS

Good morning. This hearing is the ninth in a series of audits of USDA farm programs. Through these discussions we will gain a better understanding of how each program is operating and what we might do to improve farm policy moving forward.

As we write the next farm bill, we must not only be mindful of current challenges, but anticipate future issues as well.

There are a few perennial challenges for agriculture. Our farmers and ranchers share all of the obstacles that any small business faces, such as access to credit, market demand, and variable input costs. But farmers and ranchers also must rely on the weather to grow and harvest their crops. In spite of these challenges, our farmers and ranchers work hard every day to supply our country and consumers around the world with a safe, reliable, and affordable supply of food and fiber.

In addition to these challenges, however, our farmers and ranchers will soon bear the burden of supporting a dramatically larger population. The UN is predicting that our population will grow by ⅓ by 2050. Feeding the 9.1 billion people on the planet would require a 70% increase in agricultural production.

The only way to meet that growing demand for food will be through technological advances. In fact, research on new crop varieties, best practices, and biotechnology has been one of the most successful methods of increasing food production to keep pace with demand. Since 1862, USDA supported research has provided a critical foundation for increased production and yields.

Continued investments in research can provide the necessary foundation for our farmers to remain competitive in the global market. The research projects conducted through public and private institutions touch every area of our lives. From research in food science and biotechnology, to integrated pest management, to agricultural extension services, this Committee feels it is important to continue finding more efficient methods of production.

This effort also includes educating rural and urban communities through agricultural extension services and youth programs. These efforts can yield tremendous returns through building and maintaining knowledge of agricultural production systems and encouraging our next generation to engage in the agricultural industry.

The USDA research mission is divided among four distinct agencies, and this morning we will be hearing from the administrators of each of those. One of the many ways USDA works to fulfill the core mission of research, education, and extension is through our land-grant colleges and universities throughout the United States. USDA also conducts research and extension through Federal research stations located across the country and around the world. Through the gathering of market and production data, USDA also provides statistical information on the rural economy and the agricultural industry at large. This information is invaluable as policy makers work to craft agricultural and economic policies for rural America.

As we consider the next farm bill, we are faced with scarce resources, so this Subcommittee has a responsibility to improve the administration of research programs to make the most efficient and effective use of the funds available. Part of that process this morning will be to hear from USDA and take a close look at how research funding is currently being allocated within the agencies.

Some of the areas we would like to focus on this morning include the duplication of programs, research priorities, how USDA is leveraging Federal resources, and the cost of administering the research mission area. In each area of government we are looking for opportunities to streamline processes and ensure that programs are delivered as efficiently as possible.

I thank all of our witness for appearing before the Subcommittee today, and I look forward to our discussion.

The CHAIRMAN. And with that, I recognize Mr. Costa, the Ranking Member, for his opening statement.

OPENING STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. COSTA. Thank you very much, Mr. Chairman, for once again focusing on our efforts as it relates to the reauthorization of the 2008 Farm Bill and the programs that provide valuable support for America's agricultural efforts.

This audit hearing is important for not only Members of the Subcommittee but for our new Members who will be for the first time looking at the reauthorization of the farm bill.

Today, we look at the United States Department of Agriculture's research, education, and economics program authorized under Title XII of the farm bill. Research, for those of us who have been involved with the United States Department of Agriculture, the USDA, has been part and parcel of the Department's efforts really for over 150 years since the Department was created. Particularly, through our land-grant institutions as the Chairman noted not only at the land-grant university in Illinois but throughout the country have really been at the bedrock of so much of what is so good about our ability to produce food and fiber, not only for the entire nation but many in instances throughout the world.

The research that takes place here is a partnership between the USDA and the land-grant institutions. It helps ensure safe, abundant, and affordable food and fiber that has allowed American farmers and ranchers and dairymen and women to thrive. I think it is really unique when you look around the world the relationship that we have had with the land-grant universities and our agricultural producers. I think it is one of the reasons that consumers in America have more faith and confidence in our ability to ensure that when we talk about risk management and risk assessment in food safety that we are doing the very best to ensure the food safety for all American consumers. There is this history with our land-grant universities, our educational institutions, the research that also supports the Food and Drug Administration and other regulatory agencies to ensure that we not only produce the highest quality food, the highest nutritional food, but also as safely as possible.

But I must also point out that not only land-grant universities but other agricultural schools such as my *alma mater,* Fresno State University, and other universities throughout the country that have done a great deal in terms of agriculture research as well. So I look forward to the efforts, as we talked about, the reauthorization of the farm bill, and to hear the witnesses here today talk about how we can ensure that we get more bang for our buck in terms of competitive research dollars; how we can leverage those dollars with institutions as well as in the public-private partnerships with many of our industries that are directly focused on agricultural research as it relates to seed development, tolerance, resistance to pesticide, drought. This partnership ensures that we can do a better job as we look at the issues of risk management and risk assessment.

The four agencies that we will be listening to this morning, Mr. Chairman, comprise the heart and soul of the USDA's Research, Education, and Economics mission. I look forward to hearing from our witnesses about how we can reauthorize the farm bill, realizing that the funding is going to be less next year than it was in the 2008 authorization. That is just the facts of the fiscal challenges we are dealing with here in Washington today.

But I think that it does not make sense in my opinion as we look at how we are going to do more with less that we go into the bone marrow of what is so essential in terms of research, vital research that the USDA provides, particularly as we look at challenges ahead. The Agricultural Research Service works across the country to help deal with agriculture problems of high national priorities. The National Institute for Food and Agriculture was created in the 2008 Farm Bill to help drive basic agricultural research through breakthroughs that can ensure we are still the most innovative in the world.

The National Agricultural Statistic Service provides valuable data to everyone who is involved at all levels of the agricultural community. I use it as well as the entire ag economy. Of course, the Economic Research Service helps inform decision-making both inside and outside the United States on food, farming, natural resources and other developmental issues.

So let me close by saying that I am going to take particular focus during the testimony on the area of the Specialty Crop Research Initiative. That was something that a number of us worked very hard on for the 2008 Farm Bill.

Our witnesses, I believe, are aware that the mandatory funding for this program expires after the year 2012. I would be interested to know your thoughts on how the unique needs of specialty crops can be addressed in the USDA's research program under the current budget environment. Specialty crops—and let me underline this—represent approximately ½ the value of the U.S. agricultural industry and it has no support under the Title I programs: 2008 was the first time that we provided some technical assistance, which allows programs like the Market Access Program to compete in foreign markets, the research programs like the Specialty Crop Research Initiative that are important in this effort, as well as the EQIP Program.

So I look forward to hearing from our witnesses in those areas today in how we can maintain and strengthen our vital ag research programs in a cost-savings environment that we are currently working in today, Mr. Chairman. And I thank you for your due diligence and your focus, and I look forward to the testimony of our witnesses.

The CHAIRMAN. Thank you, Mr. Costa. And I ask that other Members submit opening statements, if any, so that witnesses can proceed.

With that, let me introduce the panel of witnesses. We have one panel today, in order of your testimony: Dr. Edward B. Knipling, Administrator, Agricultural Research Service, U.S. Department of Agriculture here in D.C.; Dr. Chavonda Jacobs-Young, Acting Director, National Institute of Food and Agriculture; Dr. Cynthia Clark, Administrator, National Agricultural Statistics Service; and Dr. Laurian Unnevehr, Acting Administrator, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.

So with that, we turn to Dr. Knipling and we are more than pleased to hear your comments.

STATEMENT OF DR. EDWARD B. KNIPLING, ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Dr. KNIPLING. Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, good morning. My name is Edward Knipling. I serve as Administrator of the Agricultural Research Service. Thank you all for your opening comments this morning and ARS indeed appreciates the opportunity to discuss our work with you.

The Agricultural Research Service is the Department of Agriculture's intramural research agency for the biological and other natural sciences. We in essence constitute USDA's Federal laboratory network, and as such, a majority of ARS' funding remains inhouse, that is to employ government scientists and support personnel. Our research is broad-based and is particularly concerned with problem-solving and pre-commercial research of long duration.

ARS is a multifaceted agency that is spread across the country at over 100 locations. We also have four research locations in foreign countries. We employ over 8,500 people, 2,500 of which are Ph.D. scientists. In Fiscal Year 2011, the agency has a budget of $1.13 billion.

The mission of ARS is to conduct research to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to ensure high-quality safe food and other agricultural products, assess the nutritional needs of Americans, sustain a competitive agricultural economy, enhance the natural resource base in the environment, and provide economic opportunities for rural citizens, communities, and society as a whole.

As an organization with national reach, ARS has a broad spectrum of users and customers who help define the research priorities of the agency. The agency was established nearly 60 years ago by our current name to, among other things, serve the other agencies of USDA that need science information and technology to carry out their programs. This remains an important purpose of the agency.

Additionally, the agency is dedicated to serving producers of both commodity and specialty crops, as well as private-sector entities that depend on public research. Each year, the agency on a continuing basis dedicates itself to an extensive process of listening to these stakeholders as we determine their needs and problems and we use this information for setting priorities.

Research partnerships of all types are very important to ARS and a hallmark of the agency is the collaborative nature of our work. In addition to our sister agencies represented by my colleagues on this panel, of particular importance is our close partnership with the land-grant colleges and universities. Of ARS' 105 laboratory locations, 60 are located on the campuses of a land-grant institution and an additional seven are located on other institutions of higher learning.

For 150 years, the U.S. has built a system for agricultural research that has led to more innovation than by any other nation in the world. This is a unique system emphasizing necessary foundational research for the public good that cannot and will not be done by private or commercial enterprises. As part of the Research, Education, and Economics mission area, ARS and the other three agencies represented here this morning conduct joint planning, stakeholder conferences, peer review of our projects, complementary allocation of funding, and program reviews.

Like the other agencies, ARS is currently directing special research attention to five broad national priorities that are deemed of particular importance to society. These include adaptation to the changing climate, food safety, children's nutrition and health, global food security, and bioenergy, particularly biomass production.

ARS organizes itself to accomplish these and all other research goals into four major national program areas. These are natural resources and sustainable agricultural systems, crop production and protection, animal production and protection, and nutrition, food safety, and quality. These areas, in turn, are comprised of 20 national programs across the country to address specific goals and priorities set out in 5 year action plans. My full written testimony that is provided for the record cites some outstanding recent research accomplishments in these program areas.

Once our research is complete, the agency also takes very seriously its responsibility to transfer our research results to the public. This is an important facet of our agency and we take great pride in being able to provide technologies that improve people's lives and producers' businesses. ARS' Office of Technology Transfer is assigned this responsibility to facilitate and accelerate the delivery of ARS research results and innovation to the public benefit to private-sector entities that further develop, commercialize, and market publicly developed and known technology and——

The CHAIRMAN. If you want to bring your comments to a close, we are a minute over. So let us try to stay on track.

Dr. KNIPLING. Yes. Well, this in essence completes my oral testimony, Mr. Chairman, and we are pleased to answer any questions later.

[The prepared statement of Dr. Knipling follows:]

PREPARED STATEMENT OF DR. EDWARD B. KNIPLING, ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, I am Edward Knipling, Administrator of the Agricultural Research Service. Thank you for the invitation here today to discuss the work of the ARS and the agricultural science that we pursue on behalf of all Americans. I am delighted to share our work with you and to have a discussion regarding our programs.

The Agricultural Research Service is the Department of Agriculture's primary intramural scientific research agency. We constitute USDA's Federal laboratory network and as such the majority of ARS' funding remains "in-house" to employ government scientists and technicians. Our research is broad-based covering all science facets of agricultural and food production and utilization and is particularly concerned with problem-solving and pre-commercial research of long duration.

The Agricultural Research Service was officially founded in 1953 but has precursor agencies that date back as far as 1884 to the Bureaus of Animal and Plant Industry. The importance of agricultural research performed by the government goes back even farther, to the first work done to stem hog cholera outbreaks in 1868. Prior to the formal creation of the agency, Congress recognized the need for concentrated centers of agricultural research focusing on issues of regional importance and, for example, in 1938, appropriated funding to create agricultural research laboratories in Peoria, Illinois; Wyndmoor, Pennsylvania; Albany, California; and New Orleans, Louisiana; to work particularly on utilization of agricultural commodities. These locations still exist to this day as major centers of ARS work and concentrations of our science. We are proud of this long history of government commitment to solving agricultural problems that affect every single American in one way or another.

Today, ARS is a multi-faceted agency that is spread across the country at over 100 locations. We also have four research locations in foreign countries. We employ over 8,500 people, 2,500 of whom are Ph.D. scientists. In Fiscal Year (FY) 2011, the agency has a budget of over $1.13 billion. The agency's funding is allocated to two budget lines; the Salaries and Expense account and Buildings and Facilities. In FY 2011, the appropriation rescinded $230 million in balances from prior appropriations, and there was no funding received under the Building and Facilities line.

The stated mission of ARS (*www.ars.usda.gov*) is to conduct research to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to:

- Ensure high-quality, safe food, and other agricultural products;
- Assess the nutritional needs of Americans;
- Sustain a competitive agricultural economy;
- Enhance the natural resource base and the environment; and
- Provide economic opportunities for rural citizens, communities, and society as a whole.

As an organization with national reach, ARS has a broad spectrum of users and stakeholders who drive the research priorities of the agency. When the agency was officially formed in 1953 it was with the intent to create a clearing house for research issues within USDA and to serve the other agencies of the Department that need science information and technology to carry out their programs. This remains an important purpose of the agency. Examples of customer agencies within USDA include the Animal and Plant Health Inspection Service, the Food Safety and Inspection Service, the Natural Resources Conservation Service, and the Food and Nutrition Service. Additionally, the agency is dedicated to serving producers of both commodity and specialty crops, as well as private sector entities that depend on public research. Each year, the agency dedicates itself to an extensive process of listening to these stakeholders as we determine their needs and problems and use this information in setting priorities.

As mentioned, most of ARS' research takes place inside of the agency and is conducted by our federally employed scientists. However, research partnerships of all types are very important to ARS and a hallmark of the agency is the collaborative nature of our work. Of particular importance is our close partnership with the land-grant colleges and universities, as well as other universities. Of our 105 locations, 60 are located on the campus of a land-grant institution and an additional seven are located on other institutions of higher learning.

Our sister agency, the National Institute of Food and Agriculture (NIFA), serves to complement ARS by providing grants and other forms of extramural funding, largely to the land-grant institutions, which enhances the research partnerships at the laboratory, field, and scientific levels. Further, ARS scientists are often Co-Principal Investigators with our university partners on grants funded by NIFA and the National Science Foundation which serve as a source of extramural funding for ARS.

Over the last 150 years the United States has built a system for agricultural research that has led to more innovation than any other in the world. This is a unique system emphasizing necessary foundational research for the public good that cannot and will not be done by private or commercial enterprises. ARS and NIFA, as well as the other research agencies, broadly coordinate our research programs through joint planning, stakeholder conferences, peer review of projects, complementary allocation of funding and program reviews.

As part of the Research, Education, and Economics (REE) Mission Area, ARS, like its fellow REE agencies, currently is directing special research attention to five broad national priorities that the Administration has deemed of particular importance:

- Climate change/adaptation;
- Food safety;
- Children's nutrition and health;
- Global food security;
- Bioenergy.

To give you a better understanding of the Agricultural Research Service and our work on these major priorities, I would like to describe highlights and examples of significant accomplishments of our work done under four major program areas: Natural Resources and Sustainable Agricultural Systems; Crop Production and Protection; Animal Production and Protection; and Nutrition, Food Safety and Quality.

Natural Resources and Sustainable Agricultural Systems

Sustainable agricultural systems produce the agricultural crops and livestock needed by society; protect the natural resource foundation essential for production, processing, and other uses; and provide economic and social value to producers, processors, consumers, and communities. Our research creates profitable agricultural systems that capitalize on the nation's vast renewable natural resources to preserve the fertility and productivity of soils, provide abundant and high quality water supply and clean air, maintain healthy agricultural and rangeland ecosystems, and offer renewable energy and fuel alternatives that form the basis of the U.S. economy and the well being of rural America.

Today, farmers have a wide array of conservation techniques to choose from, and the U.S. Government supports many of them through cooperative programs. One problem associated with these efforts is determining what works and what doesn't. The Conservation Effects Assessment Project (CEAP) of the Natural Resources Conservation Service answers this question, by determining the effectiveness of USDA conservation programs on the environment. ARS plays a significant role in this project by analyzing the impact of agricultural practices in numerous watersheds across the country. The ARS watershed research focuses on the effects of practices such as no till farming, terracing, riparian buffers, cover crops, and chemical, fertilizer, and manure application on soil erosion and water quality in agricultural watersheds. Measurements at some watersheds have been going on for decades, allowing tracking of changes in these areas over time and with varying conservation scenarios.

These data have been used to construct models for the accurate prediction of the consequences of conservation technologies, allowing one to track conservation progress and select conservation interventions for the future that work best given the characteristics of the region. Examples of ARS contributions include an ARS study that found that cattle manure deposited directly into streams contributed 12% of the phosphorus in water from the studied watershed. Improved fencing to limit cattle access to streams solves this problem. Scientists from ARS developed a weather advisory system to help farmers decide when to apply manure so that nutrient runoff associated with rain events could be avoided.

This research and the resulting models have led to improved deployment of conservation practices that have significantly reduced soil erosion and improved water quality. Two recent reports regarding the Chesapeake Bay region and the Upper Mississippi River basin indicate significant reduction in soil loss and nitrogen, phosphorus and pesticide runoff. In the Chesapeake Bay region, soil losses were reduced by 55%, nitrogen loss was reduced by 31% and phosphorus loss was reduced by 41% due to conservation interventions deployed there. In the Upper Mississippi River basin, soil loss was reduced by 69%, nitrogen loss by 18%, phosphorus loss by 49%, and 51% reduction in pesticide loss. This type of long term, large scale agriculturally-based conservation research needed to realize these and future improvements illustrates a primary strength of ARS in this research area.

Crop Production and Protection

Crop Production and Protection research programs deliver science-based information, genetic resources, and technologies for increased crop productivity and quality, protection from plant diseases and pests, and economically and environmentally sustainable methods of crop production that meet consumers' demands for a ready supply of high quality, safe, affordable and nutritious food, the public's desire to protect the environment, and the global community's needs for food security.

The ARS response to a new strain of wheat stem rust (Uganda 99 or Ug99) illustrates another of the unique capabilities of ARS, its disease experts and genetics resources enabled it to respond quickly to this urgent agriculture issue. In the early 1900s, wheat stem rust caused extensive losses of wheat worldwide, until rust resistant varieties could be developed. These were extremely successful at reducing the incidence of wheat stem rust for decades. In 1999, a new strain of wheat stem rust was discovered in Uganda that had overcome the resistance of currently available strains, and ARS disease experts were the first to identify it as a new mutant strain called Ug99. Since its discovery, this rust has spread across Africa, Asia and parts of the Middle East.

Monitoring programs in the major wheat producing areas of the U.S. were strengthened by ARS and others to detect Ug99 or related wheat stem rust entry into the country. ARS scientists are also determining the mechanisms by which the Ug99 strain was able to overcome the disease resistance of commercial varieties. Worldwide surveys of wheat, barley and related grasses were undertaken to discover resistance to Ug99, and several resistant plants have been discovered. Research is currently underway to transfer disease resistance from varieties where it was discovered to all commercial forms of wheat grown in the U.S. and worldwide. ARS scientists are also developing and studying the use of appropriate fungicides to help combat wheat stem rust. Finally, ARS scientists are participating in an international consortium that monitors the movement of Ug99 from country to country, and supporting efforts to provide Ug99 resistant wheat to areas of the world that have been stricken with this disease. These interventions are intended to prevent the entrance of this disease into the U.S., and mitigate or prevent the negative consequences of the disease should it manage to become established here.

Much of the infrastructure needed for U.S. monitoring for wheat stem rust was already in place, maintained by ARS. This includes scientific expertise in the diseases of cereal grains. Because of this, ARS was able to rapidly mount an effective research response to this problem.

Animal Production and Protection

The mission of the ARS Animal Production and Protection research programs is to provide the scientific information and tools to help support the U.S. food animal industries to continue to compete successfully in worldwide trade, provide the supply of nutritional animal products required by the nation, and contribute toward global food security. ARS accomplishes this mission by maximizing production efficiency and animal health through scientific innovation and the discovery and development of new technologies focused on national priorities. Strategic public-private partnerships have been established to achieve our mission, including support of government action and regulatory agencies responsible for trade, bio-defense, and global food security.

The recent success of dairy cattle genomics illustrates a unique strength of ARS, the ability to commit to a research topic long enough to generate real solutions to complex agricultural problems. In the early 1990s, ARS began investing resources in cattle genomics. ARS cattle genomics research contributed significantly to early cattle genome mapping and ARS leadership organized a successful collaborative effort to sequence the bovine genome, which was published in 2009 in *Science*.

Building from these accomplishments, ARS scientists in collaboration with scientists at George Mason University, University of Missouri, University of Maryland, University of Alberta and Illumina Inc., developed the tool needed to enable dense genotyping on individual cattle at a cost that allowed the analysis of enough cattle for successful genomic prediction of quantitative traits. Combining national production records for dairy cattle available and the ability to do dense genotyping provided the opportunity to realize the huge potential of genomic analysis for Dairy cattle selection. Subsequent analyses by ARS demonstrated that use of genomic prediction in dairy cattle substantially improved the accuracy of selection of young dairy bulls compared to that derived from trait measurements in the parents, and effectively shortened the generation interval. Scientists from ARS have further developed genotyping tools, strategies and computer analyses to further reduce the cost of genotyping without significantly reducing accuracy.

These innovations have been extensively adopted by the U.S. dairy industry. It is estimated that this technology will double the rate of genetic progress. To put this in perspective, according to the National Agricultural Statistics Service, milk production per cow has increased at the rate of 1.6% per year over the last decade. If this rate were doubled, the dairy herd in this country could be reduced by 30% in the next decade without reducing the milk supply, significantly reducing both the cost of producing milk and the demand on feed and natural resources used. This success has been possible only through sustained ARS commitment and leadership in cattle genetics and genomics.

Nutrition, Food Safety and Quality

The Nutrition, Food Safety and Quality research and information area exists to lead and coordinate ARS research and information dissemination to define the role of food and its components in optimizing health for all Americans. Our scientists focus on developing tests and processes that keep the food supply safe; reducing and controlling pathogens and toxins in agricultural products; and improving the economic viability and competitiveness of American agriculture by enhancing the quality and utilization of agricultural products for the benefit of producers and consumers.

Unique national resources that are part of this program include the National Nutrient Databank and the "USDA What We Eat in America/NHANES" national food consumption survey. Partnerships with other Federal agencies and nonprofit and industry groups allow ARS to leverage funds and build upon common research goals. Information dissemination programs operated by ARS' National Agricultural Library address general and specific human nutrition issues and audiences and include general web portals such as *www.nutrition.gov* for the American consumer as well as the targeted web sites for professionals such as the Food and Nutrition Information Center.

The ARS response to *E. coli* contamination of a variety of foods illustrates several distinguishing characteristics of ARS, which includes the ability to rapidly respond to public health problems; the development of real solutions to those problems; and the ability to provide a long-term commitment of resources to a research topic. In 1993, hundreds were sickened after eating undercooked Jack-in-the-Box hamburgers. The culprit was rapidly identified as *Escherichia coli* O157:H7. *E. coli* is a common bacterium that is resident in the large intestine of man and animals and is typically harmless. However, O157:H7 *E. coli* produces toxins, which cause severe illness and death. ARS scientists rapidly (within a year) developed tests for bacterial contamination of meat that were used by the meat processing industry to monitor and control contamination, followed by further tests to specifically detect *E. coli* O157:H7.

According to the CDC, *E .Coli* disease has been reduced by 40% over the last decade. However, outbreaks continue both in the U.S. and other countries in meat and other foods such as fresh produce. Some outbreaks have been linked to *E. coli* O157:H7, but others are due to non-O157 *E. coli* (STEC) strains described as O26, O45, O103, O111, O121 and O145, also known as the "Big Six". ARS scientists at the request of the USDA-Food Safety and Inspection Service (FSIS) recently developed and validated tests that can specifically detect and differentiate the disease causing non-O157 strains for use in regulatory monitoring of the food supply.

For 17 years, ARS' food safety research program has rapidly and uniquely responded to the challenges of pathogenic *E. coli* contamination of foods, and has successfully provided technological solutions that have been rapidly adopted by its various stakeholders. These technologies have been and will continue to be used to monitor, eliminate the entrance, and/or reduce the level of disease causing *E. coli* into the food supply.

International Research

ARS operates four laboratories abroad that are dedicated to the biological control of invasive species and pests. These labs are located in Montpelier, France; Brisbane, Australia; Buenos Aires, Argentina; and Beijing, China. The laboratories exist primarily to allow ARS scientists to evaluate harmful, non-native species that have invaded the United States and to discover beneficial species in their native environments that can be used to control the invasive species.

In addition to these laboratories, the agency's Office of International Research Programs serves to promote and enhance the research of ARS through mutually beneficial international research agreements. We currently have cooperative agreements with researchers in dozens of countries across the globe. These agreements cover the entire spectrum of research and allow our scientists access to information and conditions for their research that would otherwise be unattainable.

Technology Transfer

ARS's Office of Technology Transfer (OTT) is assigned the responsibility to facilitate and accelerate the delivery of ARS research results for the public benefit to private sector entities that further develop, commercialize, and market publicly developed and owned technology and information Further responsibilities of the office include protecting intellectual property (IP), and developing strategic partnerships with outside organizations, ARS–OTT is centralized for patent, license, and cooperative agreement policies and approvals, but maintains field offices to provide one-on-one customer service to ARS researchers and private sector partners throughout the U.S.

In addition to OTT activities, technology transfer is accomplished through many other mechanisms, such as:

- developing written information for customers and stakeholders, including scientific publications, publications in trade journals, and reports to stakeholders;
- releasing plant germplasm to the public;
- transferring research materials to scientists outside of ARS;
- delivering specific research results to regulatory agencies to support their actions;
- participating in meetings with industry organizations and universities, workshops and field days; and
- distributing information to the public via the ARS Information Staff, the National Agricultural Library, and other sources.

Buildings and Facilities

As the nation's science based Federal intramural agricultural research agency, ARS uniquely owns and manages a large infrastructure of modern research laboratories and other real property assets that support and sustain the long term USDA science capacity. Collectively, this network of over 100 locations spread across the country essentially constitutes the national laboratory for agriculture. The agency places the management of its physical assets as a high priority proactively monitors and reviews the status of those facilities. Currently ARS is developing a capital management strategy to take us into the future.

ARS is now completing a number of repair, maintenance, and modernization projects that were funded with $176 million made available by the American Recovery and Reinvestment Act of 2009. This program created jobs and corrected facility deficiencies which allow ARS research to be effectively and efficiently conducted at suitable facilities. Critical deferred maintenance is work associated with critical systems such as HVAC, electric, roofing, exterior closure and plumbing and involves maintenance to systems and components beyond simple patch and repair tasks. Completion of this work will, in many cases, result in improved energy efficiency, reduction in current operation and maintenance costs, and arrested further deterioration of ARS facilities.

At the end of FY 2010, ARS obligated approximately $171 million. The balance of approximately $5 million was used as a reserve for change orders typically expected in construction of this type. As of July 2011, ARS has obligated a total of $174 million.

ARS also owns or leases over 400,000 acres of land across the country, on which are more than 3,000 operational buildings with a total gross square footage of over 13.5 million. The agency estimates the replacement value of all of its real property assets to be $3.64 billion.

Mr. Chairman, as you can see ARS is a very active and involved agency that is dedicated to solving the world's agricultural problems and to delivering the science needed to feed and clothe a growing world population. ARS has been focused on these issues for over half a century and we are very excited about the next 50 years as well. I appreciate this Committee's long-standing support of ARS and I would like to again thank you for the opportunity to testify before you today. I look forward to answering any questions that you may have.

The CHAIRMAN. Thank you very much.

Yes, ma'am.

STATEMENT OF CHAVONDA JACOBS-YOUNG, PH.D., ACTING DIRECTOR, NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Dr. JACOBS-YOUNG. Good morning, Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee. I am Chavonda Jacobs-Young, and I am acting Director of USDA's National Institute of Food and Agriculture, NIFA. I appreciate the opportunity to appear before you and tell you about how NIFA is serving the needs of the nation and addressing its challenges through agricultural science.

Mr. Chairman, agricultural science is a fundamental part of American agriculture from field to table, and NIFA is at the intersection of research, education, and extension. By supporting extramural agricultural research across the country, typically at research universities and colleges, NIFA improves agricultural science throughout the nation.

The 2008 Farm Bill created NIFA in order to coordinate a diversity of research programs across functions and funding methods. NIFA science institutes support the four main priorities aimed at enhancing the impact of food, agriculture, and natural resources sciences. These are the Institute of Food Production and Sustainability; the Institute of Bioenergy, Climate, and Environment; the Institute of Food Safety and Nutrition; and the Institute of Youth, Family, and Community.

Through this reorganization, Congress made a bold step toward streamlining agricultural science for the 21st century. While only 1½ years old, NIFA already has a long and impressive list of accomplishments. My written testimony, submitted for the record, includes many examples of this, but I would like to highlight just a few for you here today.

The Agriculture and Food Research Initiative, AFRI, is NIFA's flagship granting mechanism. Among numerous accomplishments, AFRI funding has been pivotal in mapping the genomes of vital agricultural commodities, including wheat, rice, pigs, cattle, and chickens. This science is the gateway to fast-tracking improved breeding that helps our agricultural producers meet our growing needs for domestic and global populations.

NIFA's investment in AFRI is complemented by the Specialty Crop Research Initiative, SCRI. SCRI supports research and extension in plant breeding, pest and disease management, and production efficiency. Though SCRI is still in its initial stages, it promises to deliver significant benefits to growers and consumers.

NIFA funds a variety of capacity-building programs that support a wide range of agricultural science initiatives. Some of these include minority-serving programs that work with underserved communities. NIFA is also helping build the next generation of producers through our Beginning Farmer and Rancher Development Program. These are just a few of the many successful programs from NIFA's first 2 years.

Going forward, NIFA will continue to make smart investments, forge enduring relationships, and engage new partners in scientific research, education, and extension programs to maximize the public's investment in agricultural research. As well, NIFA's investment in agriculture research and extension helps support and sustain a highly skilled workforce that is critical to the 21st century U.S. economy.

In addition, NIFA is committed to ensuring Federal dollars are well spent through systematic monitoring and evaluation. NIFA tracks scientific projects through a centralized database to avoid duplication. NIFA and USDA's Agricultural Research Service also hold joint stakeholder meetings on scientific research to synchronize and coordinate compatible research projects.

NIFA has a promising future, and in collaboration with our Congressional partners, we look forward to building on our leadership role in national agriculture scientific research, education, and extension.

I appreciate your time and would be pleased to answer any questions.

[The prepared statement of Dr. Jacobs-Young follows:]

PREPARED STATEMENT OF CHAVONDA JACOBS-YOUNG, PH.D., ACTING DIRECTOR, NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Good morning Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee. Thank you for inviting me here today to participate in this timely hearing on farm bill programs as they relate to USDA's National Institute of Food and Agriculture (NIFA) of which I am the Acting Director. I am pleased to have this opportunity to provide some detailed information on our achievements and challenges and look forward to learning about your interests.

Agricultural science is a dynamic system that moves from farm to lab to dining table and back again. At USDA when we speak of agricultural science we mean all the activities relating to research, education, and extension and NIFA is a critical part of this.

That is why I am pleased to be leading an agency team of about 350 professionals at a time when both Congress and the Administration understand the inherent value of investing in scientific research in a smart and efficient way. One of our goals at NIFA is to elevate the standing and stature of research, education and extension within the Federal science enterprise while being effective stewards of the public trust. This is the real challenge that NIFA faces.

Mandate from 2008 Farm Bill

It's against such a backdrop that the 2008 Farm Bill (FCEA Act of 2008) created the National Institute of Food and Agriculture in support of extramural agricultural research across the nation. The 2008 Farm Bill called for the integration of programs across functions and funding methods within the Agency. As such, NIFA is comprised of four main institutes. These are the:

1. Institute of Food Production and Sustainability;
2. Institute of Bioenergy, Climate, and Environment;
3. Institute of Food Safety and Nutrition; and the
4. Institute of Youth, Family, and Community.

These institutes coordinate a mixed portfolio of competitive and capacity building programs all with the aim of enhancing the impact of food, agricultural, and natural resource sciences. In reorganizing the Federal extramural research efforts in this manner, Congress took a 21st century approach in the last farm bill in acknowledging the broad reach and interdisciplinary nature of agricultural science.

But NIFA is not operating in a vacuum. NIFA scientists develop research partnerships with a diverse group of scientists, farmers, private sector investigators, and a wide array of higher learning institutions across the nation. In fact, these relationships are key in how NIFA identifies its priorities.

Input from Congress, The National Agricultural Research, Extension, Education, and Economics Advisory Board (NAREEEAB), as well as our many university, scientific and agricultural partners and stakeholders all feed into a decision-making process. NIFA's leadership team takes this all into consideration as it establishes broad program priorities and goals across the Agency and ensures they are aligned with broad strategic goals of the department and the mission area. These goals and informed priorities are pursued via competitive programs and capacity building programs.

While only a year and half old, NIFA has already collected a long and impressive list of accomplishments, some of which I would like to highlight in the next few minutes:

Agriculture and Food Research Initiative (AFRI)

NIFA's flagship granting initiative is the Agriculture and Food Research Initiative (AFRI). AFRI's competitive grants program supports both fundamental science and applied research and education for the nation's leading scientists. In particular, AFRI is charged with making research, education, and extension grants that address key problems of national, regional, and multi-state importance in sustaining all components of agriculture. These include farm efficiency and profitability, ranching, renewable energy, forestry (both urban and agroforestry), aquaculture, rural communities and entrepreneurship, human nutrition, food safety, biotechnology, and classical breeding. In fact, AFRI funding was pivotal in completing the genome of agriculturally important plants and animals like wheat, rice, pigs, cattle, and chickens.

An example of recent success includes the work by a team at the University of California-Davis which has used AFRI funding to identify genes in wheat that are responsible for the plant's tolerance to freezing temperatures. Wheat breeders have long recognized the need to produce cultivars with greater resistance to freezing temperatures and this discovery may lead to improved crop production.

Another example comes from scientists in Connecticut who are investigating the use of natural plant products to reduce foodborne pathogens in broiler chickens. This work will potentially lead to decreased bacterial outbreaks, improving public health, and economic opportunity for poultry farmers.

Specialty Crop Research Initiative (SCRI)

NIFA's investment in AFRI is complemented by another program: the Specialty Crop Research Initiative (SCRI). SCRI was created to help fund solutions to critical issues of the specialty crop industry. SCRI supports research in plant breeding, genetics and genomics to improve crop characteristics and appearance, environmental responses and tolerances, pest and disease management and production efficiency to name a few. SCRI's multi-state, multi-institutional, interdisciplinary funding not only requires a non-Federal one-to-one match but also requires project proposals to combine research and extension. This helps ensure that new products, processes, practices, and tools are made available to specialty crop stakeholders. Even though most SCRI-funded projects have not yet reached completion, growers and consumers are already benefiting from this investment.

For example, water availability is an issue affecting all Americans. SCRI has funded projects to reduce the amount of water needed to profitably raise crops. One project in California has the potential to reduce water use in grape production by 153 billion to 307 billion gallons per year. This is enough water to meet the daily household water needs of over six million Americans for an entire year, or about the equivalent of the populations of Los Angeles and Chicago combined.

Fruit growers must reduce the quantity of fruit on their trees so that the remaining fruit reaches marketable size. Until recently, U.S. growers did this either with chemicals or manual labor.

One SCRI-funded project looking at mechanical thinning techniques demonstrated $500 to $700 per acre savings in apricots and nectarines and $200 to $500 per acre savings in cherries during commercial field trials. This led to increasing adoption of this technology across the entire country. This will result in local jobs to manufacture and service the needed equipment, increased wages for workers who move from manual labor to equipment operation, and savings for consumers in the grocery store.

SCRI-funded work on biological control of insect pests (in particular, codling moth) in orchards in the Pacific Northwest demonstrated that sustainable pest management, which includes maintaining natural predators of orchard pests, can reduce annual orchard pest management costs of $2,300 by 25 percent.

Beginning Farmers and Rancher Development Program

While NIFA scientists are committed to ensuring that the scientific pipeline for the next generation of scientists is being filled, NIFA's Beginning Farmer and Rancher Development Program aims to support the pipeline of our next generation of producers. Training for beginning farmers and ranchers includes: webinars, seminars, internships, mentorships, and on-farm field days. Other training sessions have included face-to-face training events, such a regular non-credit courses or workshop sessions at farming conferences. More than 5,300 new and potential farmers participated in training events.

For example, The Western Navajo Nation Beginning Farmers and Ranchers Project engages, prepares, and supports socially disadvantaged, underserved, and limited resource beginning Navajo farmers and ranchers in eight communities covering 8,000 square miles of the Navajo Nation. The overall goal of the project is to provide Navajo community members who wish to begin farming and ranching with the skills to effectively launch sustainable agricultural operations using traditional and contemporary agricultural techniques in conjunction with effective business practices. In the first year, the project worked with 13 chapter members through direct agricultural training and networking activities that included two roundtables, two conferences, and weekly classes in technology, business, or introductory farming and ranching to 1,000+ participants. Fifty percent of participants are women. Seventy percent have been farming or ranching for less than one year, or do not currently farm or ranch. The project staff is comprised of four traditional Navajo locals of varying ages and educational backgrounds. All are bilingual, fluent in Navajo, and culturally sensitive to the target group's history and challenges.

Serving Minority Communities

NIFA is also working to ensure that its research and extension programs continue to expand its reach into non-traditional, diverse communities through its minority serving programs. These programs include: Hispanic Serving Institutions Education Grants Program, the Tribal Colleges Education Equity Grants Program, and the 1890 Institution Capacity Grants Program.

An example of a recent success is at Fort Valley State University (FVSU) in Georgia where the 1890 Capacity Building Grant has been essential in helping design and implement an Outdoor Forestry Classroom/Laboratory Program. One of America's challenges is to attract young people from all walks of life to the sciences and in particular the agricultural sciences to fill the pipeline for our future. This program provides hands-on and experiential learning to forestry course students, trains and prepares high school agriculture students for various forestry careers through development events, and allows use of its facilities for summer workshops for high school agriculture teachers throughout the state of Georgia. During Spring 2009, Area 3 of district number 4 of Georgia used the site to conduct forestry career development events. One hundred and fifty high school students were in attendance and had the opportunity to interact and discuss careers in the forestry industry with foresters from USDA, the Georgia Forestry Commission and Weyerhaeuser.

Another example includes, the Teaching and Research in Environmental Ecology Program at the University of Texas at San Antonio which helped recruit, retain, and financially support underrepresented undergraduate and graduate students.

Capacity Building Grant Programs

Another set of key programs are NIFA programs which build capacity for research and extension in cooperation with our university partners. These include:

a. Hatch Act programs which support research at state agricultural experiment stations;

b. McIntire-Stennis Cooperative Forestry Research program which funds research related to the use of the nation's forest resources;

c. Evans-Allen Program, created to support agricultural research at 1890 Colleges; and

d. the Smith-Lever programs which support not only the national Cooperative Extension System but also targeted programs within the extension system on subjects like food and nutrition education, pest management, and children, youth, and families at risk.

Examples of recent successes made through these capacity building programs run across a wide range of NIFA's activities. For instance, scientists in North Dakota developed three varieties of barley which has been recommended for malting and brewing by the American Malting Barley Association. These efforts resulted in an additional $23 million in revenue for growers in 2009.

In another example, researchers at the University of Georgia used advanced genomic and proteomic approaches to identify and develop strategies to improve pine tree resistance to an invasive wood wasp.

Conclusion

These are just a few examples of successes in the first 2 years of NIFA's existence. However, the reach and scope of future accomplishments are becoming increasingly challenging in a tight budget environment. While research outcomes can never be fixed to a certain timeline, NIFA is doing its best in this fiscal climate to make smart investments, forge enduring relationships, and engage new partners in scientific research, education and extension programs.

In addition, NIFA is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. In addition NIFA and ARS hold joint stakeholder meetings on scientific research to pull together research projects that are compatible and not duplicative.

NIFA has a promising future and in collaboration with our Congressional partners will continue to build on its leadership role in national agricultural scientific research, education, and extension.

I appreciate your time and would be pleased to answer any questions.

The CHAIRMAN. Thank you very much.

Dr. Clark?

STATEMENT OF DR. CYNTHIA CLARK, ADMINISTRATOR, NATIONAL AGRICULTURAL STATISTICS SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Dr. CLARK. Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, I thank you for the opportunity to appear before this Subcommittee. My name is Cynthia Clark, and I have been an Administrator at the National Agricultural Statistics Service, or NASS, since July of 2008. NASS administers the U.S. agricultural statistics program, a program that began at USDA in 1863 and conducts the quinquennial U.S. Census of Agriculture first collected by the Census Bureau in 1840. Both programs are aligned with the basic mission of NASS—to provide timely, accurate, and useful statistics in service to U.S. agriculture.

NASS has 1,050 employees currently located in 46 field offices and headquarters with the new operations center opening in October 2011 in Overland, Missouri. Additionally, NASS has a cooperative agreement with the National Association of State Departments of Agriculture to collect agriculture data with a core of 3,500 interviewers.

NASS' annual agricultural estimates reports are critically important to assess the current supply and demand in agriculture commodities. They are extremely valuable to producers, agribusiness, farm organizations, commodity groups, economists, public officials, and others who use the data for decision-making. The statistics disseminated by NASS support fairness in markets ensuring that buyers and sellers both have access to the same official statistics at the same preannounced time. This prevents markets from being influenced by inside information.

Our program supplies important economic, environmental, and demographic data that informs policy decisions. One example is the Risk Management Agency relies on NASS annual county estimates to administer crop insurance programs that provide U.S. farmers a safety net ensuring protection against unpredictable growing conditions. The Farm Service Agency relies on NASS county-level data to administer the Conservation Reserve Program, crop revenue support program, and emergency assistance payments.

As we speak, NASS is undertaking a transformation of its business process for collecting processing, analyzing, and disseminating agricultural statistics. We are pursuing six operational initiatives to improve data quality, create business cost efficiencies, improve career opportunities for NASS staff, and position the agency to better serve the future statistical needs of USDA.

These efforts include centralizing IT services throughout the agency, standardizing systems, using Apple iPads to collect data securely in the field and transmit the information in real time by a high-speed broadband into NASS systems, centralizing telephone data collection, and utilizing video teleconferencing for meetings and training.

The lynchpin of the centralized data collection initiative is the new NASS National Operations Center in Missouri. NASS is implementing these initiatives without a request for additional appropriated funding. Once in place, they will result in substantial cost savings to U.S. taxpayers. NASS has also embarked on a research program to improve the quality and accuracy of its agriculture estimates.

NASS is preparing now for the 2012 Census of Agriculture with an initial mailing to farmers and ranchers in December 2012. The Census of Agriculture is the only source of comprehensive data on farm operations at the national, state, and county level. Detailed information at the county level helps agricultural organizations, suppliers, handlers, processers, and wholesalers and retailers better plan their operations. Census demographic information provides a valuable database for developing a public policy for rural areas. These data have been critical for farm bill discussions.

The authority to conduct the Census of Agriculture was transferred to USDA in 1997. During the past 14 years, NASS has made significant strides to improve this vital data series. The 2007 Census provided the option for electronic reporting, dramatically increased coverage of Native American, minority, and disadvantaged farm operators, and released data meeting newly defined needs for Congressional districts and for watersheds. NASS listens to Congress, industry, local and state governments, and stakeholders as it identifies emerging data needs.

The 2012 Census will include new sections on organic agriculture and on-farm renewable energy. It will have additional questions on land-use practices and new questions on agroforestry, on-farm packing facilities, and farms that sell to intermediary outlets. Having the Census of Agriculture within USDA enables the Census to be more responsive to USDA and agriculture data needs.

I appreciate the opportunity to testify and to share with your Subcommittee some of the important information that NASS provides for public and private decision-making relevant to food, agriculture, and rural America. Thank you.

[The prepared statement of Dr. Clark follows:]

PREPARED STATEMENT OF DR. CYNTHIA CLARK, ADMINISTRATOR, NATIONAL AGRICULTURAL STATISTICS SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to submit a statement for this Subcommittee's consideration. The National Agricultural Statistics Service administers the U.S. agricultural statistics program, which began at the United States Department of Agriculture (USDA) in 1863. NASS also conducts the quinquennial U.S. Census of Agriculture, first collected by the Department of Commerce in 1840. Both programs are aligned with the basic mission of NASS to provide timely, accurate, and useful statistics in service to U.S. agriculture.

Agricultural Estimates

NASS's annual agricultural estimates reports are critically important to assess the current supply and demand in agricultural commodities. They are extremely valuable to producers, agribusinesses, farm organizations, commodity groups, economists, public officials, and others who use the data for decision-making. The statistics disseminated by NASS support fairness in markets ensuring buyers and sellers have access to the same official statistics at the same pre-announced time. This prevents markets from being influenced by "inside" information, which might unfairly affect market prices for the gain of an individual market participant. The efficiency of commodity markets is enhanced by the free flow of information, which minimizes price fluctuations for U.S. producers. Statistical measures help the competitiveness of our nation's agricultural industry and have become increasingly important as producers rely more on world markets for their sales.

The U.S. food and agricultural sector relies on reliable statistical information. The NASS statistical program serves most U.S. agricultural commodity data needs and supplies important economic, environmental, and demographic data that informs policy decisions that impact the livelihood and quality of life of rural residents.

The Risk Management Agency relies on NASS annual county estimates to administer crop insurance programs that provide U.S. farmers a safety net ensuring protection against unpredictable growing conditions. Additionally, the Farm Service Agency relies on NASS county level data to administer the Conservation Reserve Program, crop revenue support programs, and emergency assistance payments. Having accurate estimates from an unbiased data source, has added fairness and transparency to the overall process.

Additionally, NASS is undertaking a transformation of its business process for collecting, processing, analyzing, and disseminating agricultural statistics. NASS identified six operational initiatives that allow the agency with the opportunity to improve data quality, create business cost efficiencies, improve career opportunities to its staff, and position the agency to better serve the statistical needs of USDA and agricultural data users. These efforts include centralizing IT services throughout the agency; standardizing systems; collecting data in the field through the use of computer assisted personal interviewing that relays the data into the NASS systems in real-time; centralizing telephone data collection; and utilizing video teleconferencing *in lieu of* certain travel. As a result of the centralized data collection initiative, NASS has opened a National Operations Center in St. Louis, Missouri and will begin operations in October. This facility will handle questionnaire processing, telephone data collection, training of telephone and field enumerators and statisticians and list maintenance from one central location. These efforts are being implemented without the request for additional appropriated funding and will eventually result in cost savings to the U.S. taxpayers.

NASS has also embarked on a research program to improve the quality and accuracy of our estimates. Projects include editing and imputation research to make the pre-summary analytical processes more efficient, model based estimation and forecasting to make NASS estimates more reproducible, and remote sensing measurements to increase the accuracy of estimates.

Census of Agriculture

NASS is currently preparing for the 2012 Census of Agriculture. The initial mail out to the nation's farmers and ranchers will be in December 2012. The Census of Agriculture is taken every 5 years and provides comprehensive data at the national, state, and county level on the agricultural sector. The Census of Agriculture is the only source for this information on a local level and is extremely important to the agricultural community. These data were used extensively by USDA to help answer both internal and Congressional questions during the 2008 Farm Bill debate and will be as critical for the next farm bill. Detailed information at the county level helps agricultural organizations, suppliers, handlers, processors, and wholesalers and retailers better plan their operations. Demographic information supplied by the Census of Agriculture also provides a very valuable database for developing public policy for rural areas. In addition to the 50 states, the Census of Agriculture programs are conducted in Puerto Rico, the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands. Results from all of the Censuses are made available on the NASS website.

The authority to conduct the Census of Agriculture was transferred to USDA in 1997. During the past 14 years, NASS has made significant strides to continually improve this vital data series. For the first time in history, respondents had the option of reporting electronically through the Internet on the 2007 Census of Agriculture. NASS also targeted improved coverage for the 2007 Census of Agriculture by working closely with Community Based Organizations and American Indians tribes and reservations to increase awareness of the importance of being represented. NASS published a report by watershed using data from the 2007 Census of Agriculture. Finally, NASS continues to listen to Congress and industry on the ever expanding need for additional agricultural statistics. For example, the 2012 Census of Agriculture includes an entire section on organic agriculture, a new section covering on-farm renewable energy, an expanded list of questions on land use practices, and sales data collected along-side production questions. For the first time, NASS also plans to pick up information on agroforestry, on-farm packing facilities, and farms that sell to intermediary outlets These are just a few of the improvements and successes achieved over the first decade of the Census of Agriculture at USDA. Having the Census of Agriculture within USDA enables the Census to be more responsive to USDA data needs.

Major Activities of the National Agricultural Statistics Service

The ongoing expansion of global markets for U.S. goods and services continues to increase the need for modern and reliable statistical information. The surveys and Censuses conducted by NASS contribute significantly to economic decisions made by policymakers, agricultural producers, lenders, transporters, processors, wholesalers, retailers and, ultimately, consumers. NASS estimates have proven to provide critically important principal economic indicators for the agricultural food and fiber industry. Lack of relevant, timely, and accurate data contributes to wasteful inefficiencies throughout the entire production and marketing system.

An example of one of the many important surveys conducted by NASS is the Agricultural Resource Management Survey (ARMS). This survey is conducted in cooperation with the USDA's Economic Research Service and is the primary input in developing the nation's farm income statements used as one of the nation's principal economic indicators. The ARMS provides vitally important information on the financial health of the farming sector and is heavily used by program analysts to determine the success and future scope of farm policies and programs.

The need for timely, accurate, and useful statistics on U.S. agriculture continues to be emphasized throughout the sector. A few examples highlight the importance these data have on the market place and agricultural producers ability to manage their operations. The importance of accurate agricultural data can be demonstrated through the ever expanding use of the NASS county estimates for administering farmer safety nets. Specifically, NASS county estimates impact billions of dollars insured through the Risk Management Agency's Group Risk Program and Group Risk Income Program. The difference of one bushel in an average county yield estimate may result in the incorrect decision on indemnity payments. Farmers trust and demand that these data be an accurate gauge for administering these very important safety nets.

NASS works cooperatively with each State Department of Agriculture throughout the year to provide commodity, environmental, economic, and demographic statistics for agriculture. This cooperative program, which began in 1917, has served the agricultural industry well and is recognized as an excellent model of successful state-Federal cooperation. Approximately sixty percent of the NASS staff is located in its 46 field offices; 21 of these offices are collocated with State Departments of Agriculture or land-grant universities. Working together helps meet both state and national data needs while minimizing overall costs by consolidating staff and resources, eliminating duplication of effort, and reducing the reporting burden on the nation's farm and ranch operators. Covering all fifty states and Puerto Rico, NASS provides statistical information that serves national, state, and local data needs.

NASS has been a leader among Federal agencies in providing electronic access to information. All reports issued by NASS' Agricultural Statistics Board are made available to the public at a previously announced release time to ensure that everyone is given equal access to the information. All national statistical reports and data products, including graphics, are available on the Internet, as well as in printed form, at the time they are released. Customers are able to electronically subscribe to NASS reports and can download any of these reports in an easily accessible format using standard software. NASS also provides free Rich Site Summary and Podcast feeds to interested data users. This technology sends an alert or audio clip directly to data users when content of interest is posted to the NASS Web site. A summary of NASS and other USDA statistical data are produced annually in USDA's *Agricultural Statistic*s, available on the Internet through the NASS home page, on CD–ROM disc, or in hard copy. All forty-six NASS field offices have home pages on the Internet that provide access to special statistical reports and information on current local commodity conditions and production.

The primary activity of NASS is to provide reliable data for decision-making based on unbiased surveys and the Census of Agriculture to meet the current data needs of the agricultural industry. Farmers, ranchers, and agribusinesses voluntarily respond to a series of nationwide surveys about crops, livestock, prices, chemical use and other agricultural activities. Surveys are conducted during the growing season to measure the impact of weather, pests, and other factors on crop production. Many crop surveys are supplemented by actual field observations in which various plant counts and measurements are made. Administrative data from other state and USDA agencies, as well as data on imports and exports, are thoroughly analyzed and utilized by the agency to supplement survey data. NASS prepares estimates for over 120 crops and 45 livestock items which are published annually in more than 500 separate reports.

NASS's Statistical Research Program is conducted to improve methods and techniques used for collecting, processing, and disseminating agricultural data. This research is directed toward achieving higher quality Census and survey data with less burden on respondents, producing more accurate and timely statistics for data users, and increasing the efficiency of the entire process. Graphical products simultaneously displaying progress and condition were developed to make it easier for data users and analysts to see the effects of conditions on the crop. Research has also allowed NASS to utilize real-time acreage and yield indications based on remote sensing methodology to assist in estimating acreage and production for select major corn and soybean states. This adds another objective measure to aid in accurately forecasting current year crop production. The growing diversity and specialization of the nation's farm operations have greatly complicated procedures for producing accurate agricultural statistics. Developing new sampling and survey methodology, expanding modes of data collection, including electronic data reporting, and exploiting computer intensive processing technology enables NASS to keep pace with an increasingly complex agricultural industry.

NASS conducts a number of special surveys, as well as provides consulting services for many USDA agencies, other Federal or state agencies, universities, and agricultural organizations on a cost-reimbursable basis. Consulting services include assistance with survey methodology, questionnaire and sample design, information resource management, and statistical analysis. NASS has been very active in assisting USDA agencies in programs that monitor nutrition, food safety, environmental quality, and customer satisfaction. In cooperation with State Departments of Agriculture, land-grant universities, and industry groups, NASS conducts over 200 special surveys each year covering a wide range of issues such as farm injury, nursery and horticulture, farm finance, fruits and nuts, vegetables, and cropping practices. All results from these reimbursable efforts are made publicly available.

NASS provides technical assistance and training to improve agricultural survey programs in other countries in cooperation with other government agencies on a cost-reimbursable basis. The NASS international program focuses on the developing and emerging market countries in Asia, Central and South America, and Eastern Europe. Accurate foreign country information is essential for the orderly marketing of U.S. farm products throughout the world. NASS works directly with countries by assisting in the application of modern statistical methodology, including sample survey techniques.

NASS annually seeks input on improvements and priorities from the public through the Secretary of Agriculture's Advisory Committee on Agriculture Statistics, interaction with producers at major commodity meetings, data user meetings with representatives from agribusinesses and commodity groups, special briefings for agricultural leaders during the release of major reports, and numerous individual contacts. As a result of these activities, the agency has made adjustments to its statistics program, published reports, and expanded electronic access capabilities to better meet the statistical needs of customers and stakeholders.

This concludes my statement, Mr. Chairman. Thank you for the opportunity to submit this statement for the record.

The CHAIRMAN. Yes, ma'am. Proceed.

STATEMENT OF LAURIAN J. UNNEVEHR, PH.D., ACTING ADMINISTRATOR, ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Dr. UNNEVEHR. Good morning. Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, I am Dr. Laurian Unnevehr, Acting Administrator of the Economic Research Service, or ERS. I appreciate this opportunity to discuss our agency's programs.

The mission of ERS is to inform public and private decision-making related to agriculture, food, the environment, and rural development. The agency's research program is aimed at the information needs of USDA policymakers, but ERS information and analysis is also used by the media, trade associations, public interest groups, and the general public. In fact, our research findings improve the quality of the market information that guides farmers' production decisions and risk management in the agricultural sector.

ERS is the primary source of statistical indicators that, among other things, gauge the health of the farm sector including farm income estimates, assess the performance of the agricultural sector, and provide measures of food and security at home and abroad. ERS is in the Research, Education, and Economics mission area within USDA, reflecting its role in providing high-quality objective data and analysis.

As you have heard here this morning, the four REE agencies are complementary but each has a distinct mission. For example, the National Agricultural Statistics Service conducts surveys that reflect facts on the ground. That is, NASS collects primary data. ERS, on the other hand, uses data from a variety of sources to carry out its research mission. For example, data collected by NASS are used by ERS for its farm income estimates. ERS also uses other sources of primary data, such as the Census Bureau current population survey that provides the basis for our domestic food security statistics. Thus, ERS draws on primary data from different sources to construct statistical indicators that inform our research mission.

Economic analysis is critical to making progress on challenges facing U.S. agriculture, and thus, ERS collaborates with ARS in carrying out research that supports the entire range of REE mission area goals. ERS also coordinates with NIFA regarding extramural funding priorities and in identifying promising new areas for research.

The importance of public agricultural research to U.S. agriculture is supported in a recent ERS publication, *Public Agriculture Research Spending and Future U.S. Agricultural Productivity Growth*. By 2050, global agricultural demand is projected to grow by 70 to 100 percent due to population increase, energy demands, and higher incomes in developing countries. To meet this demand, agriculture will need to produce more output per unit of input—that is, increased productivity will be necessary.

Public agriculture research is the primary source of increased productivity, including improved crop varieties and animal breeds. ERS simulations indicate that if support for U.S. public agricultural research remains constant at current nominal levels, then productivity growth will fall and output would only increase by 40 percent by 2050, falling short of future demand. To meet future demand growth, an increase in agricultural research support of 4.7 percent per year, or one percent in inflation-adjusted spending would be needed.

Failing to meet future demand means that more land will be put into production, more food would be imported into the United States, and food consumers would pay higher prices. This ERS analysis shows the importance of investments in public agricultural research.

As documented in the written testimony, ERS carried out research on several topics in response to requests related to the 2008 Farm Bill. One study in particular on food deserts provides the first-ever national assessment of food deserts defined by Congress as, "low-income areas with low access to affordable and nutritious food."

Our 2009 study and follow-up efforts at ERS to map food deserts identified new opportunities for business and employment. Two major retail chains, Wal-Mart and SUPERVALU, announced last week plans to open more than 250 new stores in underserved neighborhoods identified by USDA. This example shows how ERS is able to create new information of value to the business community.

We would be happy to brief the Committee Members on the results of these or any other research projects. Mr. Chairman, this concludes my statement. I will be happy to answer any questions you or the Subcommittee may have.

[The prepared statement of Dr. Unnevehr follows:]

PREPARED STATEMENT OF LAURIAN J. UNNEVEHR, PH.D., ACTING ADMINISTRATOR, ECONOMIC RESEARCH SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to discuss the Economic Research Service's (ERS) research, market analysis, outlook, and data program. The mission of the Economic Research Service is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development. While the agency's research program is aimed at the information needs of USDA policy makers and programs, ERS information and analysis is also used by the media, trade associations, public interest groups, and the general public. Our research is widely recognized in the research community for its credibility, timeliness, and use of cutting edge data, models, and methods.

Rather than make recommendations, ERS designs its research to demonstrate to its users the consequences of taking alternative policy or programmatic pathways. Reflecting the arms-length role it plays in this regard, ERS is in the Research, Education, and Economics (REE) mission area.

The four REE agencies are complementary and have distinct missions. The National Agriculture Statistics Service (NASS) conducts basic statistically valid surveys to create a body of data that reflects on-the-ground factual information. ERS constructs data series, using data from a variety of sources, to inform its program of research and market analysis. Data collected by NASS are used by ERS for its farm income estimates and research, and in the ERS program of market outlook and analysis. Other data and research in ERS, such as the food security statistics, rely on survey agreements with other Federal agencies such as the Census bureau. ERS provides data, research and analysis that support the wide range of program and policy issues of importance to USDA.

ERS provides social science research and analysis to complement the other scientific expertise of the REE agencies in multidisciplinary research. ERS collaborates with ARS in carrying out research to address the needs of U.S. agriculture, including research and data development to support rural prosperity, agricultural productivity, global food security, food safety, and better diets. ERS coordinates with NIFA regarding extramural funding priorities and identifying promising new areas for research.

ERS data, information and analysis meet the information needs of USDA policy makers and programs, and are used by the media, trade associations, public interest groups, and the general public. Findings are useful to inform policymakers and for continuously improving the quality of the market information that guides production decisions and risk management.

ERS is also the primary source of statistical indicators that, among other things, gauge the health of the farm sector (including farm income estimates and projections), assess the current and expected performance of the agricultural sector (including trade), and provide measures of food insecurity here and abroad. ERS is one of the 14 Office of Management and Budget (OMB) officially designated Federal statistical agencies.

ERS disseminates its research findings, market information, and statistical indicators in a variety of outlets including our website (*www.ers.usda.gov*), our award-winning magazine, *Amber Waves,* outlook reports for specific commodity sectors, ERS research and information reports, Oral briefings, written staff analyses, and Congressionally mandated studies delivered directly to executive and legislative branch policymakers and program administrators, and refereed journal articles, which assure the professional credibility of findings.

There were three research studies requested of ERS in the Food, Conservation, and Energy Act of 2008, Pub. L. No 110–246 (2008 Farm Bill).

Study and Report on Grassland to Cropland in the Northern Plains. Native grasslands in the U.S. Northern Plains, particularly those located in the Prairie Pothole Region, are excellent breeding habitat for migratory birds. The conversion of grassland to crop production could damage this habitat and affect bird populations. House Report No. 110–627 accompanying the 2008 Farm Bill, requested the Secretary of Agriculture to conduct a study of the conversion of native grasslands to crop production. The study examined three questions: (1) How fast are grasslands being converted to cropland in the United States and especially in the Northern Plains?; (2) Can a temporary (5 year) ban on crop insurance purchase for converted grassland slow grassland to cropland conversion?; and (3) What has been the role of crop insurance and other farm programs in grassland to cropland conversion? The study found that: (1) roughly 770,000 acres (one percent) of 1997 rangeland acreage in the Northern Plains were converted to cultivated crops by 2007; (2) a 5 year ban on crop insurance purchase for converted grassland could slow but is unlikely to stop grassland to cropland conversion; and (3) the benefits of crop insurance, disaster assistance, and marketing loans increased cropland acreage by about 2.9 percent between 1998 and 2007. It is available on the ERS website at: *http://www.ers.usda.gov/Publications/ERR120/*.

Study and Report on Food Deserts. Concerned that some areas have become 'food deserts'—areas with limited access to affordable and nutritious foods, particularly low-income communities—Congress, in section 7527 of the 2008 Farm Bill, requested that the Department of Agriculture conduct a study on the topic. ERS took the lead in conducting this study, with assistance from FNS and NIFA. The study considered the prevalence, causes, and consequences of areas with low access to affordable and nutritious food, as well as possible solutions to reducing their negative impact on diets and health. The study found that (1) according to the 2000 Census about 23.5 million people, or 8.4 percent of the U.S. population, live in low-income

neighborhoods that are more than a mile from a supermarket or large grocery store. Of that, 11.5 million people, or 4.1 percent of the population who live in these areas are also low income (below 200 percent of the Federal poverty level). (2) Urban core areas with limited food access have higher levels of racial segregation and greater income inequality. In small town and rural areas with limited food access, the lack of transportation infrastructure is the most defining characteristic. (3) Many studies find a correlation between limited food access and lower intake of nutritious foods. However, the causal links between access and nutritional outcomes are not well understood. (4) The degree of access to affordable and nutritious food depends on supply—costs that stores face—and on consumer demand. Understanding the market conditions that contribute to differences in access to food is critical to the design of effective policy interventions. The final report was delivered in June, 2009. It is available on the ERS website at: *http://www.ers.usda.gov/publications/ap/ap036/*
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Study and Report on Animal Manure Bioenergy Operations. Section 11014 of the 2008 Farm Bill mandated a study to evaluate the role of animal manure as a source of fertilizer and its potential additional uses. The study included a determination of the extent to which animal manure is utilized as fertilizer in agricultural operations by type (including species and agronomic practices employed) and size. The potential impact on consumers and on agricultural operations resulting from limitations being placed on the utilization of animal manure as fertilizer was evaluated, along with an evaluation of the effects on agriculture production of increased competition for animal manure use due to bioenergy production, including as a feedstock or a replacement for fossil fuels. The study found that (1) About 15.8 million acres of cropland, equivalent to about five percent of all U.S. cropland, are fertilized with livestock manure. Patterns of manure use are driven by the agronomic needs of crops and by transport costs, which limit the distance that manure can be moved and create close links between types of livestock and certain crop commodities. (2) Higher commercial fertilizer prices also favor the use of manure as fertilizer. However, manure is not a complete substitute for commercial fertilizer, and farmers who use manure therefore reduce their use of commercial fertilizer but rarely eliminate it. (3) Livestock operations can comply with nutrient management plans by spreading manure on more of their own cropland, by removing manure to other farms for spreading, by altering feed mixes to reduce manure production, or by developing herds or flocks with reduced manure production. (4) Estimated costs of compliance with nutrient management plans vary sharply with the degree to which excess manure needs to be disposed of and the willingness of nearby farmers to accept manure for application to their cropland. With a limited willingness to accept manure, the study finds that production costs, including those for manure management, would likely rise by 2.5–3.5 percent for large operations. Such increases are unlikely to alter the emerging structure of livestock production. (5) Manure-to-energy projects are not currently in widespread use; currently, the costs generally exceed the revenues that most farmers can receive from electricity production. But because such projects use existing resources, they could provide society with benefits if manure replaces newly mined fossil fuels in energy production, and if methane, a greenhouse gas, can be captured. (6) Currently envisioned manure-to-energy projects are not likely to impose substantive constraints on the use of manure as fertilizer. The final report was delivered in June, 2009. It is available on the ERS website at: *http://www.ers.usda.gov/publications/ap/ap037/*.

ERS also co-authored two other studies that were requested in the 2008 Farm Bill.

Analysis of the Planting Transferability Pilot Program. Section 1107 of the 2008 Farm Bill requires the Secretary of Agriculture to periodically evaluate the effect of the 2008 Planting Transferability Pilot Program (PTPP) authorized in that section, which relaxes the planting restrictions placed on vegetables destined for processing. This study was produced for the Farm Service Agency (FSA). It provides an overview of the market for processing vegetables and uses farm-level data from FSA to evaluate PTPP's effect on the supply and price of processing vegetables. Using a simulation model representing the national market, the study found that the PTPP entices a very modest increase in processing vegetable production and a very modest decline in processing vegetable prices. The quantity of processing vegetables supplied was projected to increase between 0.1 and 0.6 percent, and prices decline by 0.3 to 2.8 percent. The study did not find that PTPP has an impact on fresh fruit and vegetable markets. It is available on the FSA website at *http://www.fsa.usda.gov/Internet/FSA_File/fv_plantg_rstricts_rpt_120210.pdf*.

Analysis of the Limited Base Provision of the 2008 Farm Bill. Section 1101 of the 2008 Farm Bill included a provision to suspend payments to farms with 10-base acres or less (base-10 provision). Congress included this provision in the 2008

Farm Bill as a cost saving measure. Not only would the provision eliminate the payments to farms with limited base acres, but also reduce the number of farm payments processed. The 2008 Farm Bill mandated that USDA evaluate the effects of suspending payments under this provision. At the request of FSA, ERS evaluated the impact of eliminating direct and countercyclical and ACRE payments to farms with 10-base acres or less as required by the 2008 Farm Bill. The study examined the number and location of farms impacted by the provision, the characteristics of those farms, and the amount the government could save due to the suspension of program payments under this provision. The evaluation included information about farm characteristics and production as well as an assessment of the provision on specialty crop producers. The study found that (1) The base-10 provision affects a large number of farms but had little effect on total payments. In 2009, nearly 371,000 FSA farms became ineligible for payments under this provision, with prohibited payments equaling an upper bound of $29.1 million. (2) The East Coast is more affected by the base-10 provision than the Heartland and West Coast. (3) Adverse effects on the fruit and vegetable sector are not expected as a result of the base-10 provision. (4) FSA farms for which payments were prohibited are generally part of larger operations. (5) Budgetary savings would accrue from reducing administrative costs. The study estimated $3.5 million in personnel cost savings to FSA and $0.2 million in mailing and paperwork savings associated with the base-l0 provision. Combined with the reduction in payment outlays to farms of a maximum $29.1 million, the budgetary savings from prohibited payments is estimated to total as much as $32.8 million for 2009. The study is available on the FSA website *http://www.fsa.usda.gov/Internet/FSA_File/base_10_rpt_copy_ltrs_6744901.pdf.*

The Economic Research Service has also conducted a number of studies on programs, policies, and issues raised by the 2008 Farm Bill. Among these include the following:

- ERS published the web-based *The 2008 Farm bill Side-by-Side Comparison*—a comparison of the 2008 Farm Bill with previous legislation. It offers a time-saving reference to farm bill provisions. In addition to key provisions and details by Title, the side-by-side includes links to related ERS publications and to analyses of previous Farm Acts.
- Economic analyses of commodity programs, including revenue-based commodity support, factors influencing the Average Crop Revenue Election (ACRE) program enrollment and the effect of ACRE program payments on risk reduction.
- Economic analysis of conservation programs, including the impacts of regional equity provisions on conservation program outcomes, participation in conservation programs by beginning, limited-resource, and socially disadvantaged operators, and the implications for program eligibility of alternative definitions of U.S. agricultures basic unit, the farm.

We would be happy to brief the Committee Members and staff on the results of any of our research projects, as well as our ongoing program of research, market outlook, and data analysis.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions that the Subcommittee may have.

The CHAIRMAN. Thank you, all four of you, for your testimony. I guess I will start the questions here maybe with one for the whole panel and you can selectively take it. I guess this is the category of a softball question but it is sincerely trying to give an overall perspective.

Why now has the government been—and you specifically—in the business of collecting data? I know that is a generic question but maybe one of you would like to address that for us. Not adversarial, just inquisitive.

Dr. CLARK. Well, data is very important for public and private decision-making. If you don't have complete data provided by government, then private organizations collect information. It is not complete, it is not comprehensive, it is not available for access to all, and it often does not reflect reality and the current situation. So if you are basing your decision-making on inaccurate data, your decisions are going to be flawed.

Dr. UNNEVEHR. I would just like to follow up and talk about the importance of objective data and information, especially for small businesses, small producers. Having a level playing field in terms of the market information that is available in agriculture means that prices are able to respond more quickly to changes in supply and demand. It means that producers are able to make informed decisions in response to those prices. And without a single objective and timely source of data, the market could be subject to manipulation from, well, subjective sources controlled by those who have information that is not available to all.

The CHAIRMAN. Dr. Unnevehr, how does the mission of your agency, what you do daily, differ from what is done in the Office of the Chief Economist?

Dr. UNNEVEHR. The Chief Economist is the advisor to the Secretary on economic issues. He often draws on the data and analysis carried out in the Economic Research Service. Because we are a research agency, in REE, we carry out research and analysis that is objective and informs policymakers of the consequences of alternative decisions. And that information is available both to the Office of the Chief Economist as well as to USDA program agencies for use in their program planning and analysis.

The CHAIRMAN. Thank you. And Dr. Young, when Congress created your institute, the intent was for a "independent, scientific policy-setting agency for the food and agriculture sciences." Do you believe that recent awards have been consistent with that direction? And specifically, has the construct of RFAs been determined by scientific need and merit? And finally, has your directorship and peer review panel been the sole determinates of those RFAs or have the offices of the Under Secretary impacted the process outside the scientific realm? I have particular interest in that on behalf of universities, but just in general.

Dr. JACOBS-YOUNG. Chairman Johnson, thank you for your question. In addition to my role as acting Director for the National Institute of Food and Agriculture, I am also the Director for the Office of the Chief Scientist at the Department of Agriculture and responsible for leading the development of a scientific integrity policy for the Department. And that scientific integrity not only applies to NIFA but applies to the entire Department preventing or seeking to ensure nonpolitical interference in science for the Department.

In the National Institute of Food and Agriculture, our peer review process is world renowned. We have taken many painstaking efforts to ensure that we are meeting the needs of our stakeholders, of our land-grant universities and setting priorities. And so I would say that, yes, we are operating a program that is a pious level of integrity.

The CHAIRMAN. I don't think we question the integrity. My specific question is are those decisions solely based on the criterion laid out in the statute, scientific-based, or has Secretary Vilsack and the Under Secretary been involved in the decision-making process outside that specific direction?

Dr. JACOBS-YOUNG. Chairman Johnson, my answer is yes up front. And second——

The CHAIRMAN. Yes what?

Dr. JACOBS-YOUNG. Yes, we use a panel of experts from across the scientific community to make the decisions and recommendations for the funding for our program. So no, there is no political interference, and yes, it is based solely on science and the merit of the applications that have been received.

The CHAIRMAN. I have come to the end of my own time, so I would recognize the distinguished Ranking Member, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman.

Dr. Jacobs-Young, you are obviously aware that the mandatory funding for Specialty Crop Research Initiative expires at the end of 2012. As I mentioned at the outset, I think it was an important breakthrough in the 2008 Farm Bill. What are your thoughts in terms of where we go? It is unclear whether or not that commitment is going to be there next year, and I would like you to make a case for why the research has been effective and plays a unique role if you can.

Dr. JACOBS-YOUNG. I agree that the specialty crop industry is a very important industry to agriculture, a $67 billion industry, 46.9 percent of the U.S. crop. The specialty crops program of the Specialty Crops Research Initiative that was——

Mr. COSTA. Healthy, nutritional food.

Dr. JACOBS-YOUNG.—and it is healthy and nutritional.

The Specialty Crops Research Initiative provides an opportunity for us to pay particular attention to breeding and genetics and genomes and pest and disease management for that industry. Without the Specialty Crop Research Initiative, the applicants would need to apply to our general plant-based programs in AFRI, in our Hatch programs, in our SBIR programs, in our Integrated Pest Management programs, and in those programs, they all focus on national needs. And so we could not ensure that those projects would rank in the funding range so to speak, so we would not be able to pay——

Mr. COSTA. Let me make two observations, then, because I have some other questions I want to ask. One, I think you should provide the Subcommittee and therefore the full Committee with the information on where this research is valuable as it relates to providing foods that require less use of herbicides, pesticides, other kinds of things that provide values to farmers as well as consumers because of the ability of the research, things that are less drought-resistant. And then the other observation is we probably should change the name specialty crops. I think people think, specialty, well what does that mean? Specialty crops took on the name somewhere, but it is really fruits and vegetables and all the other healthy stuff we eat, staples. They are not some exotic pear that comes from some different part of the world.

So anyway, I need to move on here. Dr. Knipling, I hope you were briefed with the Agriculture Research Service, which, as you stated in your testimony, does good work, but they are looking at closures of various facilities. I wrote a letter to Secretary Vilsack about the UC Shafter Research and Extension Center. Its efforts are important for not only other varieties of cotton but pima cotton as well. Are you familiar with this? Can you respond to what the department's outlook on this particular research center that is in the San Joaquin Valley?

Dr. KNIPLING. Yes, I am quite familiar with that issue and the Shafter Research Station itself. This is a proposal in the President's 2012 budget yet to be acted on by the Appropriation Subcommittees and Congress as a whole. The Shafter proposed closure is one of ten ARS laboratories that are proposed for closure for the general purpose of contributing to deficit reduction but also to be able to allocate those resources, perhaps, to some of these other priority areas of emphasis that I mentioned earlier in my testimony.

Mr. COSTA. Well, to cut to the chase as we say, I know I will and I believe Congressman McCarthy will as well look toward the response back from the Secretary as to the criteria you are using. We are obviously all focused on cost-cutting but we want to make sure that the validity and the criteria that the Department is using justifies this. I know personally of the research that takes place there, and I think it is effective.

Quickly, as my time is running out, Dr. Unnevehr, you talked about food deserts and the research that you are doing and I was mentioning to the Chairman how the irony is because we produce so much aplenty, as you know, in the San Joaquin Valley in terms of healthy foods and yet certain areas within the Valley have been designated as food deserts. And I think that is an irony because when you are producing half the nation's fruits and vegetables yet to be qualified a food desert, I think you might want to explain in detail how you came to that—if the Chairman wants to allow you to answer the question because my time now has expired.

The CHAIRMAN. Proceed.

Dr. UNNEVEHR. Yes.

Mr. COSTA. Briefly.

Dr. UNNEVEHR. Briefly. We worked with the Healthy Food Financing Initiative to develop the definition of a *food desert* so we would have national criteria that would identify areas of greatest need for the U.S. And the criteria are as follows: basically low-income areas—new market tax credit zones as defined by Treasury—which is a certain proportion of people under a certain level of income—combined with a fairly large number of people or proportion of people more than a mile from a supermarket in urban areas and more than 10 miles from a supermarket in rural areas. So it was a combined criteria of low-income areas with a significant number of folks at risk for low access. And so that is why there may be food production in your district but there may not be food retail outlets.

Mr. COSTA. And so being near a fast-food outlet doesn't count?

Dr. UNNEVEHR. That is correct.

Mr. COSTA. All right. I just think it is important for the Committee to understand how you arrived at that definition of a *food desert* because the irony, of course, is in the case that I pointed out is you have a tremendous amount of a wide variety of agriculture production taking place, yet the access to that same food because of the criteria you explained qualifies it in those terms, correct?

Dr. UNNEVEHR. Correct.

Mr. COSTA. Okay.

The CHAIRMAN. Thank you, Mr. Costa. I will now turn to the gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Well, thank you to the panel for being here and your leadership.

Dr. Clark, I want to start with you. You mentioned in your testimony that NASS will for the first time have specific statistics dealing with farm energy and agroforestry. What kinds of statistics will this entail?

Dr. CLARK. Well, these will be questions on the 2012 Census. They will not necessarily be detailed questions. They will provide the opportunity to use the 2012 Census as a sampling frame to develop a larger questionnaire for a survey if that were to be desired. It also allows the opportunity of combining that data with the demographic and economic and environmental data that is on the Census form. So you get a better picture of how an individual question response would relate to an agriculture operation.

Mr. THOMPSON. Okay. Thank you. Our farmers and agriculture in general are not getting the credit they deserve for their extensive efforts in restoring the Chesapeake Bay. Dr. Clark or Dr. Knipling, since you talked about conservation efforts and watershed modeling, what kinds of information do you have on the role of agriculture on these restoration efforts in the Chesapeake Bay watershed?

Dr. KNIPLING. ARS has a number of our research locations actually focused on the Chesapeake Bay watershed, one of which is at University Park in Pennsylvania on the campus of Penn State University. That is our Pasture Research Lab. And in fact they have been looking at the upper reaches of the watershed of the Susquehanna River and all of the Chesapeake Bay watershed. Our Beltsville Agricultural Research Center located quite close by is part of that network of laboratories. And we are working closely with other Federal agencies, state agencies, various environmental groups, producer organizations, and actual farmers, producers on their land to monitor agricultural practices and to develop such practices that might minimize the runoff of fertilizer, nutrients, and pesticides.

Mr. THOMPSON. Dr. Clark, any follow up on that particular question related to the Chesapeake Bay statistics gathering in terms of the efforts in restoring the Bay and information that is being collected on the outcomes or the efforts that are made in agriculture?

Dr. CLARK. I could speak to a project that has just been initiated with the Natural Resources Conservation Service and the National Agriculture Statistics Service. We are doing a pilot data collection next year in the Chesapeake Bay that would collect environmental and agricultural data from those states. And I could get you more details on that if you would like that.

Mr. THOMPSON. That would be great. I look forward to visiting the Penn State Pasture Research Lab. I wasn't aware of that actually. That is in my backyard for the most part. You know, I appreciate within your testimony, Dr. Knipling, in particular you talked about the Chesapeake Bay region's soil losses reduced by 55 percent, nitrogen loss by 31 percent, phosphorus reduced by 41 percent. I appreciate what all of you do because obviously to make good decisions you need good data to make sound decisions. And I think the data you report really shows that we have made great progress within the Chesapeake Bay. Frankly, I think it helpful in combating other agencies that seem to use a hammer on agriculture such as the EPA.

Dr. Jacobs-Young, you mentioned the Institute of Bioenergy. Can you talk a bit more about that and what it does?

Dr. JACOBS-YOUNG. Yes. Thank you for the question. So one of our five challenge areas is renewable energy, bioenergy. And in the Department of Agriculture, including the National Institute of Food and Agriculture, we are focusing on the feedstock development piece of the supply chain for bioenergy production. So the production of biomass in the way that is environmentally friendly, that is developed to grow in areas where there is drought or flooding or high temperatures or salinity. And so much of our research deals with the genomics, the genetics, the breeding of feedstock for bioenergy.

Mr. THOMPSON. Okay. Thank you.

Chairman, I think my time is about expired.

The CHAIRMAN. Thank you, Mr. Thompson. And the gentleman from North Carolina, Mr. Kissell.

Mr. KISSELL. Thank you, Mr. Chairman, and I welcome the panelists today. And I want to get a little bit of a parochial statement out of the way but it is much more than talking about North Carolina. But in North Carolina we have a North Carolina Research Campus. A gentleman, Mr. Murdoch, David Murdoch has invested $½ billion of his own money along with the State of North Carolina and local monies into a research campus that is in my district. It is an incredible public-private investment, research equipment that is almost one-of-a-kind in the western hemisphere, is certainly very rare to find but made available to various people to come in and seven of our universities in North Carolina are there with a major focused research. Also there are private entities there and it is an agriculture research station there all focused upon food nutrition and development. If you are not familiar with it, I would love if you got familiar with it and came to visit us because it is just an incredible example of what can be done when we come together with all resources for research for the advancement of the things we are talking about today.

Moving on to another area, we had a panel not that long ago and we were talking about biotech research, and the statement was made that it has been several years since we had a major advancement in biotechnology that has been approved and brought into the commercial arena, which I found to be of concern. When we consider the things we are talking about today that if we are going to be able to have the food that we need to have for the growing populations and recognizing less resources available, we have to continue to make these advancements in research and bring those ideas forward.

Just wondering if any of you had any thoughts on why we are not able to bring this research forward into viable commercial products and what are our problems, what do we need to overcome to do this?

Dr. KNIPLING. Congressman, I would start the commentary. Of course, when you refer to new products coming into the market, generally that implies genetically modified organisms, GMOs, that actually require regulatory approval.

Mr. KISSELL. And that is what I am talking about. Thank you.

Dr. KNIPLING. Yes. And yes, there are additional products coming on but they are utilizing mostly the crop protectants, the protection against herbicides, the protection against insects and so forth. And it is, I guess, a significant regulatory burden, although I am sure my collegues here could cite some statistics of the rapid adoption of genetically modified crops throughout the country for some of the major agronomic crops.

I would like to turn the discussion perhaps more to biotechnology in the sense of other forms of molecular biology that are significantly impacting crop production. That would be the use of genomics to understand the genetic traits and how those relate to phenotypic characteristics. And this is really going to be the future of biotechnology, the use of genomics, selective markers to support traditional crop and animal breeding with great precision. And we have tremendous examples of many species of crops, animals, some of the pathogens that affect those, and we can, with precision, start targeting genetic improvement through traditional means.

I would just cite the rapid progress just made in the last few years with the dairy industry where using genetic markers from high-performing cows, high-performing breeding stock to make tremendous——

Mr. KISSELL. I am going to interrupt you just one second. I appreciate this tremendously, but my time is on caution right now. So the concerns that were expressed in that panel from a while back that we are not bringing forth these new products, do any of you just flat out disagree or do you share these concerns very quickly?

Dr. JACOBS-YOUNG. Congressman Kissell, we are busy providing the science to base the decisions on, but this is a very complex issue. In the Department of Agriculture, we are producing the data to support three different areas—and we talk about coexistence—GE, non-GE, and organics. So we have three alternative methods. And so what we are doing at REE is providing the data for decision-making. And so we do believe that all the regulatory actions should be based on science.

Mr. KISSELL. Okay. And my time is out, but it is very much a concern that all the research that takes place at all our universities and other places, if we can't bring that forward in a timely manner because of, yes, we should have concerns about the regulations. But, if that becomes an obstacle in itself which was indicated last time, it is something that we just need to really work on.

Thank you, Mr. Chairman.

The CHAIRMAN. I have no other questions. I would turn to the Ranking Member to see if you have another round of questions? And Mr. Thompson or Mr. Kissell, I would be more than happy if you would like. Mr. Thompson?

Mr. COSTA. I have a couple questions. I don't think they will take 5 minutes unless the answers are long.

Dr. Clark, you talked about the important role that you play in terms of surveys and information. How good do you believe is the information that you are reporting on, whether it is on prices, specialty crop surveys, on civil rights, on your focus on the organic program surveys? I am always wondering when I see this information as how much you attest to the validity of it.

Dr. CLARK. I can tell you it is very good information. It is probably better than any other information that is out there, but it is collected from respondents, and so there is always some variability in the data that you collect. It is collected through sample surveys primarily. There is variability in a sampling estimate. In most cases, you know what the variability is and so you can factor that into your decision-making. Some of the efforts that we are undertaking at NASS will make our data even better than it is right now. Our efforts to put in a national operations center will remove a lot of the data collection processing efforts from 46 offices to one center where we can put in quality-control procedures, which are not feasible now in 46 different places.

So we are working to put more control on our processes, which will improve the quality of our data. We are also working on more sophisticated estimation procedures, which will also improve the quality of our data. We have just begun publishing measures on the quality of our data, so that should help you in using the data.

Mr. COSTA. So do you ever attempt to provide third-party verification if a survey is—I don't know how—let us say a typical survey may be on a crop survey. I suspect it is in the hundreds if not larger. Do you determine that the information that was sent back to the Department was accurately reported?

Dr. CLARK. We don't generally do audits. Occasionally, we do reinterview surveys and we measure the discrepancy between the initial reported data and a second interview. Those are ways to measure different types of error. There are many different kinds of error that you could have in a data-collection process and we design our processes to minimize those errors and to measure them so that we have some information on the quality of what we are producing.

Mr. COSTA. Let me ask all of you if you want to comment just quickly. When we look at the totality of the ag research taking place, and I know that it varies regionally and in terms of the tremendous diversity that reflects U.S. agriculture, but are we really focusing where we ought to be? I mean can you make that judgment within the four different agencies that are represented here? Quickly.

Dr. KNIPLING. Just quickly, ARS is frequently asked why do we have 100 laboratories across the country and that does reflect the site specificity of agriculture, the diversity of climates, the diversity of customers, users, the diversity of our partnerships. And there is a historical previous priority-setting basis for why we have all of these activities in the places we do.

Mr. COSTA. Would anyone else care to comment?

Dr. UNNEVEHR. Well, I will just offer the comment that we all set our priorities in consultation with stakeholders, and certainly in the case of ERS, our research programs are driven by the needs of USDA policies and programs.

Mr. COSTA. But you think the agriculture producers have a large say in it in terms of the stakeholders you are speaking of?

Dr. UNNEVEHR. Absolutely. Although I will say that there are food programs for food consumers in USDA, and thus we also have research on those issues.

Mr. COSTA. But those are part of the stakeholders as well, yes.

Dr. UNNEVEHR. Exactly.

Mr. COSTA. But I mean you think that on a regular basis they are letting their priorities be known and it is assessed within the Department and people feel that the focus is being spread throughout the diversity of America's food production and its consumption?

Dr. UNNEVEHR. We hear from a wide variety of stakeholders in all four of the agencies.

Dr. JACOBS-YOUNG. Yes. And I would just like to add in NIFA we have a strong partnership with the land-grant universities, as next year we will celebrate our 150th year. And we work very closely with the land-grant universities in addition to all of the stakeholder groups that support the Department and the work that we are doing. And thus far, we have had a very good relationship. We are receiving feedback from our stakeholders. And each one of our solicitations for applications provides an opportunity for our stakeholders to give us feedback on what is presented.

Mr. COSTA. Thank you, Mr. Chairman. I have no further questions.

The CHAIRMAN. Mr. Thompson?

Mr. THOMPSON. Thank you, Mr. Chairman. Thanks for the opportunity for a second round.

An emerging issue in my area—I represent a very rural district, 22 percent of the land mass of Pennsylvania, and in some of the most rural areas of my district interestingly enough is an issue of affordable housing. And it is a direct result of the new and certainly booming natural gas industry in Pennsylvania. Normally, we had no shortage of affordable housing. That has certainly changed. And this is for all the panelists. Are there any kinds of work that you are doing regarding looking at rural housing? Is that anything that data is collected on that you are aware of? I will take that as a no at this point. Okay. Like I said, this is new for us as well in the past few years. So I will probably be in contact with you.

Dr. JACOBS-YOUNG. Secretary Vilsack is a part of a rural council that was recently announced a couple of weeks ago, and that rural council will be looking at those issues. How do we improve the vitality of rural communities including providing housing for the folks who live there and providing jobs and opportunities and creating places where young people want to return to and create lives?

Mr. THOMPSON. And I will reach out to the Secretary. I am proud to say that many parts of my district, the young people are finding great opportunities. They are not leaving now, and frankly, we have a lot of folks moving into the area. So that is more of a blessing than a problem.

And my final question, Dr. Jacobs-Young, you mentioned NIFA's effort in Georgia to attract more students into the forestry-related careers, which I think is great. Is NIFA working on any similar forestry projects in other states and obviously specifically I was interested if there was anything going on in Pennsylvania?

Dr. JACOBS-YOUNG. Congressman Thompson, NIFA participates in many different education and training opportunities. Some of you may have even been involved in 4–H during your primary school years; Ag in the Classroom is a nationwide program. We are now offering NIFA fellowships. We heard from our stakeholders that they wanted us to do more in support of the pipeline for agriculture. And so we are now offering NIFA fellowships. We have the

Veterinary Loan Repayment Program where we want to place those veterinarians in areas where there may be a shortage. And the Beginning Farmers and Ranchers Program, I believe, supports the Georgia-based program, and that is offered nationally. So we have similar programs throughout the nation. And in our Youth, Family, and Community Institute, we are looking at many different areas for education and training, including looking at youth at risk. So, yes, we have many programs across the nation. I would be more than happy to find out what we have going on in Pennsylvania and provide that in a written response.

Mr. THOMPSON. I appreciate that. Thank you to all the panelists. Thank you, Mr. Chairman, for this hearing.

The CHAIRMAN. Thank you. Before we adjourn, I would ask if the Ranking Member, Mr. Costa, has any closing remarks to make?

Mr. COSTA. Just to say thank you again, Mr. Chairman, for your due diligence, and we will continue to work together as we try to fashion the most responsible 2012 Farm Bill we can put together working with all these agencies, including those we heard from this morning.

The CHAIRMAN. Well, I thank you, Mr. Costa, and Members of the Committee and members of the panel. I appreciate your input and your ongoing service to American agriculture and to American consumers as represented by your testimony and by your jobs.

Under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary responses from the witnesses, with respect to any question posed by a Member.

So then with that, this hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture is adjourned.

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

[Material submitted for inclusion in the record follows:]

SUBMITTED STATEMENT BY R. THOMAS VAN ARSDALL, EXECUTIVE DIRECTOR, NATIONAL COALITION FOR FOOD AND AGRICULTURAL RESEARCH

July 27, 2011—via e-mail

Hon. TIMOTHY V. JOHNSON,
Chairman,
Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture, House Committee on Agriculture,
Washington, D.C.;

Hon. JIM COSTA,
Ranking Minority Member,
Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture, House Committee on Agriculture,
Washington, D.C.

RE: Comments on USDA Research Programs

Dear Chairman Johnson and Ranking Member Costa:

On behalf of the National Coalition for Food and Agricultural Research (National C–FAR), I am pleased to submit these comments for the July 28 hearing record, "Agricultural Program Audit: Examination of USDA Research Programs." National C–FAR is pleased that the Subcommittee is holding this hearing learn how the 2008 Farm Bill research title provisions are being implemented, while looking ahead to the 2012 Farm Bill reauthorization.

National C–FAR is a nonprofit, nonpartisan, consensus-based and *customer-led* coalition that brings food, agriculture, nutrition, conservation and natural resource stakeholders together with the food and agriculture research and extension community, serving as a forum and a unified voice in support of sustaining and increasing public investment at the national level in food and agricultural research, extension and education.

Entire Farm Bill Dependent on Successful Research Title—The Research Title of the farm bill represents the nation's signature Federal investment in the future of the food and agricultural sector. Other farm bill titles depend heavily upon the Research Title for tools to help achieve their stated objectives. Public investment in food and agricultural research, extension and education today and in the future must simultaneously satisfy multiple needs, including food quality and quantity, nutrition, food safety, resource preservation and producer profitability.

Scientific outcomes and tools realized through USDA's research, extension and education (REE) mission are needed to help achieve safer, more nutritious, convenient and affordable foods delivered to sustain a well nourished, healthy population; more efficient and environmentally friendly food, fiber and forest production; improved water quality, land conservation, wildlife and other environmental conditions; less dependence on non-renewable sources of energy; expanded global markets and improved balance of trade; and more jobs and sustainable rural economic development.

Societal demands and expectations placed upon the food and agricultural system are ever-changing and growing. Examples of current and future needs include—strengthened bio-security; food-linked health costs; environment and conservation; farm income and rural revitalization; biofuels and climate change; the world demand for food and natural fiber and improved diets; and biotechnology and genetic resources research and public oversight.

Unsustainable Research Funding Deficit Threatens Future of U.S. Agriculture—At the risk of oversimplification, funding is the fuel that will fuel the USDA research mission engine and determine how effectively the action plan will be implemented. National C–FAR believes the nation has a serious food and agricultural science deficit, just as the nation has a budget deficit. This food and agricultural science funding deficit is serious, long running and unsustainable. Failure to address this research deficit will have real negative consequences, not just to the agriculture and food system but to the entire nation and U.S. economy. If USDA's research mission continues to be starved for funds, any action plan is destined to fall short of not only its potential but of leading to the outcomes this nation needs from the food and agricultural system.

National C–FAR's support for funding encompasses the entire REE mission—both inter- and intra-mural programs—including the National Institute of Food and Agriculture (NIFA), the Agricultural Research Service (ARS), the Economic Research Service (ERS) and the National Agricultural Statistics Service (NASS).

National C–FAR's strong support for a NIFA and other reforms in the Research Title of the 2008 Farm Bill was motivated by the belief that such reforms would result in increased funding for food and ag research. Unfortunately, that has not been the case.

By any measure, Federal funding for food and agricultural research, extension and education has failed to keep pace with identified priority needs. Federal investment in research and development at the USDA has declined by about ¼ since FY 2003. A continuing deficit in terms of a commitment to Federal funding for agricultural research will have detrimental effects on human and animal health and the nation's economy.

Recent fundamental changes in the budget process have exacerbated the deficit. Agricultural research has historically been more heavily 'earmarked' than other spending accounts. With the elimination of congressionally directed spending from the budget process and failure to recapture the funds involved, the critical USDA REE mission has been disproportionately impacted.

Unless sufficient funding is achieved, the best concepts about how to organize and conduct research won't be able to deliver the results needed by the nation. With the nation and world seeking solutions for climate change, sustainable fuel production, ecosystem health, food security and nutrition challenges, now is the time to grow investment in our nation's agricultural research enterprise.

Research *Business* Plan Needed—This quest starts with articulating a compelling case to fund unmet needs. National C–FAR recommends that this Subcommittee and USDA make it a priority to identify current and future challenges to the food and agricultural sector and the REE needs and resource requirements to respond to those challenges in the coming years in a timely and effective manner.

USDA has involved stakeholders in the development of a new REE Action Plan. Consistent with our stated mission, National C–FAR's input focused on how the plan articulates the case for addressing the longstanding REE funding deficit and helps lay the groundwork for necessary increases in Federal investment.

National C–FAR recommended that the REE Action Plan include a thoughtful and credible "*Research Business Plan,*" either as part of the Action Plan, or as a necessary complement. The REE Action Plan is a hollow shell unless the resources needed to accomplish stated goals are identified and articulated, with a business/action plan to secure the necessary resources.

Such a "Research Business Plan" should make the best case possible for how much funding is needed to achieve the goals and REE programs intended to meet those goals, as well as the likely consequences of not providing sufficient funding. For example, an evaluation of performance and needs should address the following—

- What is the best estimate of funding needed to accomplish stated desired outcomes?
- What is the appropriate food and agricultural science role of the public sector *versus* the private sector? Publicly financed REE is a *necessary complement to private sector research,* focusing in areas where the private sector does not have an incentive to invest, when (1) the pay-off is over a long term; (2) the potential market is more speculative; (3) the effort is during the pre-technology stage; and (4) where the benefits are widely diffused.
- How will the Action Plan (and outcomes) be impacted by different funding levels—for example, current funding, 2X funding, funding at a level identified as needed to accomplish all stated goals, 0.5X funding?
- How will priorities change based on different funding levels? How will outcomes be affected? What priority needs will not be addressed due to insufficient funding? Will outcomes still be timely to meet identified challenges, like closing the productivity gap in time to feed nine billion people?

Those responsible for making difficult decisions about shaping the 2012 Farm Bill and future budgets in Congress and the Administration arguably don't have even the basic information needed to make informed decisions about REE funding levels with the information currently available. Those who read the USDA Action Plan should also come away with an appreciation of what will and won't be addressed at different resource levels.

- While studies touting the high returns on public investment are helpful, that doesn't appear to be compelling enough to attract additional funding, especially when the trend is to during these challenging budget times is to cut spending, not increase it.
- National C–FAR recommends that USDA's REE Action Plan—and its implementation—should emphasize the current leadership's commitment to focusing

resources to make a difference rather than spreading limited funds a mile wide and an inch deep.

- The Action Plan should articulate choices on what will and will not be done [and done well] at different resource scenario levels.

Invest in Research Business Plan—USDA and the Administration should base annual budget requests for the REE mission on such a needs assessment. The crafting of the research component of the 2012 Farm Bill should be shaped around meeting future challenges and needs.

If "Research Business Plan" answers aren't available, then it is time to invest additional resources in developing defensible answers—even if just through a building block approach, improving the quality of information provided to budget decision makers a step at a time so they can better understand the rationale of budget requests and likely consequences of funding decisions. This is a shared responsibility—of USDA, Congress and REE stakeholders—those who authorize and fund the programs, those who manage the programs and those who need the outcomes.

For example, a "productivity gap" has been identified in tracking what will be needed to produce enough food to feed nine billion people.

- What is the commensurate "research gap" in developing the science and tools to close the productivity gap?
- What are defensible estimates of how much will be needed—and when (lead times)?
- What is the appropriate and/or necessary portion/role of public sector REE investment?
- How much can leveraging contribute to closing the "research gap?"
- What are the consequences of not committing to adequate public investment?

To the credit of the USDA Economic Research Service, a peer-reviewed, new report, "*Public Agriculture Research Spending and Future U.S. Agricultural Productivity Growth: Scenarios for 2010–2050,*" (Heisey, Wang and Fuglie, Economic Report No. EB–17, July 2011, *http://www.ers.usda.gov/publications/eb17*) has just been released that provides timely analysis and perspective on the vital linkage between investments in research and productivity. In brief:

> "By 2050, global agricultural demand is projected to grow by 70–100 percent due to population growth, energy demands, and higher incomes in developing countries. Meeting this demand from existing agricultural resources will require raising global agricultural total factor productivity (TFP) by a similar level. The rate of TFP growth of U.S. agriculture has averaged about 1.5 percent annually over the past 50 years, but stagnant (inflation-adjusted) funding for public agricultural research since the 1980s may be causing agricultural TFP growth to slow down. ERS simulations indicate that if U.S. public agricultural R&D spending remains constant (in nominal terms) until 2050, the annual rate of agricultural TFP growth will fall to under 0.75 percent and U.S. agricultural output will increase by only 40 percent by 2050. Under this scenario, raising output beyond this level would require bringing more land, labor, capital, materials, and other resources into production."

National C–FAR recommends utilizing this analysis and related new information as a reference point in evaluating USDA's research program and moving forward.

In "*Investing in a Better Future through Public Agricultural Research,*" a Commentary released on March 14, 2011 by the Council for Agricultural Science and Technology (CAST Commentary QTA2011–1), the authors make a number of salient observations that National C–FAR believes are germane to the funding debate and the future viability of USDA's research program—

- The benefits of past public investments in ag research are measurable on multiple fronts. For example, farm productivity has increased, and the share of U.S. household income spent on food has declined to less than 10%.
- Numerous studies find rates of return on public ag research investments of 20 to 80%. Huffman and Evenson (2006) estimate a marginal rate of return of approximately 50%. This level is approached by few other public sector investments.
- Publicly funded food and ag research in the U.S. has been essentially flat over the past 2 decades, while funding of other research fields has increased significantly. Public funding of agricultural research in the rest of the world during the same time period has outpaced investment in the U.S.

- Advances in new science and technologies involve long gestation periods, with later advances built on earlier successes. Time lags between publicly funded ag research and benefits are long, with a delay before any benefits are realized.
- There is an important and necessary role for public research because the private sector faces weak incentives to undertake research in numerous areas of national interest. Most research in general, basic and pre-invention sciences occurs in public and private universities. Applied research is shared among universities, government institutions and private firms.
- Funding for both inter- and intra-mural research is important, as is formula funding, given the "placed-based" nature of agricultural science.
- World population continues to grow. Demand for food will be much greater, and limited new land is available.
- Agricultural research is a low-cost source of future agricultural productivity and output increases, but advances in the frontiers of science are difficult and uncertain, translating into long lags, typically 15–20 years. Productivity cannot be easily jump-started after a long period of stagnant investment in public agricultural research.
- With agricultural research funding delays, productivity increases are expected to slow, and world food prices will rise more rapidly than otherwise projected during the next 40 years.

Other touchstone issues in evaluating USDA's research program include:

- The role of the private *versus* public sector in committing to investments.
- How does our nation invest in the science needed to do our part in helping feed a global population that is projected to grow to nine billion people in the not too distant future?
- How do we develop the science needed to achieve other goals expected and demanded of the food and agriculture sector, like biofuels, conservation, nutrition, food safety and environmental protection?
- How do we develop the science needed to sustain the natural resource base upon which agriculture depends while achieving all the other goals?
- What are the top priorities of USDA's research program? While USDA's research Action Plan presents a list, it is not clear what is most important and how resources are being allocated.

National C–FAR believes it is imperative to lay the groundwork now to respond to the many challenges and promising opportunities ahead through Federal policies and programs needed to promote the long-term health and vitality of food and agriculture for the benefit of both consumers and producers. Stronger public investment in food and agricultural REE is essential in producing research outcomes needed to help deliver beneficial and timely solutions on a sustainable basis. The potential payoff is enormous for Americans' health, rural America and agriculture and the nation's economy, and world food security. It is equally sobering to reflect on the likely negative consequences of not making the necessary investments.

National C–FAR and others in the stakeholder community bear a commensurate responsibility in articulating needs and making the case for increased funding. It is incumbent on USDA, stakeholders in the REE and "customer" communities, and the Congress to find the will and a way to increase investments in this vital mission area and turn our shared hope into an operational reality.

Thank you for the opportunity to share our views.

Sincerely,

R. Thomas Van Arsdall

R. THOMAS VAN ARSDALL, *Executive Director.*

SUBMITTED STATEMENT BY BIOTECHNOLOGY INDUSTRY ORGANIZATION

The Biotechnology Industry Organization (BIO) is the world's largest biotechnology organization, providing advocacy, business development and communications services for more than 1,100 members worldwide. BIO members are involved in the research and development of innovative healthcare, agricultural, industrial, and environmental biotechnology products.

BIO would like to emphasize the value of agricultural research programs within the U.S. Department of Agriculture (USDA), which have sparked agricultural innovation and will help to solve the critical food and energy security challenges facing a rapidly growing global population.

The United Nations predicts that the global population will rise to nine billion in 2050 and over ten billion by 2100. It is predicted that global agricultural production will need to double by 2050. Because there is a fixed amount of arable land on the planet, to meet these challenges, new and existing technologies must provide at least 70 percent of the necessary increase in food production. Robust agricultural research will allow scientists to improve technologies and invigorate know-how so that humans can best produce food on a limited land base using safe, efficient, and sustainable methods.

In the 6 decades since 1948, USDA estimates show that U.S. farm output increased by an average of 1.58 percent per year, inputs under the control of farmers increased by only 0.06 percent per year, and agricultural productivity increased by 1.52 percent per year (USDA–ERS, 2011). Hence, virtually all the increase in U.S. farm output during the past 60 years is due to productivity increases and a negligible amount is due to increases in conventional inputs. According to the USDA Economic Research Service, farm productivity has risen 158 percent since 1948. This increase can be attributed to changes in the efficiency of farming practices and research and development of agricultural technologies. The return on investment of agricultural, food, nutrition, and natural resource research and development is $20 or more to the U.S. economy for every dollar spent (Fuglie *et al.,* 2007).

Growth in agricultural productivity during the last 2 decades of the twentieth century, which was sizable in developed countries and in some developing countries, was built on previous investments in agricultural research. For modern agriculture to fully flourish, investments in agricultural research must grow. Today, the United States is a leader in agriculture, producing $312 billion in agricultural products and exporting $108 billion annually.

Unfortunately, however, investments in public agricultural research in the United States has slowed since 1980 (Huffman and Evenson 2006; Pardey *et al.* 2006).

In the United States, broadly defined public agricultural research expenditures grew by an average of 3.2 percent per year (adjusted for inflation) during the 2 decades leading up to 1980. No net growth occurred between 1980 and 1990, and net growth averaged only 0.6 percent per year between 1990 and 2009. Public funding of agricultural research in the rest of the world during the last 2 decades has outpaced U.S. research investment.

Meeting the various complex modern agricultural demands of a growing global population will require raising global agricultural total factor productivity (TFP). The rate of TFP growth of U.S. agriculture has averaged about 1.5 percent annually over the past 50 years, but stagnant (inflation-adjusted) funding for public agricultural research since the 1980s may be causing agricultural TFP growth to slow down. ERS simulations indicate that if U.S. public agricultural R&D spending remains constant (in nominal terms) until 2050, the annual rate of agricultural TFP growth will fall to under 0.75 percent and U.S. agricultural output will increase by only 40 percent by 2050. Under this scenario, raising output beyond this level would require bringing more land, labor, capital, materials, and other resources into production (Heisey *et al.,* 2011). With mean lags of 15 to 20 years, agricultural productivity cannot be easily jump-started after a long period of stagnant investment in public agricultural research.

BIO supports research funding for technologies that will provide fuel for the future, improve agricultural production efficiency, and allow us to raise crops in harsher climates. Research in plant and animal biotechnology will play a key role not only in improving food, feed, and fuel production and reducing the environmental impact of agriculture but also in improving models of human disease and producing pharmaceuticals for animal and human uses. Agricultural and forestry biotechnology also contribute to rural economies and rural job growth.

BIO supports increased funding for the research programs at the Department of Agriculture, including all programs within the Research, Education, and Economics mission area: the National Institute of Food and Agriculture and its Agriculture and Food Research Initiative, the Agricultural Research Service, the National Agricultural Statistics Service, and the Economic Research Service and research conducted by the Forest Service. Results from these important research programs can be leveraged across the research arms of the government to solve critical problems that require science-based, cross-cutting and multi-disciplinary solutions.

Through biotechnology, animals can be raised that produce high concentrations of readily extractible human antibodies and other proteins to treat human diseases and protect military personnel and to replace tissues for regenerative medicine. High level research can be performed on livestock that have been engineered to accurately develop diseases that afflict humans. As agriculture continues to be pressed to be ever more productive and economically and environmentally sustainable, the targets of research are to increase yields; to develop more nutritious and safer foods; to reduce requirements for water, nitrogen and other inputs; and to develop disease resistant crops that require fewer chemical protectants, crops that are used to produce more and better biofuels, and crops that produce useful and valuable materials that will fuel the industrial and pharmaceutical sectors of the future.

While biotechnology has been heavily utilized in commodity crops, it also shows great promise for specialty crops and in parts of the world not already realizing its benefits. Nutrient-enhanced crops and those tolerant of sub-standard growing conditions benefit people around the world who otherwise would have difficulty getting the proper nutrition. Many of these advances will come out the research performed within public institutions, such as the USDA. Most research in general, basic and pre-invention sciences, occurs in public and private universities. Applied research is shared among universities, government institutions and private firms.

Publicly financed Research, Extension, and Education is a necessary complement to private sector research, focusing in areas where the private sector does not have an incentive to invest, when (1) the pay-off is over a long term; (2) the potential market is more speculative; (3) the effort is during the pre-technology stage; and (4) where the benefits are widely diffused. Public research, extension and education help provide oversight and measure long-term progress. Public research, extension and education also act as a means to detect and resolve problems in an early stage, thus saving American taxpayer dollars in remedial and corrective actions.

The Research Title of the farm bill represents the nation's signature Federal investment in the future of the food and agricultural sector. Other Farm Bill titles depend heavily upon the Research Title for tools to help achieve their stated objectives. Continued authorized and appropriated support for public research benefits producers domestically and worldwide while preparing for the future of all of agriculture.

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SUBMITTED QUESTIONS

Response from National Institute of Food and Agriculture; Agricultural Research Service; National Agricultural Statistics Service; and Economic Research Service, U.S. Department of Agriculture

Questions Submitted By Hon. Steve Southerland II, a Representative in Congress from Florida

Question 1. Thank you for the U.S. Department of Agriculture's ongoing efforts and commitment toward research to sustain and foster U.S. agriculture production in our nation. I recognize the critical significance of continuation and strengthening of research programs authorized in the 2008 Farm Bill to address pressing agricultural priorities, particularly for specialty crops, a significant segment of the U.S. agricultural industry and in my home state of Florida.

The 2008 Farm Bill, the Food, Conservation, and Energy Act of 2008 (P.L. 110–246) strengthened emphasis on research, including establishment of the Specialty Crop Research and Initiative (Section 7311) to address, *"the critical needs of the specialty crop industry by developing and disseminating science-based tools to address needs of specific crops and their regions, including—*

> *"(1) research in plant breeding, genetics, and genomics to improve crop characteristics, such as—*
>
> > *(A) product, taste, quality, and appearance;*
> > *(B) environmental responses and tolerances;*

(C) nutrient management, including plant nutrient uptake efficiency;

(D) pest and disease management, including resistance to pests and diseases resulting in reduced application management strategies; and

(E) enhanced phytonutrient content;

"(2) efforts to identify and address threats from pests and diseases, including threats to specialty crop pollinators;

"(3) efforts to improve production efficiency, productivity, and profitability over the long term (including specialty crop policy and marketing);

"(4) new innovations and technology, including improved mechanization and technologies that delay or inhibit ripening; and

"(5) methods to prevent, detect, monitor, control, and respondto potential food safety hazards in the production and ***processing of specialty crops, including fresh produce.***"

Could you please elaborate on how the Specialty Crop Research Initiative (SCRI), aimed by its authors of the House Agriculture Committee to meet the critical challenges of specialty crop production in this nation—and my home state of Florida—which ranks second in the nation in specialty crop value, is serving these ends?

Answer. NIFA believes that the keys to meeting the critical challenges of the specialty crop industries in this country, as articulated by the House Agriculture Committee in SCRI, are two-fold: (1) engaging stakeholders and incorporating their needs and (2) funding the highest quality science to develop the tools that address those needs.

NIFA implements those two keys for an impactful program through several mechanisms. First, the Request for Applications (RFA), published each year to solicit applications for funding, includes a short list of priorities for each of the five focus areas identified in the SCRI legislation. These non-exclusionary priorities are written to be fairly generic for many specialty crops, as they were gleaned from the strategic plans and research roadmaps of many major U.S. specialty crops. Each year, NIFA reevaluates those priorities and makes minor adjustments as industry needs dictate. Second, from its inception, the SCRI program has asked applicants to include stakeholders and stakeholder organizations as full participants in their proposed projects. This means stakeholder engagement in: identifying project objectives, conducting the research and extension activities, and evaluating project impacts. Furthermore, each applicant must demonstrate that their project addresses an industry need. In the peer-review process, each application is evaluated on these elements of stakeholder needs and engagement as part of the application's "relevance" score. Based on the recommendations from a 2011 external review of the SCRI program, NIFA has reevaluated the relevance scoring and made some modifications for fiscal year 2012. Third, NIFA actively seeks to include scientists from specialty crop industries on peer-review panels to help ensure that the industry perspective is fully considered and appreciated. Fourth, in addition to a possible score for relevance, each application receives up to an equal score for "scientific merit." Because of the highly competitive nature of the SCRI program, only those applications that have demonstrated strong industry relevance/need and high scientific merit are eventually considered for funding. Finally, most projects funded by the SCRI program are required to create, and meet regularly with, an advisory board consisting of industry, academia, NGOs, technology providers, etc. In most cases, specialty crop stakeholders are the majority, or only, members of these advisory boards.

During the first 3 years of SCRI awards, investigators in Florida are participating in 16 different SCRI projects covering a variety of specialty crop needs that are important to that State's industries.

In addition, the following excerpt from the SCRI external review report's Conclusion section attests that this NIFA program is meeting the intents of the SCRI legislation:

> *The Review Panel believes that the SCRI Program is following the guidelines mandated by the 2008 Farm Bill. The Panel views the SCRI as an essential/critical Program to maintain and enhance the competitiveness of the specialty crop industry in the U.S. . . . Results from funded projects that are now in midstream have already demonstrated value to the specialty crop industry.*

Question 2. Specifically, within the *Specialty Crop Research Initiative* consideration process is there recognition of the following factors:

a. Crops facing imminent dangers and threats to future production?

b. Magnitude and significance of the specialty crop in crop value nationally?

c. Awards representational of specialty crop value regionally/state, in award distribution?

d. Priorities of producer organizations and state agricultural bodies?

Answer. Applications to the SCRI program are evaluated by a scientific peer-review process based on both relevance to U.S. specialty crop industries and scientific merit. These two components of the review for each application are weighted equally. Given the extremely competitive nature of the program and the overall quality of applications received each year, only those applications that score very high on both components are considered for funding. Certainly, "imminent dangers and threats to future production" is something that many good applications clearly demonstrate. In general, the quality of proposals as determined by review panels is such that NIFA could fund twice as many projects each year, if the funds were available to SCRI.

Unlike the Specialty Crop Block Grant Program, which considers crop size in each state as part of funding allocations, a scientific grant program like the SCRI is intended to fund the best science, irrespective of any crop's magnitude regionally or nationally. While scientific merit can be evaluated quite objectively, it is much more problematic to impartially assess the needs of one industry/crop *versus* another. So, in the peer-review process, NIFA only asks that the panel assess whether stakeholder need has been established, and then let scientific merit guide the relative ranking of applications. All things being equal among a group of applications, however, the panelists may consider the size of the industry in its final ranking.

One would expect that larger, national industries would have a larger, established base of scientific investigators already engaged, and so that scientific community would apply to SCRI at a higher rate and, all things being equal, receive a commensurate level of SCRI funding. In the first two years of the SCRI, NIFA examined the geographic distribution of awardees and subcontractors and found that maps depicting geographic participation in SCRI awards matched very closely maps displaying the intensity of U.S. specialty crop production. So, while a scientific grant program does not seek geographic proportionality, for the rationale stated above, SCRI projects and specialty crop production seem to align geographically.

In addition to the response already provided regarding stakeholder input to the SCRI, each published RFA asks for stakeholder input to the program. Also, when preparing for the 2011 external review of SCRI, NIFA made a special request for stakeholder input to help inform the review team, publishing that request in the RFA and on our agency web site.

Question 3. What are USDA's plan to address the National Agricultural Research Extension, Education and Economic Advisory Board (NAREEE) *Report on Effectiveness of Research, Extension and Economics Programs for U.S. Specialty Crops,* issued on July 23, 2011, which included recommendations and improvements from the specialty crops stakeholder community regarding the Specialty Crop Research Initiate?

Answer. NIFA has received a copy of the NAREEE Board's report. A number of the issues raised in that report, with respect to the SCRI, are similar to several recommendations made by the SCRI external review panel in their report (see response to question no. 1 above). Many of that external review report's recommendations have been incorporated into the upcoming 2012 Request for Applications. However, for the record and to cover any remaining issues, NIFA plans to release a response to the NAREEE Board's report shortly.

Question 4. I would like to formally commend the U.S. Department of Agriculture for their July 11 announcement to "*Strengthen Efforts to Address Citrus Greening*" through funding of $2 million into research through Agricultural Research Service (ARS) and USDA's National Institute of Food and Agriculture (NIFA) focusing $9 million in a 3 year, competitive grants program targeting citrus greening, as well as establishment of a Citrus Disease Research and Development Advisory Committee These efforts are greatly appreciated and extremely valuable, and as is noted in the USDA's announcement:

> *Citrus greening is one of the most devastating diseases affecting any commercial agricultural crop, according to the National Academy of Sciences. Citrus greening threatens to destroy over 1 million commercial citrus acres that have an annual production value of approximately $3 billion across the nation. Yearly losses could reach $10 billion if citrus greening is left unchecked.*

Could you please detail how this vital collaborative and research initiative to *Strengthen Efforts to Address Citrus Greening* will be carried out? (Agencies of jurisdiction, timeline, collaborative stakeholders/research partners?)

Answer. Under the aegis and leadership of the APHIS Citrus Health Research Program, ARS, and NIFA together with the National Citrus Mutual representatives from Florida, Texas, and California have formed a Science and Technology committee that coordinates research across the Citrus Greening research community. This coordination includes keeping an active inventory of currently funded research projects and helping the research community organize into strategic outcome working groups. The strategic outcomes, identified in an industry stakeholder workshop are designed to produce short-, medium- and long-term outcomes, respectively:

a. Maintain citrus groves that are already infected with Citrus Greening productive and alive (primarily Florida);

b. Keep Citrus Greening disease from moving into areas that already have the disease vector (the Citrus Psyllid)—(Texas, Arizona, and California); and

c. Create new Psyllid management systems and Citrus genetics that render Citrus Greening a non-issue.

Although each of these outcomes have distinct research pathways and activities, there are overlaps and feedback among them.

The Citrus research community has embraced the strategic plan and is organized in working groups representing the three outcome areas, which meet via teleconference and report to the Science and Technology committee monthly.

The Citrus research community meets biannually and will meet again in October, 2011. These meetings facilitate intra- and inter working group communications, research gap analyses, and peer and stakeholder review of research outcomes. It is expected that this upcoming meeting, and future such meetings, will be the genesis of collaborative projects leading to participation in NIFA funding opportunities on Citrus Greening.

While the SCRI program has explicitly solicited Citrus Greening projects for the past several years, NIFA plans to further strengthen that focus in the upcoming 2012 SCRI solicitation. Specific research and extension targets in that solicitation will be closely aligned with the priorities identified by the Science and Technology committee, as noted above.

Additionally, after receiving input from many stakeholders, Secretary Vilsack charged REE to work with the relevant components of USDA to devise several other strategies to address this serious threat. To this end, REE has been considering all options—from a stand-alone committee to an entity within the NAREEE board to broader task forces—in the formation of the new committee Citrus Disease Research and Development Advisory Committee. While the details of the committee are still being worked out, the USDA is committed to ensuring that solutions incorporate continued input from producers, industry representatives, and the scientific community. As timing and flexibility are of utmost importance, REE is working quickly to design a mechanism that meets the interests and requirements of the many entities involved.

Question 5. Could you indicate the specific reasons why Citrus Greening was not successful in an award through the *Specialty Crop Research Initiative,* for the last 3 years,* in concert with the recommendations of the Florida, Texas and California collaborative research efforts, given that citrus ranks second in crop value among fruit and vegetable crops, according to USDA's National Agricultural Statistics Service, and USDA indicates that "*Citrus greening is one of the most devastating diseases affecting any commercial agricultural crop, according to the National Academy of Sciences*"?

Answer. SCRI has funded a number of projects in its first three years of existence that are dealing with the Citrus Greening issue. Two of these projects (ARS, 2008; Arizona State Univ., 2010) address management and control strategies, covering prevention and economics. Two other projects (Carnegie-Mellon, 2008; Wash. State, 2009) are developing the management technologies for growers to better control the disease (precision spraying, early detection of HLB infection) and the genetic information for researchers to develop new plant material (Citrus genomics database).

As noted above, the peer-review process equally weights relevance and scientific merit in the evaluation of applications. No one disputes the relevance of Citrus Greening projects to the needs of the citrus industry. However, in a competitive scientific grant program, applications must also demonstrate high scientific quality. Many of the applications to date dealing with Citrus Greening have lacked the necessary scientific merit for peer-review panels to rank them high enough for NIFA to consider them for funding. For reasons of confidentiality, NIFA only releases to an application's project director detailed information (individual reviews and peer-

* Exception Texas ARS award in 2008.

review panel summary) regarding why their project was not recommended for funding.

Question 6. The *National Plant Diagnostic Network* (NPDN) was established in 2002 by legislative mandate to enhance agricultural security through plant diagnostic laboratories carried out by National Institute of Food and Agriculture (NIFA) and through the collective efforts of many individuals representing Land Grant Universities, federal agencies, state departments of agriculture, and other stakeholders, the NPDN has grown into an internationally respected consortium of plant diagnostic laboratories. The specific purpose of the NPDN is to provide a nationwide network of public agricultural institutions with a cohesive, distributed system to quickly detect high consequence pests and pathogens that have been introduced into agricultural and natural ecosystems, identify them, and immediately report them to appropriate responders and decision makers.

NPDN Funding is located in the NIFA Budget: National Institute of Food and Agriculture President's Proposed Budget for 2011. Funding located under Integrated Activities—Item for Food and Agriculture Defense Initiative (This item includes both USDA National Animal Health Laboratory Network (NAHLN).

I understand that funding for the National Plant Diagnostic Network, has been reduced by roughly 37% from FY 2010 to FY 2011:

2010—$9.830 million enacted $4,283,386 to NPDN

2011—$5.988 million reduction Enacted, $2,675,000 to NPDN

Can you please let me know the Administration's plans and specific funding priorities for the *National Plant Diagnostic Network* program?

Answer. The specific purpose of the NPDN is to provide a nationwide network of public agricultural institutions with a cohesive, distributed first detector and laboratory system to quickly detect high consequence pests and pathogens that have been introduced into agricultural and natural ecosystems, identify them, and immediately report them to appropriate responders and decision makers. To accomplish this mission, the NPDN has invested in plant diagnostic laboratory infrastructure and training, developed an extensive network of first detectors through education and outreach, and enhanced communication among agencies and stakeholders responsible for responding to and mitigating new outbreaks.

NPDN is in the final year of a 5 year (May 2007–May 2012) Cooperative Agreement, and the strategic objectives for the five year plan are to:

1. Maintain a strong diagnostic network through communications, evolving standard operating procedures, and diagnostic training for high consequence pathogen and pest outbreaks;
2. Enhance the national database of real-time diagnostic records;
3. Develop and keep a registry of trained first detectors (field scouts, extension agents, certified crop consultants) of high consequence pathogens and pests;
4. Exercise, in every state, communications with regulatory officials.

The work plan for 2011, due to the budget cut, must curtail objective three activities, eliminate objective four activities, and reduce the number APHIS training sessions that diagnosticians can attend. Additionally, the NPDN was to complete the roll-out of a Quality Assurance/Quality Control accreditation system by the end of the Cooperative Agreement. With reduced funding, the QA/QC system will not be implemented.

The highest order priority for the NPDN is to maintain its network of diagnostic laboratories. The NPDN system is currently responding to two high-impact outbreaks of regulatory plant diseases.

House Committee on Agriculture Farm Bill Audit Questionnaire—
Agricultural Research Service

1. Program Name

Agricultural Research Service (ARS).

2. Subprograms/Department Initiatives

Animal Production and Protection

The mission of the ARS Animal Production and Protection (APP) national programs is to provide the scientific information and tools to help support the U.S. food animal industries to continue to compete successfully in worldwide trade, provide the supply of nutritional animal products required by the nation, and contribute toward global food security. APP accomplishes this mission by research to maximize production efficiency and animal health through scientific innovation and the discovery and development of new technologies focused on national priorities. Strategic public-private partnerships are established to achieve our mission, including support of government action and regulatory agencies responsible for trade, biodefense, and global food security. Emphasis will be given to genetic improvements of traits related to production and production efficiencies and germplasm conservation; understanding the mechanisms of disease resistance, and the development of tools to prevent, control, or eradicate diseases that threaten our food supply and public health; and identifying and developing sustainable systems for production of high quality meat, fish, milk, and eggs that also ensure animal health and well-being. The portion of the program that produces new solutions to the many veterinary problems created by arthropod pests and vectors will be leveraged to solve related problems affecting human health and the well-being of American citizens.

APP Statistics:

Total Projects: 108
Total Locations: 37
Total Scientists: 295

The ***Food Animal Production*** program conducts research to furnish scientific information about biotechnologies and management practices that ensure an abundant supply of competitively priced animal products. The mission of the Food Animal Production Program is to: safeguard and utilize animal genetic resources, associated genetic and genomic databases, and bioinformatic tools; develop a basic understanding of the physiology of livestock and poultry; and develop information, tools, and technologies that can be used to improve animal production systems, all to ensure an abundant, safe, and inexpensive supply of animal products produced in a healthy, competitive, and sustainable animal agriculture sector of the U.S. economy.

U.S. systems of agricultural animal management and production face formidable challenges. One of the most exacting challenges is successful adaptation to the accelerating demands of society that impact animal productivity and product quality. The demands placed on the national system of food animal production by a rapidly changing world can only be met by technologies that optimally harness the inherent genetic potential of animal and plant germplasm in concert with certified industry and food marketing practices. Production systems that successfully identify, preserve, and harness that genetic potential will maximize profits, secure supply, increase market competitiveness, sustain small and mid-sized producers, and maintain genetic diversity and consumer confidence.

This National Program addresses high-priority national needs for:

- Understanding, Improving, and Effectively Using Animal Genetic and Genomic Resources
- Enhancing Animal Adaptation, Well-Being and Efficiency in Diverse Production Systems
- Measuring and Enhancing Product Quality

Total Projects: 32
Total Locations: 17
Total Scientists: 91

The ***Animal Health*** program aims to deliver scientific information and tools to detect, control, and eradicate animal diseases of high national priority. The goal of the program is to protect and ensure the safety of the nation's agriculture and food supply through improved disease detection, prevention, control, and treatment. Basic and applied research approaches will be applied to solve animal health problems of high national priority. Emphasis will be given to methods and procedures to control animal diseases through the discovery and development of diagnostics, biotherapeutics, animal genomics applications, disease management systems, animal disease models and farm biosecurity measures.

Achieving results in veterinary medical research, which provide useful information for problem-solving, often demands an integrated approach in which the experimental design may range from knowledge development at the molecular level to clinical trials that will lead to the development of countermeasures for preventing and controlling a disease outbreak in the field. This national program provides the means for the integration of research. Major initiatives draw upon relevant expertise within the national program, coordinating and integrating that expertise to develop a specific useful application of the knowledge. Research projects also attract Federal, university, industry and international partners. Because a significant number of projects in the animal health research portfolio focuses on the discovery of novel technologies, intellectual property strategies will be addressed in project plans to facilitate technology transfers and the investment by the private sector in the development of these technologies.

This National Program addresses high-priority national needs for:

- Biodefense research
- Animal genomics and immunology
- Zoonotic, respiratory, reproductive, neonatal, enteric and parasitic diseases
- Transmissible spongiform encephalopathies

Total Projects: 40
Total Locations: 11
Total Scientists: 103

The ***Veterinary, Medical and Urban Entomology*** program develops more effective means to prevent or suppress insects, ticks and mites that affect animal and human well being. The program aims to eliminate losses to animal production and products caused by arthropod borne diseases and arthropod induced trauma; to reduce the risk to humans from arthropod borne zoonotic diseases; to enhance the safety of animal products and the quality of life for humans; and to increase the value and competitiveness of United States agriculture.

More detailed behavioral studies of certain activities (*e.g.,* blood sucking) will result in the association of chemical and other stimuli with these behaviors. A new understanding will also present the possibility of entirely new tools being developed to alter arthropod behavior in such a way that their damage is prevented. Beyond the research needed to understand the nature of these behaviors, bioassays that accurately measure them will be necessary to find out what chemical or physical factors affect them. Before integrating bioassays into an evaluation scheme, they should be validated independently to be sure that they are measuring what is intended. Electrophysiology is another essential part of development, representing a range of activities and measurements. Among the organizational products required for maximum impact are a standard vocabulary for influences on hematophagous arthropods and a standard concept of how to develop useful products.

This National Program addresses high-priority national needs for:

- Medical Entomology for the Public and Military
- Veterinary Entomology of Livestock and Poultry
- Pests that Damage Structures
- Fire Ants, other Invasive Ants, and Household Pests

Total Projects: 13
Total Locations: 7
Total Scientists: 49

The vision for the ***Aquaculture*** program is to support a thriving domestic industry based on improved genetic stocks and scientific information on biotechnologies and management practices to ensure a high quality, safe supply of healthful seafood and aquatic products.

The U.S. aquaculture industries face formidable challenges. The demand for seafood is increasing worldwide, yet the ability for U.S. aquaculture producers to meet that demand requires development of technologies to reduce the cost of production while maintaining and improving product quality. Producers, processors and breeders are in need of systems that successfully identify, promote, and harness the aquatic animal improvements to maximize profits, secure supply, reduce environmental impacts, increase market competitiveness, sustain small and mid-sized scale producers, and earn consumer confidence. Research in the disciplines of genetics, nutrition, health, and physiology will support the biological improvement of animals, while ecology, engineering and economics will support the improvement of systems and help to ensure sustainability. Our research components strive to develop and ensure an abundant, safe, and affordable supply of seafood products for the 300 million U.S. consumers produced in a healthy, competitive, and sustainable aquaculture sector, a sector supported by over 4,300 aquaculture farmers that produced in excess of $1 billion worth of goods in 2005 (National Agricultural Statistics Service (NASS), 2005 Census of Aquaculture).

This National Program addresses high-priority national needs for:

- Understanding, Improving, and Effectively Using Animal Genetic and Genomic Resources
- Enhancing Animal Performance, Well-being and Efficiency in Diverse Production Systems

- Defining Nutrient Requirements, Nutrient Composition of Feedstuffs and Expanding Alternative Ingredients
- Improving Health and Welfare of Aquatic Animals
- Improving Production Systems, Developing New Products and Enhancing Product Quality

Total Projects: 23
Total Locations: 11
Total Scientists: 52

Crop Production and Protection

Crop Production and Protection (CPP) National Programs deliver science-based information, genetic resources, and technologies for increased crop productivity and quality, protection from plant diseases and pests, and economically and environmentally sustainable methods of crop production that meet consumers' demands for a ready supply of high quality, safe, affordable and nutritious food, the public's desire to protect the environment, and the global community's needs for food security.

CPP Statistics:

Total Projects: 379
Total Locations: 78
Total Scientists: 816

The ***Plant Genetic Resources, Genomics, and Genetic Improvement*** program provides research that addresses national priorities of genetic resource conservation, genomics and genetic improvement. This program harnesses the inherent genetic potential of plants. This research develops, and effectively applies new knowledge of crop genes, genomes, and the control and expression of genes, to accelerate increases in productivity and improves the quality of crops; realized via traditional and novel plant breeding methods.

Genetic resources are the foundation of our agricultural future. ARS crop genebanks contain the sources of resistance to biotic and abiotic stresses and new genes to improve the quantity and quality of crops. To ensure that these genes are available for research and breeding, ARS continues to acquire and conserve crop genetic resources, develop more effective screening methods for identifying superior traits, characterize the genetic profiles of genebank holdings, ensure that genetic resources are distributed where and when they are needed, and safeguard these collections and their associated information for future generations.

New crop genetic improvement methods are incorporating advances in genome sequencing and analysis, molecular genetics, computational biology, and metabolic engineering. New crop breeding theories and strategies are being developed that more effectively capture the intrinsic genetic potential of germplasm-especially to improve key agronomic and horticultural traits-resulting in crops tailored for consumer and producer needs.

This National Program addresses high-priority national needs for:

- Plant and Microbial Genetic Resource Management
- Crop Informatics, Genomics, and Genetic Analyses
- Genetic Improvement of Crops
- Plant Biological and Molecular Processes

Total Projects: 179
Total Locations: 55
Total Scientists: 360

The ***Plant Diseases*** program delivers research to develop and improve ways to reduce crop losses caused by plant diseases. The program focuses on developing effective disease control strategies that are not environmentally harmful, do not threaten the safety of consumers, and are compatible with sustainable and profitable crop production.

Plant diseases—spread by viruses, viroids, bacteria, phytoplasmas, fungi, nematodes or other methods—cause billions of dollars in economic losses each year to agriculture, landscape, and forest settings in the United States. These diseases reduce yields, lower product quality or shelf-life, decrease aesthetic or nutritional value, and, sometimes, contaminate food and feed with toxic compounds. Control of plant diseases is essential for providing an adequate supply of food, feed, fiber and aesthetics. Yet, growers spend millions of dollars each year only to partially control the pathogens that attack their crops and other plants. Reducing these losses has long been a high priority for agriculture and for the Agricultural Research Service (ARS). Besides the obvious monetary benefits to producers and processors, successful plant health protection is important for maintaining and increasing food supplies with minimal increases in land under cultivation. Additionally, the knowledge and management of plant diseases of quarantine significance are vital, not only for protecting our domestic crops from foreign disease, but also for maintaining and expanding export markets for plants and plant products.

This National Program addresses high-priority national needs for:

- Disease diagnosis: Detection, identification and characterization of plant pathogens
- Biology, ecology, epidemiology, and spread of plant pathogens and their relationships
- Plant disease resistance
- Biological and cultural strategies for sustainable disease management

Total Projects: 69
Total Locations: 29
Total Scientists: 141

The ***Crop Protection and Quarantine*** program provides fundamental and applied research to develop improved strategies for the cost-effective management and control of native and invasive insect, mite, and weed pests, while minimizing impacts on the environment and human health. The rationale for this National Program is that the development and implementation of improved management and control strategies will contribute to maintaining the competitiveness and vitality of agriculture in America.

Insects, mites, and weeds have a considerable impact on our nation's food and fiber crops, affecting domestic supply and exports with economic losses estimated to be in the tens of billions of dollars. This program also provides research contributing to greater productivity in traditional and organic agricultural and horticultural systems by improving and developing new, innovative control strategies, by improving existing control methods and by alerting growers and producers to problems so informed decisions regarding mitigation can be accomplished at the earliest possible time.

This National Program addresses high-priority national needs for:

- Systematics and Identification (of invasive insects, mites and weeds as a threat)
- Protection of Agricultural and Horticultural Crops
- Protection of Natural Ecosystems
- Protection of Post-Harvest Commodities and Quarantine

Total Projects: 92
Total Locations: 39
Total Scientists: 211

The ***Crop Production*** program's research develops economically and environmentally sound technologies that improve the production efficiency, quality, health and value of America's crops.

Contemporary U.S. crop enterprises for annual, perennial, and greenhouse crop production are complex and depend on access to and successful integration of highly diverse components, such as a steady stream of superior crop varieties, new strategies for mitigation of crop losses from biotic and abiotic stresses, and mechanization and automation of undesirable or labor intensive activities. This program is developing successful new production systems to sustain or increase crop yield and quality by focusing on (1) productive and profitable crop management strategies for new and traditional crops that conserve natural resources; (2) efficient and effective integrated management strategies for multiple pests; (3) mechanization of management activities to address labor constraints; and (4) improved crop management models and decision aids.

Pollination is a critical element in agriculture as well, because honey bees pollinate more than 130 crops in the United States and add $15 billion in crop value annually. Declining honeybee populations and honey production due to Colony Collapse Disorder (CCD) require special attention. CCD has now increased honey bee mortality to more than 30 percent. This program provides research to improve honey bee and non-apis bee health and well being, better hive management practices for more robust pollination, development of emerging technologies to be used to address current and future challenges of the bee keeping industry, conserving bee biodiversity, and develop pollinators for land restoration.

This National Program addresses high-priority national needs for:

- Integrated Sustainable Crop Production Systems
- Bees and Pollination

Total Projects: 24
Total Locations: 17
Total Scientists: 71

The ***Methyl Bromide Alternatives*** program provides research to develop alternatives to the agricultural uses of methyl bromide, a widely used fumigant and known ozone depletor. Methyl bromide is a highly efficacious fumigant that has for a number of decades been used on more than 100 crops, in forest and ornamental nurseries, and on wood products to control insects, nematodes, weeds, and pathogens, and thus, has been critical to important segments of U.S. agriculture. The research focuses on strawberry, pepper, tomato, perennial replant, field-grown propagative material, and ornamental and cut flower cropping systems for pre-plant methyl bromide use, and for processing and storage structures, fresh and durable commodities, and quarantine for post-harvest use. The ultimate goal of this National Program is to make available to the U.S. agriculture community environmentally acceptable, practical, economically feasible, and sustainable alternatives to methyl bromide.

The U.S. Department of Agriculture (USDA) has vigorously responded to the methyl bromide challenge. It has brought together agricultural and forestry leaders from private industry, academia, state governments, and the Federal Government to assess the problem, formulate priorities, and implement research directed at providing solutions to the problems predicted by the methyl bromide phase-out. The Agricultural Research Service (ARS) was assigned the lead in this process and has emphasized the importance of research on alternatives to methyl bromide.

This National Program addresses high-priority national needs for:

- Pre-plant Soil Fumigation Alternatives
- Post-Harvest Alternatives

Total Projects: 15
Total Locations: 10
Total Scientists: 33

Natural Resources and Sustainable Agricultural Systems (NRSAS)

Sustainable agricultural systems produce the agricultural crops and livestock needed by societies; protect the natural resource foundation essential for production, processing, and other uses; and provide economic and social value to producers, processors, consumers, and communities. ARS develops scientific knowledge that enhances quality of life for all Americans by ensuring safe, affordable, and sustainable food, feed, fiber and renewable energy while enhancing natural resources and the environment. ARS research creates profitable agricultural systems that capitalize on the nation's vast renewable natural resources to preserve the fertility and productivity of soils, provide abundant and high quality water supply and clean air, maintain healthy agricultural and rangeland ecosystems, and offer renewable energy and fuel alternatives that form the basis of U.S. economy and the well being of rural America.

NRSAS Statistics:

Total Projects: 171
Total Locations: 71
Total Scientists: 518

The ***Water Availability and Watershed Management*** National Program conducts research that helps provide integrated, effective, and safe water resource management. There is no substitute for fresh water, nor are there replacements for its essential role in maintaining human health, agriculture, industry, and ecosystem integrity. ARS scientists conduct fundamental and applied research on the processes that control water availability and quality and develop new and improved technologies for managing agricultural water resources to help ensure the health and economic growth of the nation. Results provide the technologies to manage and deliver safe and reliable fresh water supplies to the agricultural, urban, and industrial sectors of society while enhancing the aquatic natural resources of the nation. Results are a key part of the USDA's Conservation Effects Assessment Project (CEAP), which seeks to determine and improve the effectiveness of farm bill conservation practices and programs. Strategic approaches include coordination of ARS' infrastructure of experimental watersheds and rangelands, located in all major production regions of the nation, as a single long-term agroecosystems research network focusing on natural resources that provide the foundation for agriculture, especially water.

This National Program addresses high-priority national needs for:

- Effective Water Management in Agriculture
- Erosion, Sedimentation, and Water Quality Protection
- Improving Conservation Effectiveness
- Improving Watershed Management and Ecosystem Services in Agricultural Landscapes

Total Projects: 47
Total Locations: 30
Total Scientists: 151

The ***Climate Change, Soils, and Emissions*** National Program conducts research to improve the quality of atmosphere and soil resources, understand how agriculture and climate affect each other, develop strategies to adapt agricultural systems to climate variability, mitigate gaseous and particulate emissions, and convert research results into decision-support capabilities for end-users.

The effects of climate change create challenges to agriculture and offer new opportunities for production, and these are identified and managed through research on crop and livestock responses and resilience to abiotic stresses; changing risks related to pests, pathogens, and weeds; soil, nutrient, and water management; and carbon sequestration. Enhancement of soil productivity is a focus of ARS research and together with crop improvement research, offers promise for meeting future global agricultural demands. Atmospheric emissions from agriculture are under increased scrutiny due to potential negative environmental effects and threats to human and animal welfare. Emissions contribute to tensions between agriculture and residential communities from visibility impairment (haze) and nuisance odors. Strategic, coordinated research projects include the nation-wide Greenhouse gas Reduction through Agricultural Carbon Enhancement network (GRACEnet project); the Renewable Energy Assessment Project (REAP) in collaboration with universities; development of models such as the Soil and Water Assessment Tool (SWAT), which is used worldwide for conservation and land management applications; widely used models for assessing and managing wind and water erosion; and leadership in the Global Research Alliance on Agricultural Greenhouse Gases.

This National Program addresses high-priority national needs for:

- Improvements of Air Quality via Management and Mitigation of Emissions from Agricultural Operations
- Knowledge and Technologies for Reducing Atmospheric Greenhouse Gas Concentrations Through Management of Agricultural Emissions and Carbon Sequestration
- Agriculture to Adapt to Climate Change
- Maintaining and Enhancing Soil Resources

Total Projects: 38
Total Locations: 29
Total Scientists: 97

The ***Bioenergy*** National Program conducts research to develop technologies to enable sustainable commercial production of biofuels by the agricultural sector in ways that enhance our natural resources without disrupting existing food, feed, and fiber markets.

ARS research creates new varieties and hybrids of bioenergy feedstocks with optimal traits; develops new optimal practices and systems that maximize the sustainable yield of high-quality bioenergy feedstocks; develops new, commercially preferred conversion technologies; and optimizes both the production of plant feedstocks and the biorefining of agricultural materials to bioenergy and value-added coproducts. Much of the research is conducted through the USDA Regional Biomass Research Centers, emphasizing development of crops and sustainable production methods that can be regionally successful. Strategic planning tools to identify research, technologies, and organizational actions needed to achieve commercial viability of biofuels are developed in cooperation with other agencies and industry. This research leads to strengthened rural economies, provides knowledge for increased supplies of renewable transportation fuel, enhance energy security, and supports efforts to improve the U.S. balance of trade.

This National Program addresses high-priority national needs for:

- Feedstock Development

- Feedstock Production
- Biorefining

Total Projects: 14
Total Locations: 6
Total Scientists: 45

The ***Agricultural and Industrial Byproducts*** National Program conducts research to effectively and safely manage and use animal wastes and other agricultural and industrial byproducts in ways that maximize their potential benefits, while protecting the environment and human and animal health.

Improvements are needed in animal feeding and management regimens to increase the proportion of dietary nutrients retained in the animal or animal products while decreasing the quantity of dietary nutrients excreted and lost to water, air, and soil. Research tracks the fate and transport of excreted nutrients in the major soil-crop systems common to animal agriculture, providing the foundation for developing Best Management Practices. New application methods improve nutrient use efficiency and incorporate wastes to conserve nitrogen while maintaining adequate crop residue to protect the soil from erosion and runoff. These practices, and their associated nutrient management plans, are developed from sound understanding of the fate and transport of specific nutrients for major soils, hydrologic conditions, and cropping systems. Other research addresses pathogen inactivation and die-off as well as their potential for regrowth as functions of environmental conditions (*e.g.,* temperature, moisture, *etc.*) during all stages of waste management. Technologically sound methods are developed for utilizing byproducts that are characterized as beneficial and result in products that are commercially sustainable. This includes blending, composting, and amending byproducts as well as developing land application and management techniques that improve soil, water, and air quality in addition to improved plant growth. Much of the research is done in collaboration with private sector entities, with a strong emphasis on development of useful, safe, commercially desirable products from what would otherwise be considered wastes.

This National Program addresses high-priority national needs for:

- Management, Enhancement, and Utilization of Manure Nutrients and Resources
- Manure Pathogens and Pharmaceutically Active Compounds (PACs)
- Atmospheric Emissions
- Developing Beneficial Uses of Agricultural, Industrial, and Municipal Byproducts

Total Projects: 17
Total Locations: 15
Total Scientists: 54

The ***Rangeland, Pasture & Forages*** National Program develops and integrates improved management practices, germplasm, and land-use strategies to optimize productivity, economic viability and environmental enhancement in managing vegetation, livestock and natural resources on private and public grass and forage lands.

Grazing lands constitute the largest single land use in the United States. Their environmental and economic sustainability are essential to the nation, yet they are under stresses from many environmental factors and land uses. Research to mitigate these problems and strengthen their value include: enhancing conservation and restoration of ecosystems and agroecosystems through improvements based on the application of ecological principles; improving management of fire, invasive weeds, grazing, climate change and other agents of change; developing grazing-based livestock systems that reduce risk and increase profitability in existing and emerging markets; developing improved grass and forage legume germplasm for livestock, conservation, turf and bioenergy and bioproduct systems; improving the sustainability of turf management; and improving decision-support systems including improving inventory, monitoring, and assessment tools.

This National Program addresses high-priority national needs for:

- Rangeland Management Systems to Improve Economic Viability and Enhance the Environment
- Pasture Management Systems to Improve Economic Viability and Enhance the Environment
- Sustainable Harvested Forage Systems for Livestock, Bioenergy and Bioproducts
- Sustainable Turf Systems

Total Projects: 35
Total Locations: 25
Total Scientists: 106

The ***Agricultural System Competitiveness and Sustainability*** National Program integrates information and technologies to develop dynamic systems that enhance the productivity, profitability, energy efficiency, and natural resource management of American farms.

The program uses interdisciplinary systems research to develop an understanding of how different kinds of farm enterprises function, and how changing or introducing new technology affect their productivity, profitability, energy efficiency, and natural resource stewardship. Finding the best combinations of practices helps producers achieve their production goals, while enhancing the environmental goods and services derived from agricultural lands. Diverse and dynamic agricultural systems in development can adjust to changing environmental and market conditions to increase the long-term financial viability and competitiveness of farms, enhance natural resource quality, contribute to the vibrancy of rural communities, and increase the food, fiber, and energy security for the nation and the world.

This National Program addresses high-priority national needs for:

- Agronomic Crop Production Systems
- Specialty Crop Production Systems
- Integrated Whole Farm Production Systems
- Integrated Technology And Information To Increase Customer Problem Solving Capacity

Total Projects: 20
Total Locations: 18
Total Scientists: 65

Nutrition, Food Safety and Quality

The Nutrition, Food Safety and Quality (NFSQ) research area leads and coordinates ARS research and information dissemination to define the role of food and its components in optimizing health for all Americans; develop tests and processes that keep the food supply safe; reduce and control pathogens and toxins in agricultural products; and improve the economic viability and competitiveness of American agriculture by enhancing the quality and utilization of agricultural products for the benefit of producers and consumers.

NFSQ Statistics:

Total Projects: 226
Total Locations: 47
Total Scientists: 553

The ***Human Nutrition*** program provides the science base to undergird U.S. food policy, *i.e.,* the *Dietary Guidelines for Americans,* thus enabling Americans to make nutritious and health-promoting dietary choices. The mission of the Human Nutrition Program is to define the role of food and its components in optimizing health throughout the life cycle for all Americans. Distinctive aspects of this research include an emphasis on a food-based approach to improving health; the core capability to sustain long-term research; the availability of state-of-the-science equipment and facilities for human research across the lifecycle; and the conduct of multidisciplinary research to improve the nutritional value of the American diet and the food supply.

This research is focused on maintaining health and preventing disease through food-based recommendations. This unique USDA research does not duplicate other Federal departments. The research emphasizes study of essential nutrients and non-essential health-promoting components in foods, evaluating the nutritional value of diets eaten by people in America, determining how consumption of specific foods or food components can enhance health, and developing strategies to improve food choices and lifestyle factors to promote health in Americans. Increasingly, research focuses on addressing over-consumption and caloric imbalance (obesity related research) with incorporation of cutting-edge genomic and metabolomic technologies. Unique national resources that are part of this Program include the National Nutrient Databank and the "USDA What We Eat in America/NHANES" national food consumption survey. Partnerships with other Federal agencies and nonprofit and industry groups allow ARS to leverage funds and build upon common goals. Information dissemination programs operated by the National Agricultural Library address general and specific human nutrition issues and audiences and include general Web portals such as www.nutrition.gov for the American consumer as well as the targeted websites for professionals such as the Food and Nutrition Information Center.

This National Program addresses high-priority national needs for:

- Monitoring Nutrient Composition of the Food Supply and Consumption by Americans
- Strengthening the Scientific Basis for Dietary Guidance for Health Promotion and Disease Prevention
- Developing Strategies for Prevention of Obesity and Related Diseases
- Conducting Research on Life Stage Nutrition and Metabolism

Total Projects: 89
Total Locations: 9
Total Scientists: 172

The ***Food Safety*** program protects food from pathogens, toxins, and chemical contamination during production, processing, and preparation. The safety of the food supply is a highly visible public health issue and a national priority for the Federal Government. The continued priority is partly due to the diverse and complex system of production, processing, and distribution of food in the U.S. and the increasing global distribution. Outbreaks of foodborne illness are seen as a major cause of morbidity and mortality, and economic costs, both nationally and internationally. The full extent of the disease burden is still unknown, even with recent Centers for Disease Control (CDC) estimates. Foodborne illnesses can be caused by microbial pathogens, parasites, viruses and an array of foodborne contaminants such as chemicals or toxins. The cause of every outbreak is still unknown, but persistent outbreaks of major commodity-specific foods that may directly affect public health, regulations, industry, and trade, require our immediate attention.

ARS has developed an integrated approach to food safety, that is, food production is seen as a continuous process from production, through harvesting and processing, to retail and the consumer. Pre- and post-harvest are not separated but considered an integrated production system of safe and quality food. Interventions and controls that are applied to one phase will ultimately affect the other segments of food production and processing. Food safety research has also changed during the past decade, having moved past simple, surveillance/prevalence studies to asking more complex questions. Consequently, researchers are required to think creatively to solve problems, which means considering alternate perspectives, exploiting new opportunities and technologies, and crossing conventional boundaries. Multidisciplinary collaborations, especially between Centers/Institutes, nationally and internationally are an absolute necessity.

ARS provides the intramural infrastructure and expertise to address short and long-term needs in food safety. Because of the infrastructure, ARS is uniquely poised to respond quickly to emerging and critical food safety issues. ARS also collaborates closely with Federal regulatory agencies as well as industry, professional, and international stakeholders to assist in addressing their specific food safety needs.

This National Program addresses high-priority national needs for:

- Foodborne Contaminants
- Microbial Population Systems
- Systems Biology (Pathogenicity and Virulence)
- Technologies for the Detection and Characterization of Microbial Contaminants
- Intervention and Control Strategies to Decrease or Eliminate Pathogens
- Predictive Microbiology and Data Acquisition
- Chemical and Biological Contaminants: Detection Methodology, Toxicology and Toxinology

Total Projects: 64
Total Locations: 14
Total Scientists: 180

The ***Quality and Utilization of Agricultural Products*** program conducts research to enhance the economic viability and competitiveness of U.S. Agriculture by maintaining the quality of harvested agricultural commodities or otherwise enhancing their marketability, meeting consumer needs, developing environmentally friendly and efficient processing concepts, and expanding domestic and global market opportunities through the development of value-added food and nonfood technologies and products, except energy and fuels.

Research is being conducted on the development of nonfood, nonfuel biobased products from agricultural commodities and byproducts. Interest in biobased products has increased as consumers and governments have sought more environmentally friendly products that provide alternatives to petroleum and which do not contribute to greenhouse gases. Thus, biobased products can reduce our dependency on petroleum and provide a more sustainable technology for the future. Biobased products that were once too expensive to commercialize may now be affordable. There is some public concern that biobased products could contribute to the rising cost of food in the U.S. This program seeks opportunities to develop biobased products from agricultural feedstocks that do not compete with food, in cooperation with other ARS national programs and partners. ARS also supports quality and processing research on crop fiber, such as cotton, and animal hides, leather and wool. Stakeholders who produce fibers and hides constitute an important segment of our rural economy. These industries are severely impacted by energy and production costs and have lost market share to foreign competition. Technologies that improve fiber quality, reduce the energy consumption of processing equipment, and develop new products are needed to help the fiber industry to compete in a global market.

This National Program addresses high-priority national needs for:

- Methods and Technologies to Enhance Quality & Utilization of Food Crops and Animals
- Methods and Technologies to Enhance Quality & Utilization of Agricultural Fibers
- Non-Food, Non-Fuel Biobased Products and Sustainable Technologies/Processes

Total Projects: 73
Total Locations: 24
Total Scientists: 201

ARS International Research Programs

ARS engages in international collaborations primarily that support its mission but may also conduct research under external funding that falls within its mission and also supports critical U.S. Foreign Policy initiatives. ARS international research collaborations enable an economically vibrant U.S. agricultural system by developing technologies, knowledge and tools that help U.S. producers be more productive, efficient and sustainable. ARS research also support the Foreign Agricultural Service's (FAS) mission by providing key research that helps FAS project crop production estimates in other countries and by engaging in collaborations that underpin food security. The Office of International Research Programs (OIRP) is an ARS Headquarters Office under the Office of National Programs in Beltsville, Maryland. The OIRP maintains a cadre of International Affairs Specialists who: (1) liaise with each National Programs; (2) provide special focus on specific regions of the world; and (3) oversee a portfolio of programs/projects that are important to U.S. foreign policy objectives as well as the agency's objectives.

This Program is currently focused on three major areas:

- Global Food Security
- Biosecurity Engagement
- International Partnerships

ARS Operates four Overseas Biological Control Laboratories (OBCLs) that offer the benefits of international projection of mission, training for key personnel, and broadening of potential solutions for invasive species. Having operations overseas forms a 365 days per year presence for ARS, something that could never be accomplished by temporary visits and assignments. As a result of that dedication to their missions and host countries, the overseas laboratories have established reputations as reliable partners. The flow of information, training, and agricultural progress go in both directions. The OBCLs are administered out of ARS Headquarters by a Director within the Crop Production and Protection (CPP) mission area of the Office of National Programs. There are four OBCLs:

- The European Biological Control Laboratory in Montpelier, France
- The South American Biological Control Laboratory in Buenos Aires, Argentina
- The Australian Biological Control Laboratory in Brisbane, Australia
- The Sino-American Biological Control Laboratory in Beijing, China

ARS Technology Transfer Programs

USDA broadly defines technology transfer as the adoption of research outcomes for public benefit. Innovations arising from USDA intramural research, such as new or improved technologies, processes, products and services, benefit the nation by increasing productivity, increasing efficiency (keeping costs low) and enhancing global competitiveness for the U.S. agriculture sector. Thus, technology transfer functions are critical to accelerating utility of public R&D investments, creating economic activity, and in job creation and sustainable economic development.

Principal among the formal instruments of technology transfer are Cooperative Research and Development Agreements (CRADAs), patents, and invention licenses for commercialization by the private sector, as well as material transfer agreements and germplasm releases to industry.

To assist USDA in transferring technologies to the private sector, the Agricultural Research Service (ARS) created the Agricultural Technology Innovation Partnership (ATIP) program consisting of ten economic development organizations across the U.S. serving as "intermediaries" to further enhance the likelihood that research outcomes would be adopted by the private sector for commercialization. ATIP members coordinate regional cosponsored events with ARS, showcasing available technologies for licensing, and USDA intramural research capabilities available to businesses to assist in solving high priority, mission-related issues connected to the agricultural industries. Additionally, members provide the current or prospective private sector partners of ARS with access to business mentors, entrepreneur schools, seed and venture funds, and the Manufacturing Extension Partnership programs.

The Agricultural Research Service (ARS) has been delegated authority by the Secretary of Agriculture to administer the patent program for ARS, the review of CRADAs and the technology licensing program for all intramural research conducted by USDA.

ARS's Office of Technology Transfer (OTT) is assigned the responsibility for protecting intellectual property (IP), developing strategic partnerships with outside organizations, and performing other activities that effectively transfer ARS research outcomes and technologies to the marketplace. ARS–OTT is centralized in policy and approval procedures, but maintains field offices to provide one-on-one customer service to ARS researchers. To facilitate technology transfer, OTT is organized into five sections that include Administrative/Headquarters, Patents Licensing, Marketing and Technology Transfer Coordinators (TTCs). TTCs are seven highly qualified employees stationed across the United States who are responsible for facilitating the development and transfer of USDA technologies. They serve as liaisons with scientists, ARS managers, university partners, and the private sector.

Technology transfer is accomplished through many mechanisms, such as:

- developing written information for customers and stakeholders, including scientific publications, publications in trade journals, and reports to stakeholders;
- releasing plant germplasm to the public;
- transferring research materials to scientists outside of ARS;
- entering into formal partnership agreements, such as CRADAs, and other cooperative agreements;
- delivering specific research results to regulatory agencies to support their actions;
- licensing IP (patents, Plant Variety Protections Certificates, and biological materials);
- participating in meetings with industry organizations and universities, workshops and field days; and distributing information to the public via the ARS Information Staff, the National Agricultural Library, and other sources.

Enhanced Use Lease Authority

Enhanced Use Lease (EUL) is provided under the authority of section 7409 of the Food, Conservation and Energy Act of 2008, Public Law 110–246 (112 Stat. 1651), commonly referred to as the 2008 Farm Bill. This authority grants the Secretary of the Department of Agricultural (USDA) the authority to establish a pilot program at the Beltsville Agricultural Research Center (BARC) to lease non-excess property to any private or public entities.

Five calls for proposals were issued by ARS on or about December 4, 2010, requiring businesses to set forth a Business and Leasing plan, a Development plan and a Property Management plan.

Within the Development plan, businesses are to identify the collaborative research in-place or a plan of a potential project consistent with the research mission of the USDA. The six calls for proposals were directed to (i) use of greenhouse facilities, (ii) 10 acres for bio-byproduct production, (iii) an under-utilized composting facility. (iv) Transgenic greenhouse space; and (v) large animal transgenic research space, with screened barn, surgery room, lunch room and storage and rest room facilities.

Four proposals were submitted by small businesses. All of which had existing agreements with ARS. Proposals received from Renewable Carbon Management, LLC and EnviRemed were uncannily similar and were directed to a full scale composting business located at BARC. The two proposals were rejected by committee as being deficient in failing to outline a research component directed to the mission of ARS–USDA. Both entities were advised by letter of the deficiencies in their proposals and no reply was received. The existing agreements with these entities have expired.

A Proposal from New Agriculture was received directed to production of plant proteins from tobacco for use in plastics manufacture and as a nutritional supplement. The proposal was unfocused and New Agriculture was invited to tour the facility in which the proposed operation was to be housed and to submit a more focused proposal directed to the specific space to be occupied. New Agriculture failed to follow-up; however a CRADA agreement is still active and is being worked to completion with this entity.

A proposal from Plant Sensory Systems Inc. was received for the purpose of leasing two transgenic greenhouses in building 010 at BARC, for a total of 1859 ft^2 for 3 years. The proposal was directed to growing transgenic corn for purposes of drought and heat tolerance and efficiency of nitrogen use. A lease was successfully negotiated and Plant Sensory Systems occupied space on or about May 1, 2011. Today both soybean and corn are being grown for the stated research purpose. In a direct quote from the company, "we could not live without the space!"

This EUL project supports the USDA priority of responding to climate change and is part of the Climate Change, Soils and Emissions (#212).

Buildings and Facilities

Because ARS operates at over 100 locations both nationally and internationally, a high priority and great degree of focus is placed on the maintenance of the agency's facility assets. The Secretary has received many requests from Members of Congress for the Administration to support budget increases to complete pending ARS capital improvement projects. In response, the Administrator of ARS was asked to establish an objective process to guide orderly and timely capital investments for ARS Laboratory facilities focusing on support to priority programs and other long-term requirements of USDA scientific research. The agency is also in the process of completing more than $176 million in repair and maintenance projects across the country as a result of funding from the A summary of those assets and a discussion of the agency's developing capital asset strategy are below.

Land under ARS custody & control:

Leased	10,888
Owned	393,260
Subtotal	404,148
MOU	2,051
Total Acres	406,199

Buildings owned/leased (Gross Square Feet):

		Number	GSF
Owned Buildings	Existing Operational	3,016	13,565,457
	Existing Excess	294	80,498
Subtotal		3,310	14,345,955
Leased Buildings		116	495,596
Total		3,426	14,841,551

- 105 Domestic Locations; 3 Foreign Locations; & 60 worksites.
- Location/Worksites collocated with Land-Grants/Institutes of Higher Learning
  - Land-Grant Locations—60

  - Land-Grant Worksites—14
  - Non Land-Grant Locations—4
  - Non Land-Grant Worksites—1
- Replacement Value $3.64B

With the issuance of Executive Order (E.O.) 13327, Federal Real Property Asset Management in February 2004, the USDA recognized the need to adopt a more consistent, structured, performance-based, integrated planning process to better enable the Agency to oversee management of its extensive real property portfolio. In October, 2007 USDA issued the Real Property Capital Programming and Investment Process (CPIP). The CPIP was based upon the Office of Management and Budget (OMB) Capital Planning and Investment Control (CPIC) guidance (OMB A–11 Part 7; Planning, Budgeting, and Acquisition of Capital Assets.) An ARS specific CPIP—the ARS Building Block Plan (BBP)—was included as an appendix.

Similar to the USDA Plan, ARS built its process around the OMB CPIC guidance; this allowed ARS to evaluate real property investments based upon risks and returns throughout their lifecycle while ensuring that USDA and ARS' investments are well-conceived, cost-effective, and support strategic mission and business goals.

A key component of the ARS BBP is the use of investment review boards as the decision-making body in matters related to real property—the Boards are called Asset Management Review Boards (AMRB). There are two levels of review; the initial process begins at each of the eight Area offices, these eight plans are then consolidated and reviewed at the Headquarters level. The AMRB's membership includes representation from throughout the ARS and includes program, finance, budget, planning, and facilities. This membership ensures a balanced approach to investment decisions. The ARS Headquarters AMRB is chaired by the Deputy Administrator, Administrative & Financial Management and is responsible for:

- Reviewing new Capital investments (includes new construction, repair, land purchase, and disposal) using a standard set of criteria to ensure proposed projects that will support the ARS and Department missions and program delivery processes.
- Recommending approving/disapproving all projects over $1,000,000. (The ARS AMRB assumes projects under $1,000,000 have been validated by the Area AMRB's).
- Reviewing opportunities to right-size inventories and operations and management costs.
- Ensuring that both the Department's and ARS's criteria and performance goals are considered and implemented when making Agency investment decisions.
- Assuring that the ARS's Real Property program remains in compliance with E.O. and implementing directives.

As outlined above, once a decision is made on which real property assets warrant attention, there is an OMB process for analyzing capital investments. The process is generic, and it allows for the analysis of various capital investments, not just real property. The guidance provided in the USDA and ARS BBP process follows the basic criteria outlined within the OMB guidance.

Informal discussions with NASA and National Institutes of Health (NIH) staff have indicated that their Capital Investment Process closely follows the OMB guidance. The criteria taken into account include the following:

- Does the investment in a major capital asset support core/priority mission functions that need to be performed by the Federal Government? (How does the project support the Secretaries priorities, Congressional mandates, and the Department's and agency's strategic goals and objectives);
- Is the investment supported by a Life Cycle analysis?
- Does the investment improve the Real Property Performance Measures? (1) Utilization; (2) Condition Index; (3) Mission Dependency; and (4) Annual Operation & Maintenance (O&M) costs.

The challenge for ARS is in identifying those real property assets that warrant priority attention and investment to ensure core and priority research needs are met. (There will always be a number of facilities that require immediate attention due to failing building systems and life safety issues; these assets also need to be addressed.) ARS has identified the following tasks as necessary to complete its capital investment strategy.

Task 1—Bench mark the ARS BBP against other government and industry organizations (General Services Administration (GSA), Department of Defense (DOD) activities, NIH, university, pharmaceutical, *etc.*). Include the decision making process, investment strategies, business systems and automation systems used, and metrics on expenditures for operation, sustainment, and recapitalization of similar assets.

Task 2—Identify funding amounts necessary to raise existing facilities to an acceptable condition, sustain facilities at that level, and recapitalize facilities.

Task 3—(concurrent with task 2) Implement processes and procedures to improve ARS management of its assets and prioritize investment priorities through a decision matrix that aligns and relates research program priorities and investment requirements with associated infrastructure needs in a systematic way to support a rank-ordered priority plan for identifying, scheduling, and sequencing existing and out-year capital investments needed to address infrastructure improvement requirements on a regular and recurring basis consistent with facility engineering industry norms. The ranking process will consider Congressional directed projects, recent construction, and general facilities that need to be accounted for in ranking priorities. ARS program priorities will relate both to facilities where specific research is conducted and also to facilities where the work could be conducted.

3. Brief History

The Agricultural Research Service was officially founded in 1953 but has precursor agencies that date back as far as 1884 to the Bureaus of Plant and Animal Industry. The importance of agricultural research performed by the government goes back even farther, to the first work done to stem hog cholera outbreaks in 1868. In 1938, Congress appropriated funding to create agricultural research laboratories in Peoria, IL, Wyndmoor, PA, Albany, CA and New Orleans, LA. These locations still exist to this day as major centers of ARS work and concentrations of our science. We are proud of this long history of government commitment to solving agricultural problems that affect every single American in one way or another.

4. Purpose/Goals

ARS conducts research to develop and transfer solutions to agricultural problems of high national priority and provide information access and dissemination to:

- Ensure high-quality, safe food, and other agricultural products;
- Assess the nutritional needs of Americans;
- Sustain a competitive agricultural economy;
- Enhance the natural resource base and the environment; and
- Provide economic opportunities for rural citizens, communities, and society as a whole.

As part of the Research, Education, and Economics (REE) Mission Area, ARS, like its fellow REE agencies, focuses its research on five priorities:

- Climate change;
- Food safety;
- Children's nutrition and health;
- International food security;
- Bio-Energy.

5. Success in Meeting Programmatic Purpose/Goals

Climate Change

In an ARS study of the impact of global climate change, crops responded positively to future levels of atmospheric carbon dioxide (CO_2), but soil tillage practices had little effect on this response. This first long-term study comparing tillage practices under high CO_2 levels showed that elevated CO_2 caused soybean and sorghum plants to increase photosynthesis while reducing transpiration, the amount of water the plants release. This resulted in increased water use efficiency, whether the crops were grown with no-till or conventional tillage.

ARS scientists have found that using alternative types of fertilizers can cut back on greenhouse gas emissions, at least in one part of the country, and are examining whether the alternatives offer similar benefits nationwide. Nitrogen fertilizers are often a necessity for ensuring sufficient crop yields, but their use leads to release of nitrous oxide, a major greenhouse gas, into the atmosphere. Fertilizer use is one reason an estimated 78 percent of the nation's nitrous oxide emissions come from agriculture.

Current atmospheric ozone levels are already suppressing soybean yields, according to ARS scientists' studies of the effect of global climate change on crops. The scientists have been working on a project called "SoyFACE"—short for Soybean Free Air Concentration Enrichment—to measure how the projected increases in carbon dioxide (CO_2) and ozone will affect soybean production. The scientists found that soybean yields increase by about 12 percent at the elevated CO_2 levels predicted for the year 2050 (550 parts per million)—only ½ of what previous studies estimated. They also found that increased ozone is quite harmful to soybean yields, reducing them by about 20 percent. In addition, current levels of ozone are already suppressing soybean yields by up to 15 percent.

Food Safety

Innovative studies by ARS scientists are providing new information about the impressive array of genes that a major foodborne pathogen, *Escherichia coli* O157:H7, calls into action when attempting to colonize leaves of fresh-cut lettuce. The investigation—the first to provide extensive details about the biology of *E. coli* O157:H7 in fresh-cut lettuce—could pave the way to new technologies to improve the safety of bagged salads.

ARS scientists have used a type of high-tech imaging called "hyperspectral imaging" to distinguish the foodborne pathogen *Campylobacter* from other microorganisms as quickly as 24 hours in laboratory tests. *Campylobacter* infections in humans are a major cause of bacterial foodborne illness both in the United States and other countries throughout the world. Normally, isolation and detection for identification of *Campylobacter* from foods like raw chicken can take several days to a week. This "sensing" technology, which was nearly 100 percent accurate with pure cultures of the microorganisms, could be used for early detection of presumptive *Campylobacter* colonies.

Using a cleansing solution to wash eviscerated chicken carcasses is effective in removing bacteria that cause human foodborne diseases, according to an ARS study. The findings provide data that may be useful to poultry producers in designing practical, non-chlorine-based sanitizers. The cleanser, which is composed of lauric acid and potassium hydroxide, could be used to sanitize chicken carcasses during processing prior to chilling. Since other countries do not use chlorine rinses, ARS is looking at alternatives for them and is evaluating the most effective rinses against foodborne pathogens in poultry.

Children's Nutrition and Health

Aspiring moms are often advised to achieve a healthy weight before they become pregnant, and to gain only the recommended amount of weight during their pregnancy, and ARS-funded studies could provide new insights into those recommendations. The studies focus on how influences that occur in the womb—and perhaps during the first few months of life—might affect development of a child's ability to regulate his or her weight later in life. In fact, the child's body-weight-regulating mechanisms might be permanently altered by maternal signals associated with the mother's own overweight, the scientists say, and such maternal programming of the unborn child could increase the risk that the child would become an overweight or obese adult and would have a higher risk of obesity-related afflictions.

Parents of kids age 2 and up can check a handy website every 6 months to help determine if their children's weight gains or losses are heading in the right direction. ARS-funded scientists developed the easy-to-use, online resource and based it on growth charts issued by the Centers for Disease Control and Prevention. In just a few minutes spent at their computer, parents can easily calculate their child's BMI, or Body Mass Index, and put it into perspective by viewing the youngster's BMI percentile on a helpful graph.

A collaborative study conducted by ARS scientists and Harvard University scientists showed decreased nutritional dietary quality and increased caloric intake among U.S. children on days when they consumed fast food. The authors analyzed existing dietary intake data from 6,212 children and adolescents, aged 4 to 19, from a nationally representative USDA Continuing Survey of Food Intakes by Individuals, 1994–1996, and the Supplemental Children's Survey, 1998. The findings showed that U.S. children who ate fast food, compared with those who did not, consumed more total calories, more calories per gram of food, more total and saturated fat, more total carbohydrate, more added sugars and more sugar-sweetened beverages, but less milk, fiber, fruit and nonstarchy vegetables.

International Food Security

ARS scientists have solved a longstanding mystery as to why a pathogen that threatens the world's wheat supply can be so adaptable, diverse and virulent. It is because the fungus that causes the wheat disease called stripe rust may use sexual recombination to adapt to resistant varieties of wheat. The scientists showed for the first time that stripe rust, caused by Puccinia striiformis, is capable of sexually reproducing on the leaves of an alternate host called barberry, a common ornamental.

An international team of researchers co-led by an ARS scientist has sequenced the genomes of two fungal pathogens—one that threatens global wheat supplies and another that limits production of a tree crop valued as a future source for biofuel. The sequencing of the genetic codes of wheat stem rust pathogen (*Puccinia graminis*) and poplar leaf rust pathogen (*Melampsora larici-populina*) is expected to help researchers develop control strategies to address worldwide threats to wheat fields and tree plantations.

ARS scientists and their colleagues completed a 4 year effort to sequence the genome of corn, an achievement expected to speed up development of corn varieties that will help feed the world and meet growing demands for using this important grain crop as a biofuel and animal feed. The results represent the largest and most complex plant genome sequenced to date.

Bio-Energy

ARS scientists have found that barley grain can be used to produce ethanol, and the leftover byproducts—barley straw, hulls, and dried distillers grains—can be used to produce an energy-rich oil called bio-oil. The bio-oil could then be used either for transportation fuels or for producing heat and power needed for the grain-to-ethanol conversion.

ARS scientists have long-term studies underway to examine growing camelina as a bioenergy crop for producing jet fuel for the military and the aviation industry. This research supports the recently signed memorandum of understanding between the U.S. Department of Agriculture (USDA) and the Department of the Navy (DON) and interests of the Commercial Airlines Alternative Fuels Initiative (CAAFI). Native to Europe, camelina (*Camelina sativa*) is a member of the plant family *Brassicaceae* and has been grown since ancient times for use as lamp fuel, among other things. The seed's high oil content has made it a promising candidate as a new source for biofuels.

ARS scientists have developed a new tool for deciphering the genetics of a native prairie grass being widely studied for its potential as a biofuel. The genetic map of switchgrass is expected to speed up the search for genes that will make the perennial plant a more viable source of bioenergy. Interest in using switchgrass as a biofuel has intensified in recent years because it can be burned to produce electricity and, like corn stalks, can be converted to ethanol. It also grows on marginal lands, is adaptable to different regions, and—as a perennial—does not need to be replanted each year, which means lower energy costs and less runoff.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

Salaries and Expenses		Buildings and Facilities	
FY 2002	$978,865	FY 2002	$216,824
FY 2003	$1,048,906	FY 2003	$228,703
FY 2004	$1,088,057	FY 2004	$63,434
FY 2005	$1,108,129	FY 2005	$186,335
FY 2006	$1,130,128	FY 2006	$149,883
FY 2007	$1,132,031	FY 2007	$0
FY 2008	$1,124,992	FY 2008	$51,752
FY 2009	$1,143,459	FY 2009	$46,752
FY 2010	$1,179,784	FY 2010	$70,873
FY 2011	$1,133,230	FY 2011	$0

Note: In FY 2011, the appropriation rescinded $230 million in balances from prior appropriations, and there was no funding received under the Buildings and Facilities line.

7. Annual Outlays (FY 2002–FY 2011) ($ in Millions)

Aggregate agency outlays are below. See next table for details by location.

FY 2002	$928,330
FY 2003	$1,024,665
FY 2004	$1,076,374

FY 2005	$1,107,953
FY 2006	$1,133,833
FY 2007	$1,099,270
FY 2008	$1,135,728
FY 2009	$1,133,144
FY 2010	$1,169,025
FY 2011	$1,115,892

United States Department of Agriculture
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Alabama, Auburn	
Aquatic Animal Health Research	2,302,355
Soil Dynamics Research	3,604,375
Subtotal, Alabama	***5,906,730***
Alaska, Fairbanks	
Subarctic Agricultural Research Unit	5,465,003
Subtotal, Alaska	***5,465,003***
Arizona, Maricopa—U.S. Arid Land Agricultural Research Center	
Aflatoxin Reduction	850,435
Pest Management and Biocontrol Research	2,897,456
Plant Physiology and Genetics Research	3,026,574
Water Management and Conservation Research	2,950,663
Maricopa Subtotal	*9,725,128*
Arizona, Tucson	
Honey Bee Research	1,627,276
Southwest Watershed Research	3,318,636
Tucson Subtotal	*4,945,912*
Subtotal, Arizona	***14,671,040***
Arkansas, Booneville	
Dale Bumpers Small Farms Research Center	1,764,605
Arkansas, Fayetteville	
Poultry Production and Products Safety Research	1,627,547
Arkansas, Little Rock	
Arkansas Children's Nutrition Center	6,348,600
Arkansas, Stuttgart	
Dale Bumpers National Rice Research Center	3,600,124
Harry K. Dupree Stuttgart National Aquaculture Research Center	3,224,860
Stuttgart Subtotal	*6,824,984*
Subtotal, Arkansas	***16,565,736***
California, Albany—Plant Gene Expression Center	4,116,816

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
California, Albany—Western Regional Research Center	
Bioproduct Chemistry and Engineering Research	3,924,646
Crop Improvement/Utilization Research	4,507,709
Exotic and Invasive Weeds Research	4,967,546
Foodborne Contaminants Research	4,246,950
Genomics and Gene Discovery	2,092,410
Plant Mycotoxins Research	3,007,727
Processed Foods Research	3,855,196
Produce Safety and Microbiology Research	5,436,157
Albany Subtotal	*36,155,157*
California, Davis	
Crops Pathology and Genetics Research	2,763,178
National Clonal Germplasm Repository—Tree Fruit & Nut Crops & Grapes	1,304,663
Western Human Nutrition Research Center:	
Obesity And Metabolism Research	3,400,766
Immunity and Disease Prevention Research Unit	3,485,541
Davis Subtotal	*10,954,148*
California, Parlier—San Joaquin Valley Agricultural Sciences Center	
Commodity Protection and Quality Research	3,358,348
Crop Diseases, Pests and Genetics	5,429,823
Plant Genetic Resources Conservation	625,023
Water Management Research	2,363,685
Parlier Subtotal	*11,776,879*
California, Riverside	
U.S. Salinity Laboratory:	
Contaminant Fate And Transport Research	2,114,961
Water Reuse And Remediation Research	2,316,566
National Clonal Germplasm Repository for Citrus	1,142,398
Riverside Subtotal	*5,573,925*
California, Salinas	
Crop Improvement And Protection Research	4,907,345
California, Shafter	
Western Integrated Cropping Systems Research	1,455,204
Subtotal, California	***70,822,658***
Colorado, Akron	
Central Plains Resources Management Research	2,049,276
Colorado, Fort Collins	
Agricultural Systems Research	2,132,160
Plant and Animal Genetic Resources Preservation Research Unit	4,620,480
Soil, Plant And Nutrient Research	2,782,077
Sugarbeet Research	797,220

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Water Management Research	1,819,074
Fort Collins Subtotal	*12,151,011*
Subtotal, Colorado	***14,200,287***
Delaware, Newark	
Beneficial Insects Introduction Research	2,069,908
Subtotal, Delaware	***2,069,908***
District of Columbia	
U.S. National Arboretum:	
Education Unit	1,328,736
Floral And Nursery Plants Research Unit	6,489,013
Gardens Unit	3,594,923
Subtotal, District of Columbia	***11,412,672***
Florida, Brooksville	
Beef Cattle Research	1,249,875
Florida, Canal Point	
Sugarcane Production Research	2,888,264
Florida, Fort Lauderdale	
Invasive Plant Research Laboratory	2,552,219
Florida, Fort Pierce—U.S. Horticultural Research Laboratory	
Horticulture and Breeding Research	4,117,253
Quality Improvement in Citrus and Subtropical Products Research	2,644,308
Subtropical Insects Research	2,964,198
Subtropical Plant Pathology Research	4,543,843
Fort Pierce Subtotal	*14,269,602*
Florida, Gainesville—Center for Medical, Agricultural and Veterinary Entomology	
Chemistry Research	3,464,716
Imported Fire Ant and Household Insects Research	2,120,122
Insect Behavior and Biocontrol Research Unit	4,034,501
Mosquito and Fly Research	2,455,817
Gainesville Subtotal	*12,075,156*
Florida, Miami	
Subtropical Horticulture Research	4,569,783
Subtotal, Florida	***37,604,899***
Georgia, Athens	
Southeast Poultry Research Laboratory:	
Endemic Poultry Viral Diseases Research	1,839,675

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Exotic And Emerging Avian Viral Diseases Research	3,908,077
Richard B. Russell Research Center:	
Bacterial Epidemiology and Antimicrobial Resistance Research	3,401,577
Egg Safety and Quality Research	2,200,757
Poultry Microbiological Safety Research	2,735,627
Poultry Processing and Swine Physiology Research	1,721,610
Quality and Safety Assessment Research	3,847,038
Toxicology and Mycotoxin Research	2,617,726
Southern Piedmont Conservation Research	2,659,303
Athens Subtotal	*24,931,390*
Georgia, Byron	
Fruit and Nut Research	3,650,947
Georgia, Dawson	
Peanut Research	3,878,854
Georgia, Griffin	
Plant Genetic Resources Conservation Research	2,318,940
Georgia, Tifton	
Crop Genetics and Breeding Research	2,205,021
Crop Protection and Management Research	4,075,707
Southeast Watershed Research	3,412,954
Tifton Subtotal	*9,693,682*
Subtotal, Georgia	***44,473,813***
Hawaii, Hilo—U.S. Pacific Basin Agricultural Research Center	
Tropical Crop and Commodity Protection Research Unit	5,961,010
Tropical Plant Genetic Resources and Disease Research Unit	3,583,427
Subtotal, Hawaii	***9,544,437***
Idaho, Aberdeen	
Small Grains and Potato Germplasm Research	6,011,779
Idaho, Boise	
Watershed Management Research	2,142,620
Idaho, Dubois	
Range Sheep Production Efficiency Research	2,149,498
Idaho, Kimberly	
Northwest Irrigation and Soils Research	3,584,719
Subtotal, Idaho	***13,888,616***
Illinois, Peoria—National Center for Agricultural Utilization Research	
Bacterial Foodborne Pathogens & Mycology Research	6,453,938
Bioenergy Research	4,215,810
Bio-Oils Research	4,260,469
Crop Bioprotection Research	2,876,133
Functional Foods Research	4,650,895

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Plant Polymer Research	5,032,373
Renewable Product Technology Research	4,328,884
Peoria Subtotal	*31,818,502*
Illinois, Urbana	
Global Change and Photosynthesis Research	2,959,242
Soybean/Maize Germplasm, Pathology, and Genetics Research	2,771,594
Urbana Subtotal	*5,730,836*
Subtotal, Illinois	***37,549,338***
Indiana, West Lafayette	
Crop Production and Pest Control Research	3,514,487
Livestock Behavior Research	1,471,316
National Soil Erosion Research	2,766,782
Subtotal, Indiana	***7,752,585***
Iowa, Ames	
Corn Insects and Crop Genetics Research	6,881,204
National Animal Disease Center:	
Food Safety and Enteric Pathogens	5,384,398
Infectious Bacterial Diseases	9,413,272
Ruminant Diseases and Immunology	7,217,472
Virus and Prion	10,029,973
Plant Introduction Research	3,407,852
National Laboratory for Agriculture and the Environment:	
Soil, Water & Air Resources Research	3,428,406
Agroecosystems Management Research	5,323,618
Subtotal, Iowa	***51,086,195***
Kansas, Manhattan—Center for Grain and Animal Health Research	
Arthropod-Borne Animal Diseases Research	3,133,205
Engineering and Wind Erosion Research	2,204,583
Grain Quality and Structure Research	2,973,412
Hard Winter Wheat Genetics Research	2,712,749
Stored Product Insect Research	2,777,678
Subtotal, Kansas	***13,801,627***
Kentucky, Bowling Green	
Animal Waste Management Research	2,583,864
Kentucky, Lexington	
Forage-Animal Production Research	2,635,527
Subtotal, Kentucky	***5,219,391***
Louisiana, Baton Rouge	

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Honey Bee Breeding, Genetics, and Physiology Research	2,580,696
Louisiana, Houma	
Sugarcane Research	4,068,690
Louisiana, New Orleans—Southern Regional Research Center	
Commodity Utilization Research	4,449,989
Cotton Chemistry and Utilization Research	3,573,813
Cotton Fiber Bioscience Research	1,344,318
Cotton Structure and Quality Research	3,535,833
Food and Feed Safety Research	4,871,129
Food Processing and Sensory Quality Research	4,509,075
Formosan Subterranean Termite Research	2,868,331
New Orleans Subtotal	*25,152,488*
Subtotal, Louisiana	***31,801,874***
Maine, Orono	
Cranberry Research	374,250
National Cold Water Marine Aquaculture Center	820,496
Subtotal, Maine	***1,194,746***
Maryland, Beltsville	
Animal and Natural Resources Institute:	
Animal Biosciences and Biotechnology Laboratory	6,675,716
Animal Improvement Programs Laboratory	2,632,700
Animal Parasitic Diseases Laboratory	6,850,965
Bovine Functional Genomics Laboratory	6,649,867
Crop Systems and Global Change Laboratory	2,673,959
Environmental Management and By-Product Utilization Laboratory	5,196,763
Environmental Microbial and Food Safety Laboratory	7,773,429
Hydrology and Remote Sensing Laboratory	4,861,439
Sustainable Agricultural Systems Laboratory	4,649,332
Beltsville Human Nutrition Research Center:	
Diet, Genomics and Immunology Laboratory	3,796,455
Food Components and Health Laboratory	5,636,649
Food Composition and Methods Development Laboratory	2,585,426
Food Surveys Research Group	6,588,506
Nutrient Data Laboratory	3,137,610
Plant Sciences Institute:	
Bee Research Laboratory	2,476,706
Food Quality Laboratory	3,895,437
Genetic Improvement for Fruits and Vegetables Laboratory	5,420,857
Invasive Insect Biocontrol and Behavior Laboratory	6,261,849
Molecular Plant Pathology Laboratory	3,673,159
National Germplasm Resources Laboratory	4,309,679
Nematology Laboratory	2,478,053
Soybean Genomics and Improvement Laboratory	4,169,210
Sustainable Perennial Crops Laboratory	4,100,507
Systematic Mycology and Microbiology Laboratory	1,953,259

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Systematics Entomology Laboratory	4,736,782
Beltsville Agricultural Research Center Subtotal	*113,184,314*
Maryland, Beltsville—National Agricultural Library	21,184,588
Maryland, Frederick	
Foreign Disease-Weed Science Research	5,630,325
Subtotal, Maryland	***139,999,227***
Massachusetts, Boston	
Human Nutrition Research Center on Aging	15,258,288
Subtotal, Massachusetts	***15,258,288***
Michigan, East Lansing	
Avian Disease and Oncology Research	3,269,791
Sugarbeet and Bean Research	1,326,766
Subtotal, Michigan	***4,596,557***
Minnesota, Morris	
Soil Management Research	2,643,268
Minnesota, St. Paul	
Cereal Disease Research	2,547,162
Plant Science Research	2,493,211
Soil and Water Management Research	1,752,683
St. Paul Subtotal	*6,793,056*
Subtotal, Minnesota	***9,436,324***
Mississippi, Mississippi State	
Crop Science Research Laboratory:	
Corn Host Plant Resistance Research	2,050,412
Genetics and Precision Agriculture Research	4,292,462
Poultry Research	2,873,253
Mississippi State Subtotal	*9,216,127*
Mississippi, Oxford	
National Sedimentation Laboratory:	
Water Quality and Ecology Research	3,345,131
Watershed Physical Processes	5,169,338
Natural Products Utilization Research	5,525,076
Oxford Subtotal	*14,039,545*
Mississippi, Poplarville	
Southern Horticultural Research	5,168,880
Mississippi, Stoneville	
Biological Control of Pests Research	5,246,151

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Catfish Genetics Research	8,860,750
Cotton Ginning Research	1,428,364
Crop Genetics Research	6,450,422
Crop Production Systems Research	5,655,407
Genomics and Bioinformatics Research	1,831,962
Human Nutrition Research	273,454
Southern Insect Management Research	4,687,200
Soybean Research	778,425
Stoneville Subtotal	*35,212,135*
Subtotal, Mississippi	***63,636,687***
Missouri, Columbia	
Biological Control of Insects Research	1,692,322
Cropping Systems and Water Quality Research	3,172,521
Plant Genetics Research	4,239,347
Subtotal, Missouri	***9,104,190***
Montana, Miles City	
Range and Livestock Research	3,337,966
Montana, Sidney—Northern Plains Agricultural Research Laboratory	
Agricultural Systems Research Unit	2,563,705
Pest Management Research Unit	2,573,427
Sidney Subtotal	*5,137,132*
Subtotal, Montana	***8,475,098***
Nebraska, Clay Center—U.S. Meat Animal Research Center	
Animal Health Research	1,552,861
Environmental Management Research	1,957,037
Genetics and Breeding Research	4,215,173
Meats Safety & Quality Research	5,349,777
Nutrition Research	2,972,038
Reproduction Research	3,537,864
Clay Center Subtotal	*19,584,750*
Nebraska, Lincoln	
Agroecosystem Management Research	3,175,627
Grain, Forage, and Bioenergy Research	2,808,228
Lincoln Subtotal	*5,983,855*
Subtotal, Nebraska	***25,568,605***
New Mexico, Las Cruces	
Cotton Ginning Research	1,856,867

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Range Management Research	4,174,766
Subtotal, New Mexico	***6,031,633***
New York, Geneva	
Grape Genetics Research	1,662,812
Plant Genetic Resources	2,263,266
Geneva Subtotal	*3,926,078*
New York, Greenport	
Foreign Animal Disease Research	3,840,400
New York, Ithaca	
Biological Integrated Pest Management Research	3,283,196
Plant, Soil and Nutrition Research	5,539,605
Plant-Microbe Interactions Research	1,771,550
Ithaca Subtotal	*10,594,351*
Subtotal, New York	***18,360,829***
North Carolina, Raleigh	
Food Science Research	1,310,075
Market Quality and Handling Research	1,112,911
Plant Science Research	4,922,910
Soybean and Nitrogen Fixation Research	2,055,687
Subtotal, North Carolina	***9,401,583***
North Dakota, Fargo—Red River Valley Agricultural Research Center	
Animal Metabolism-Agricultural Chemicals Research	2,405,557
Cereal Crops Research	4,104,352
Insect Genetics and Biochemistry Research	1,928,232
Sugarbeet and Potato Research	2,290,933
Sunflower and Plant Biology Research	3,542,935
Weed Biology Research	1,511,423
Fargo Subtotal	*15,783,432*
North Dakota, Grand Forks—Grand Forks Human Nutrition Research Center	
Dietary Prevention of Obesity-Related Research	4,337,437
Healthy Body Weight Research	5,224,694
Grand Forks Subtotal	*9,562,131*
North Dakota, Mandan	
Natural Resource Management Research	3,442,163
Subtotal, North Dakota	***28,787,726***

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Ohio, Columbus	
Soil Drainage Research	1,477,805
Ohio, Coshocton	
North Appalachian Experimental Watershed Research	1,250,740
Ohio, Wooster	
Application Technology Research	3,236,110
Corn and Soybean Research	879,325
Soft Wheat Quality Research	943,096
Wooster Subtotal	*5,058,531*
Subtotal, Ohio	***7,787,076***
Oklahoma, El Reno—Grazinglands Research Laboratory	
Forage and Livestock Production Research Unit	2,933,754
Great Plains Agroclimate and Natural Resources Research Unit	2,427,656
El Reno Subtotal	*5,361,410*
Oklahoma, Lane—South Central Agricultural Research Laboratory	
Genetics and Production Research	1,962,617
Oklahoma, Stillwater	
Hydraulic Engineering Research	938,916
Wheat, Peanut, and Other Field Crops Research	2,721,669
Stillwater Subtotal	*3,660,585*
Oklahoma, Woodward	
Rangeland and Pasture Research	1,645,398
Subtotal, Oklahoma	***12,630,010***
Oregon, Burns	
Range and Meadow Forage Management Research	2,726,833
Oregon, Corvallis	
Forage Seed and Cereal Research	4,633,549
Horticultural Crops Research	5,741,888
National Clonal Germplasm Repository	1,484,276
Corvallis Subtotal	*11,859,713*
Oregon, Pendleton	
Soil and Water Conservation Research	1,961,163
Subtotal, Oregon	***16,547,709***
Pennsylvania, University Park	
Pasture Systems & Watershed Management Research	4,216,231
Pennsylvania, Wyndmoor—Eastern Regional Research Center	
Biobased and Other Animal Co-Products Research	3,668,679

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Dairy and Functional Foods Research	4,966,168
Food Safety and Intervention Technologies Research	5,784,714
Molecular Characterization of Foodborne Pathogens Research	6,939,849
Residue Chemistry and Predictive Microbiology Research	4,766,582
Sustainable Biofuels and Co-Products Research	5,416,802
Wyndmoor Subtotal	*31,542,794*
Subtotal, Pennsylvania	***35,759,025***
South Carolina, Charleston	
Vegetable Research	4,434,754
South Carolina, Clemson	
Cotton Quality Research	2,355,935
South Carolina, Florence	
Coastal Plain Soil, Water and Plant Conservation Research	4,148,647
Subtotal, South Carolina	***10,939,336***
South Dakota, Brookings	
Integrated Cropping Systems Research	2,968,164
Subtotal, South Dakota	***2,968,164***
Texas, Beaumont	
Rice Research	1,428,857
Texas, Bushland—Conservation and Production Research Laboratory	
Renewable Energy and Manure Management Research	1,731,850
Soil and Water Management Research	5,228,070
Bushland Subtotal	*6,959,920*
Texas, College Station—Southern Plains Agricultural Research Center	
Areawide Pest Management Research	3,233,491
Cotton Pathology Research	1,511,849
Crop Germplasm Research	3,363,939
Food and Feed Safety Research	5,087,980
College Station Subtotal	*13,197,259*
Texas, Houston	
Children's Nutrition Research Center	13,677,579
Texas, Kerrville—Knipling-Bushland U.S. Livestock Insects Research Laboratory	
Screwworm Research	1,023,231
Tick and Biting Fly Research	4,640,802
Kerrville Subtotal	*5,664,033*
Texas, Lubbock—Cropping Systems Research Laboratory	

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Cotton Production and Processing Research	1,187,720
Livestock Issues Research	1,157,043
Plant Stress and Germplasm Development Research	3,635,239
Wind Erosion and Water Conservation Research	3,058,531
Lubbock Subtotal	*9,038,533*
Texas, Temple	
Grassland, Soil and Water Research Laboratory	3,585,877
Texas, Weslaco—Kika de la Garza Subtropical Agricultural Research Center	
Beneficial Insects Research	2,967,672
Crop Quality and Fruit Insects Research	1,972,766
Honey Bee Research	1,616,482
Integrated Farming and Natural Resources Research	3,140,728
Weslaco Subtotal	*9,697,648*
Subtotal, Texas	***63,249,706***
Utah, Logan	
Forage and Range Research	3,931,926
Poisonous Plant Research	3,292,975
Pollinating Insect-Biology, Management, Systematics Research	1,784,531
Subtotal, Utah	***9,009,432***
Washington, Prosser	
Vegetable and Forage Crops Production Research	3,319,128
Washington, Pullman	
Animal Disease Research	6,957,540
Grain Legume Genetics Physiology Research	974,874
Land Management and Water Conservation Research	1,673,928
Plant Germplasm Introduction and Testing Research	2,735,366
Root Disease and Biological Control Research	1,485,447
Wheat Genetics, Quality Physiology and Disease Research	2,686,923
Pullman Subtotal	*16,514,078*
Washington, Wapato	
Fruit and Vegetable Insect Research	4,550,497
Washington, Wenatchee	
Physiology and Pathology of Tree Fruits Research	2,107,760
Subtotal, Washington	***26,491,463***
West Virginia, Beaver	
Appalachian Farming Systems Research Center	7,376,867
West Virginia, Kearneysville—Appalachian Fruit Research Laboratory	
Innovative Fruit Production, Improvement and Protection	7,185,870
West Virginia, Leetown	

United States Department of Agriculture—Continued
Agricultural Research Service
FY 2011 Estimated Research Funding by Location
($ in thousands)

Location	2011 NTL Estimate
Cool and Cold Water Aquaculture Research	7,157,417
Subtotal, West Virginia	***21,720,154***
Wisconsin, Madison	
Cereal Crops Research	2,657,598
U.S. Dairy Forage Research Center:	
Cell Wall Biology and Utilization Research	3,019,146
Dairy Forage and Aquaculture Research	4,696,175
Environmentally Integrated Dairy Management	1,781,972
Vegetable Crops Research	3,933,194
Subtotal, Wisconsin	***16,088,085***
Wyoming, Cheyenne	
Rangeland Resources Research	2,313,149
Subtotal, Wyoming	***2,313,149***
Puerto Rico, Mayaguez	
Tropical Crops and Germplasm Research	2,837,405
Subtotal, Puerto Rico	***2,837,405***
Other Countries	
Argentina, Buenos Aires—South American Biological Control Laboratory	532,225
France, Montpellier—European Biological Control Laboratory	3,078,341
Subtotal, Other Countries	***3,610,566***
ARS Research Total	**965,639,582**
Repair & Maintenance of Facilities (Arboretum & NAL)	1,553,266
Office of the Director—WRRC Renovation	495,096
Administrator and Immediate Staffs	54,740,337
National Programs	36,916,510
Administrtive and Financial Management	28,557,007
Research Operations and Management	16,994,855
Beltsville Area Office of the Director	5,936,605
North Atlantic Area Office of the Director	3,291,214
Midwest Area Office of the Director	3,252,327
Pacific West Area Office of the Director	3,751,231
Northern Plains Area—Office of the Director	3,276,233
Southern Plains Area Office of the Director	2,819,470
Mid South Area Office of the Director	2,913,196
South Atlantic Area Office of the Director	3,093,069
Subtotal, Admin	*165,542,054*
Total ARS	**1,133,229,998**

8. Annual Delivery Cost (FY 2002–FY 2011)

United States Department Of Agriculture
Agricultural Research Service
Annual Delivery Cost (FY 2007–FY 2011)

USDA Strategic Goal 1: Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving.

Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Product Quality/Value Added	95,383	94,310	96,737	99,496	99,950
Livestock Production	38,510	38,077	38,830	39,368	39,547
Crop Production	114,550	113,262	115,396	107,564	119,763
National Agricultural Library	21,428	20,843	21,022	21,213	20,010
Repair and Maintenance	17,635	17,524	17,491	17,461	17,503
Collaborative Research Program	2,959	3,824	2,913	—	—
Miscellaneous Fees	8,727	554	120	167	—
Indirect Costs	28,263	29,000	30,220	29,738	31,030
Total Costs	327,455	317,394	322,729	315,007	327,803
FTEs	2,182	2,154	2,114	2,106	2,436

Note: Total is from 2012 and was based on the Full Year Continuing Resolution.

USDA Strategic Goal 2: Ensure our National Forests and private working lands are conserved, restored, and made more resilient to climate change, while enhancing our water resources.

Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Environmental Stewardship	178,547	176,539	179,109	185,975	186,825

Indirect Costs	18,699	19,211	19,901	20,664	20,758
Total Costs	197,246	195,750	199,010	206,639	207,583
FTEs	2,084	2,058	2,024	2,017	1,709

USDA Strategic Goal 3: Help America promote agricultural production and biotechnology exports as America works to increase food security.

Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Livestock Production	38,510	38,077	38,830	39,368	39,548
Crop Production	91,081	90,058	91,880	107,564	96,348
Indirect Costs	13,572	13,943	14,523	16,326	15,100
Total Costs	143,163	142,078	145,233	163,258	150,996
FTEs	1,079	1,065	1,050	1,056	1,060

USDA Strategic Goal 4: Ensure that all of America's children have access to safe, nutritious and balanced meals.

Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Food Safety	94,818	94,240	95,126	96,837	96,837
Human Nutrition	77,545	76,964	76,778	80,761	80,761
Livestock Protection	78,528	73,967	74,659	80,825	81,194
Crop Protection	178,341	176,334	180,283	184,346	185,140
H1N1 Transfer	—	—	—	1,416	—
Indirect Costs	44,952	45,868	47,427	49,197	49,325
Total Costs	474,184	467,373	474,273	493,382	493,257

Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
FTEs	3,166	3,130	3,080	3,103	3,077

Note: Annual delivery cost is reported consistent with the President's 2012 Budget and the USDA Strategic Plan FY 2010–2015.

9. Eligibility Criteria

ARS is not a granting agency and as such does not have programs that distribute money to outside organizations and thus does not have eligibility criteria for its programs.

10. Utilization (Participation) Data

In the traditional sense, because ARS is an intramural research agency, it does not have direct outside utilization of it programs by other individuals or entities through granting. However, the agency does execute a large number of extramural agreements with other research organizations and does provide funding to aid in the completion of these projects by our collaborators. A summary of the agency's current extramural agreements is below and a detailed list follows. The table below reflects the aggregate of agreements currently in force. These agreements may have been entered into and funds obligated as early as 2006.

Performing Organization Type	Number of Agreements	Dollar Amount
Other Federal Agency	1	$150,000.00
State Agricultural Experiment Station	34	$36,766,986.24
1862 Land-Grant College	1,335	$189,618,764.02
1890 Land-Grant College or Tuskegee Institute	138	$17,860,097.79
Private University or College	46	$54,664,158.92
Public University or College (non-land-grant)	114	$53,134,432.50
Private for Profit Organization	14	$797,632.44
Private nonprofit Organization	112	$78,111,607.51
State or Local Government	8	$1,642,399.00
Small Business	4	$836,658.35
Minority-owned Business	1	$45,000.00
Female Owned Business	2	$95,000.00
Other	5	$1,741,095.10
Individual	4	$293,775.00
Tribal Colleges and Universities	1	$102,000.00
Foreign	97	$10,610,575.57
Total	**1,916**	**$446,470,182.44**

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
FR Other Federal Agency	NASA Goddard Space Flight Center	1	$150,000.00
SA State Agricultural Experiment Station	Connecticut Agricultural Experiment Station	2	$3,950,532.00
SA State Agricultural Experiment Station	Mississippi Agri & Forestry Exp Station	29	$30,708,547.24
SA State Agricultural Experiment Station	Rutgers-New Jersey Agricultural Exper Sta	2	$1,976,457.00
SA State Agricultural Experiment Station	Texas Agricultural Experiment Station	1	$131,450.00
LG 1862 Land-Grant College	Arizona Board Of Regents	9	$2,296,472.94
LG 1862 Land-Grant College	Auburn University	10	$5,000,208.94
LG 1862 Land-Grant College	Board of Regents—Univ of Wisconsin System	14	$913,982.67
LG 1862 Land-Grant College	Board of Trustees of the Univ of Illinois	3	$935,280.00
LG 1862 Land-Grant College	Clemson University	11	$1,219,728.86
LG 1862 Land-Grant College	Colorado State University	25	$2,105,979.45
LG 1862 Land-Grant College	Cornell University	53	$7,323,596.03
LG 1862 Land-Grant College	Curators of the University of Missouri	26	$7,473,576.87
LG 1862 Land-Grant College	Iowa State University	50	$3,090,966.48
LG 1862 Land-Grant College	Kansas State University	43	$6,817,111.89
LG 1862 Land-Grant College	Louisiana State Univ Agricultural Center	18	$8,471,005.47

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
LG 1862 Land-Grant College	Michigan State University	37	$3,829,112.74
LG 1862 Land-Grant College	Mississippi State University	9	$7,676,027.00
LG 1862 Land-Grant College	Montana State University	7	$151,474.06
LG 1862 Land-Grant College	New Mexico State University	21	$2,366,107.72
LG 1862 Land-Grant College	North Carolina Agricultural Research Service	55	$3,819,326.99
LG 1862 Land-Grant College	North Carolina State University	4	$170,640.00
LG 1862 Land-Grant College	North Dakota State University	59	$7,362,212.36
LG 1862 Land-Grant College	Ohio State University Libraries	1	$4,000.00
LG 1862 Land-Grant College	Ohio State University Research Foundation	14	$2,726,026.25
LG 1862 Land-Grant College	Oklahoma State University	19	$693,196.24
LG 1862 Land-Grant College	Oregon State University	87	$7,425,573.67
LG 1862 Land-Grant College	Pennsylvania State University	29	$2,779,442.93
LG 1862 Land-Grant College	Purdue University	31	$6,867,373.78
LG 1862 Land-Grant College	Regents of the University of California	89	$17,035,168.73
LG 1862 Land-Grant College	Regents of the University of Minnesota	14	$2,796,725.31
LG 1862 Land-Grant College	Rutgers, The State University of New Jersey	7	$743,699.60
LG 1862 Land-Grant College	South Dakota State University	17	$2,051,651.23
LG 1862 Land-Grant College	Texas A&M University	9	$337,883.00
LG 1862 Land-Grant College	Texas A&M University-Kingsville	3	$74,000.00
LG 1862 Land-Grant College	Texas AgriLife Research	34	$5,627,731.56
LG 1862 Land-Grant College	The Board of Trustees, University of Illinois	6	$281,745.08
LG 1862 Land-Grant College	The Ohio State University	14	$120,464.95
LG 1862 Land-Grant College	U of AK—Alaska Agric & Forestry Exp Sta	2	$113,250.50
LG 1862 Land-Grant College	U of ID—Idaho Agricultural Exp Sta	2	$140,086.51
LG 1862 Land-Grant College	University of Alaska	6	$2,901,927.79
LG 1862 Land-Grant College	University of Alaska Museum	2	$27,401.00
LG 1862 Land-Grant College	University of Arizona	4	$73,143.92
LG 1862 Land-Grant College	University of Arkansas	20	$1,240,258.30
LG 1862 Land-Grant College	University of California	3	$112,500.00
LG 1862 Land-Grant College	University of California, Davis	58	$2,126,281.93
LG 1862 Land-Grant College	University of Connecticut	8	$5,344,456.98
LG 1862 Land-Grant College	University of Delaware	17	$689,161.03
LG 1862 Land-Grant College	University of Florida	32	$3,088,401.12
LG 1862 Land-Grant College	University of Georgia	7	$271,828.00
LG 1862 Land-Grant College	University of Hawaii	23	$7,054,349.38
LG 1862 Land-Grant College	University of Idaho	22	$2,404,977.12
LG 1862 Land-Grant College	University of Illinois	44	$6,211,402.53
LG 1862 Land-Grant College	University of Kentucky	3	$281,017.72
LG 1862 Land-Grant College	University of Kentucky Research Foundation	9	$5,987,369.21
LG 1862 Land-Grant College	University of Maine	9	$417,891.00
LG 1862 Land-Grant College	University of Maryland at College Park	44	$5,265,610.54
LG 1862 Land-Grant College	University of Maryland Biotechnology Inst	1	$41,042.00
LG 1862 Land-Grant College	University of Massachusetts	2	$47,319.00
LG 1862 Land-Grant College	University of Minnesota	30	$1,984,057.37
LG 1862 Land-Grant College	University of Nebraska	31	$5,076,024.35
LG 1862 Land-Grant College	University of Nevada	9	$625,104.00
LG 1862 Land-Grant College	University of Puerto Rico	3	$220,062.83

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
LG 1862 Land-Grant College	University of Rhode Island	1	$106,680.00
LG 1862 Land-Grant College	University of Tennessee	19	$3,305,247.57
LG 1862 Land-Grant College	University of Texas Medical Branch	3	$55,948.80
LG 1862 Land-Grant College	University of Vermont & St Agricultural Col	3	$54,979.00
LG 1862 Land-Grant College	University of Wisconsin—Madison	40	$2,419,070.00
LG 1862 Land-Grant College	University of Wyoming	6	$416,685.31
LG 1862 Land-Grant College	Utah State University	16	$2,715,207.87
LG 1862 Land-Grant College	Virginia Polytechnic Institute and State Univ	14	$4,082,277.28
LG 1862 Land-Grant College	West Virginia University Research Corporation	4	$3,548,993.27
HB 1890 Land-Grant College or Tuskegee Institute	Alabama A&M University	3	$672,747.22
HB 1890 Land-Grant College or Tuskegee Institute	Alcorn State University	3	$1,652,469.83
HB 1890 Land-Grant College or Tuskegee Institute	Delaware State University	3	$104,371.11
HB 1890 Land-Grant College or Tuskegee Institute	Florida A&M University	1	$516,283.00
HB 1890 Land-Grant College or Tuskegee Institute	Fort Valley State University	1	$4,000.00
HB 1890 Land-Grant College or Tuskegee Institute	North Carolina Agric & Tech State University	1	$22,000.00
HB 1890 Land-Grant College or Tuskegee Institute	Southern University & A&M College	1	$1,262,000.00
HB 1890 Land-Grant College or Tuskegee Institute	Tennessee State University	3	$2,233,030.51
HB 1890 Land-Grant College or Tuskegee Inst.	Tuskegee University	1	$125,358.15
HB 1890 Land-Grant College or Tuskegee Institute	University of Arkansas at Pine Bluff	5	$1,261,534.45
HB 1890 Land-Grant College or Tuskegee Institute	University Of Maryland/Eastern Shore	4	$503,000.00
HB 1890 Land-Grant College or Tuskegee Institute	Virginia State University	1	$37,029.00
HB 1890 Land-Grant College or Tuskegee Institute	Washington State University	109	$8,956,772.52
HB 1890 Land-Grant College or Tuskegee Institute	West Virginia State Univ Res and Dev Corp	3	$519,502.00
PR Private University or College	Abilene Christian University	1	$5,000.00
PR Private University or College	Baylor College of Medicine	6	$17,670,562.00
PR Private University or College	Brandeis University	1	$249,447.00
PR Private University or College	Brigham Young University	1	$30,890.45
PR Private University or College	Columbia University in the City of New York	2	$256,341.00
PR Private University or College	Drexel University	3	$10,000.00
PR Private University or College	Duke University	1	$20,000.00
PR Private University or College	Eastern Mennonite University	1	$15,000.00
PR Private University or College	Johns Hopkins University	1	$2,798,370.00
PR Private University or College	Miami University	1	$268,494.00
PR Private University or College	Mountain State University	1	$725,755.49

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
PR Private University or College	Texas Christian University	1	$20,000.00
PR Private University or College	Tufts University	15	$28,151,966.58
PR Private University or College	Tulane University	3	$2,596,653.73
PR Private University or College	Washington University in St. Louis	3	$81,166.00
PR Private University or College	William Carey University	1	$14,883.00
PR Private University or College	Wilson College	1	$20,000.00
PR Private University or College	Wittenberg University	1	$8,000.00
PR Private University or College	Xavier University	1	$14,674.35
PR Private University or College	Yale University	1	$1,706,955.32
PU Public University or College (non-land-grant)	Arkansas State University	2	$82,979.97
PU Public University or College (non-land-grant)	Board of Trustees, Southern Illinois Univ	1	$624,390.00
PU Public University or College (non-land-grant)	California State Univ Fresno	1	$27,390.00
PU Public University or College (non-land-grant)	Columbia Basin College	1	$10,000.00
PU Public University or College (non-land-grant)	Florida Atlantic University	1	$1,659,942.12
PU Public University or College (non-land-grant)	George Mason University	1	$30,000.00
PU Public University or College (non-land-grant)	George Mason University	3	$129,680.00
PU Public University or College (non-land-grant)	Indiana University	1	$63,631.00
PU Public University or College (non-land-grant)	Mississippi Valley State University	4	$31,276.00
PU Public University or College (non-land-grant)	Northern Illinois University	2	$61,000.00
PU Public University or College (non-land-grant)	Ohio State University Agricultural Tech Inst	1	$54,667.00
PU Public University or College (non-land-grant)	Southeastern Louisiana University	1	$11,700.00
PU Public University or College (non-land-grant)	Southern Illinois University	1	$16,000.00
PU Public University or College (non-land-grant)	Stephen F. Austin State University	2	$11,000.00
PU Public University or College (non-land-grant)	Tarleton State University	1	$9,955.96
PU Public University or College (non-land-grant)	Tennessee Tech University	1	$10,800.00
PU Public University or College (non-land-grant)	Texas State University	8	$2,694,602.00
PU Public University or College (non-land-grant)	Truman State University	1	$9,756.00
PU Public University or College (non-land-grant)	University of Akron	1	$6,600.00
PU Public University or College (non-land-grant)	University of Arkansas at Little Rock	1	$1,153,656.00
PU Public University or College (non-land-grant)	University of Central Florida	1	$151,847.95
PU Public University or College (non-land-grant)	University of Iowa	5	$123,500.00
PU Public University or College (non-land-grant)	University of Louisiana at Lafayette	1	$33,265.00

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
PU Public University or College (non-land-grant)	University of Maryland	11	$448,046.87
PU Public University or College (non-land-grant)	University of Memphis	1	$46,628.00
PU Public University or College (non-land-grant)	University of Mississippi	15	$25,963,746.17
PU Public University or College (non-land-grant)	University of Missouri	5	$1,105,355.00
PU Public University or College (non-land-grant)	University of New Orleans	2	$20,004.00
PU Public University or College (non-land-grant)	University of North Carolina	1	$9,600.00
PU Public University or College (non-land-grant)	University of North Dakota	8	$6,477,316.47
PU Public University or College (non-land-grant)	University of North Texas	2	$431,219.00
PU Public University or College (non-land-grant)	University of Northern Iowa	1	$59,826.00
PU Public University or College (non-land-grant)	University of Oklahoma	1	$3,839.98
PU Public University or College (non-land-grant)	University of Oregon	1	$15,000.00
PU Public University or College (non-land-grant)	University of Pittsburgh	2	$71,543.00
PU Public University or College (non-land-grant)	University of Southern Mississippi	1	$1,300,000.00
PU Public University or College (non-land-grant)	University of Toledo	4	$2,453,938.77
PU Public University or College (non-land-grant)	University of Washington	6	$773,600.64
PU Public University or College (non-land-grant)	University of Wisconsin—Milwaukee	1	$995,206.00
PU Public University or College (non-land-grant)	West Chester University of Pennsylvania	1	$39,991.00
PU Public University or College (non-land-grant)	West Texas A&M University	5	$831,610.00
PU Public University or College (non-land-grant)	Western Illinois University Inc	1	$75,000.00
PU Public University or College (non-land-grant)	Western Kentucky University	3	$5,005,322.60
PP Private for Profit Organization	Agriculture Development Group, Inc.	1	$137,695.00
PP Private for Profit Organization	Biotechnology Foundation, Inc.	1	$195,122.00
PP Private for Profit Organization	Clear Springs Foods, Inc.	1	$30,000.00
PP Private for Profit Organization	Craft Technologies Inc	1	$3,240.00
PP Private for Profit Organization	Duarte Nursery/Dry Creek Laboratories	1	$5,000.00
PP Private for Profit Organization	Empire Prototype and Product Development, Inc.	1	$125,492.44
PP Private for Profit Organization	Fabrate, LLC	1	$20,000.00
PP Private for Profit Organization	ISCA Technologies	1	$50,000.00
PP Private for Profit Organization	Norwalt Design, Inc.	1	$59,310.00
PP Private for Profit Organization	Pasteuria BioScience	1	$48,519.00
PP Private for Profit Organization	Peerbolt Crop Management	1	$30,254.00
PP Private for Profit Organization	Smith Helicopters, Inc.	1	$55,000.00

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
PP Private for Profit Organization	SPECTIR LLC	1	$46,000.00
PP Private for Profit Organization	Spectrum Research Inc.	1	$7,000.00
PP Private for Profit Organization	Tetracam Company, Inc.	1	$5,000.00
PN Private nonprofit Organization	American Assoc of Botanic Gardens & Arboreta	1	$165,855.00
PN Private nonprofit Organization	American Biological Safety Association	1	$4,000.00
PN Private nonprofit Organization	American Chemical Society	1	$3,400.00
PN Private nonprofit Organization	American Council for Food Safety & Quality	1	$43,000.00
PN Private nonprofit Organization	American Indian Science & Engineering Society	1	$20,000.00
PN Private nonprofit Organization	American Phytopathological Society	1	$33,000.00
PN Private nonprofit Organization	American Society for Nutrition, Inc.	1	$4,000.00
PN Private nonprofit Organization	American Society for Testing Materials	1	$39,933.52
PN Private nonprofit Organization	AOAC	1	$2,000.00
PN Private nonprofit Organization	Arkansas Children's Hospital	3	$34,243,929.10
PN Private nonprofit Organization	Arkansas Children's Hospital Research Center	1	$1,637,550.00
PN Private nonprofit Organization	Audubon Nature Institute	1	$692,046.66
PN Private nonprofit Organization	Beet Sugar Development Foundation	1	$58,659.85
PN Private nonprofit Organization	Biotechnology Res & Develop Center	2	$9,325,847.00
PN Private nonprofit Organization	Boys, Girls, & Adults Comm Dev Ctr (BGACDC)	1	$282,500.00
PN Private nonprofit Organization	Brooklyn Botanic Garden	1	$5,000.00
PN Private nonprofit Organization	Canaan Valley Institute, Inc.	1	$1,286,972.00
PN Private nonprofit Organization	Cary Christian Center, Inc.	1	$4,000.00
PN Private nonprofit Organization	Cold Spring Harbor Laboratory	1	$548,750.79
PN Private nonprofit Organization	Conference on Asian Pacific American Leadersh	1	$22,500.00
PN Private nonprofit Organization	Council for Agricultural Sci & Tech (CAST)	1	$20,000.00
PN Private nonprofit Organization	Crow Valley Livestock Coop Inc	1	$258,302.24
PN Private nonprofit Organization	Delta Health Alliance	2	$500,268.00
PN Private nonprofit Organization	Donald Danforth Plant Science Center	1	$50,000.00
PN Private nonprofit Organization	Environmental Resource Coalition	1	$96,702.39
PN Private nonprofit Organization	Farm Foundation	2	$57,000.00
PN Private nonprofit Organization	FASEB	1	$5,000.00
PN Private nonprofit Organization	Geisinger Clinic	1	$362,085.57
PN Private nonprofit Organization	Gordon Research Conferences	1	$4,000.00

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
PN Private nonprofit Organization	Hawaii Agriculture Research Center	1	$1,712,779.00
PN Private nonprofit Organization	High Plains RCD Council, Inc.	1	$2,500.00
PN Private nonprofit Organization	Imperial Valley Cons Res Ctr Com	1	$180,820.00
PN Private nonprofit Organization	J. Craig Venter Institute	3	$898,755.00
PN Private nonprofit Organization	Just Food, Inc.	1	$4,900.00
PN Private nonprofit Organization	Malpais Borderlands Group	1	$10,000.00
PN Private nonprofit Organization	Marshfield Clinic Research	1	$66,000.00
PN Private nonprofit Organization	MBI International	1	$962,000.00
PN Private nonprofit Organization	MedStar Health Research Institute	2	$286,590.00
PN Private nonprofit Organization	Methyl Bromide Alternatives Outreach	1	$40,000.00
PN Private nonprofit Organization	Michael Fields Agricultural Institute	1	$624,213.00
PN Private nonprofit Organization	Missouri Botanical Garden	1	$60,000.00
PN Private nonprofit Organization	Morton Arboretum	2	$34,535.00
PN Private nonprofit Organization	Nat Assoc of Seed and Venture Funds (NASVF)	1	$25,000.00
PN Private nonprofit Organization	National Academy of Sciences	1	$50,000.00
PN Private nonprofit Organization	National Center for Genome Resources	6	$4,378,850.00
PN Private nonprofit Organization	National Cotton Council	1	$333,836.00
PN Private nonprofit Organization	National Turfgrass Evaluation Program, Inc.	1	$8,000.00
PN Private nonprofit Organization	Pollinator Partnership	1	$12,927.00
PN Private nonprofit Organization	Potato Variety Management Institute	1	$14,237.00
PN Private nonprofit Organization	Practical Farmers of Iowa	1	$173,072.00
PN Private nonprofit Organization	Research Foundation of SUNY	1	$236,735.00
PN Private nonprofit Organization	Rodale Institute	4	$498,062.00
PN Private nonprofit Organization	Samuel Roberts Noble Foundation	2	$11,800.00
PN Private nonprofit Organization	Society for Range Management	3	$69,512.00
PN Private nonprofit Organization	Soil and Water Conservation Society	3	$16,300.00
PN Private nonprofit Organization	Sugar Processing Research Institute	1	$86,666.66
PN Private nonprofit Organization	The Conservation Fund	2	$11,339,104.00
PN Private nonprofit Organization	The Institute for Genomic Research (TIGR)	1	$53,625.00
PN Private nonprofit Organization	The Research Foundation of SUNY	1	$11,215.42
PN Private nonprofit Organization	The Student Conservation Association, Inc.	2	$88,608.00
PN Private nonprofit Organization	U.S. Civilian Research & Develop. Foundation	1	$4,361,346.00

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
PN Private nonprofit Organization	University of Alabama	2	$253,193.00
PN Private nonprofit Organization	University of Georgia Research Foundation	31	$1,494,236.30
PN Private nonprofit Organization	Woods End Research Laboratory	1	$30,000.00
PN Private nonprofit Organization	World Food Prize Foundation	2	$477,146.00
SL State or Local Government	Arizona Cotton Research & Protection Council	1	$158,699.00
SL State or Local Government	Nevada Tahoe Conservation District	1	$4,100.00
SL State or Local Government	Oklahoma Water Resource Board	1	$274,100.00
SL State or Local Government	Pennington Biomedical Research Center	2	$1,123,500.00
SL State or Local Government	Soil & Water Conser District Dekalb County	1	$72,000.00
SL State or Local Government	Texas Engineering Experiments Station	2	$10,000.00
SB Small Business	Alaska Berries	1	$1,658.35
SB Small Business	Applied Biomics, Inc.	1	$16,188.00
SB Small Business	Crystal River	1	$30,000.00
SB Small Business	Houma Avionics, Inc.	1	$5,000.00
SB Small Business	Service Specialist, Ltd.	1	$800,000.00
MO Minority-owned Business	Federal Asian Pacific American Council	1	$45,000.00
FO Female Owned Business	ASOMBRO Institute for Science Education	1	$13,000.00
FO Female Owned Business	Bluewave Microbics, LLC	1	$82,000.00
OT Other	Akwesasne Task Force on the Environment	1	$30,000.00
OT Other	Boyce Thompson Inst Plant Rsch, Inc.	2	$1,674,907.10
IN Individual	Barry Lavine	1	$12,075.00
IN Individual	Brent Larson	1	$8,000.00
IN Individual	Darrel M. Temple	1	$198,700.00
IN Individual	Earline Strickland	1	$75,000.00
TC Tribal Colleges and Universities	Cankdeska Cikana Community College	1	$102,000.00
FN Foreign	Agricultural Research Council	1	$33,000.00
FN Foreign	Agriculture and Agri-Food Canada	1	$85,800.00
FN Foreign	Al-Qasemi Academic Collage	1	$40,000.00
FN Foreign	Animal Sciences Institute	1	$243,902.00
FN Foreign	Azerbaijan National Academy of Sciences	1	$4,000.00
FN Foreign	Biotechnology & Biological Control Agency	3	$40,000.00
FN Foreign	Bioversity International	1	$165,659.00
FN Foreign	Bioversity International—CIAT	1	$32,580.00
FN Foreign	Cabi BioSciences, U.K.	2	$987,808.00
FN Foreign	CAPECO	1	$182,500.00
FN Foreign	CATIE	3	$150,659.00
FN Foreign	Chinese Academy of Agricultural Sciences	1	$464,508.65
FN Foreign	Chung-Ang University	1	$20,000.00
FN Foreign	CIMMYT	4	$441,403.15
FN Foreign	CIRAD–BIOS	2	$160,900.00
FN Foreign	Cocoa Research Institute of Ghana	1	$80,000.00
FN Foreign	CONCELLAE, AB	1	$40,000.00

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
FN Foreign	Consultoria Agropecuaria Junior (CONAPEC Jr.)	1	$7,000.00
FN Foreign	CORPOINIAP	1	$87,000.00
FN Foreign	CSIRO Entomology	1	$1,835,431.00
FN Foreign	Department of Animal Health	1	$269,000.00
FN Foreign	Department of Veterinary Services	1	$13,500.00
FN Foreign	Elhawakeer-Association	1	$40,000.00
FN Foreign	Far East Forestry Research Institute	1	$25,000.00
FN Foreign	Federal University of Santa Maria	1	$35,000.00
FN Foreign	Gyeongsang National University	1	$60,309.00
FN Foreign	Honduran Foundation for Agriculture Research	1	$7,000.00
FN Foreign	ICARDA	4	$80,000.00
FN Foreign	ICIPE—Intl Centre of Insect Physio and Ecol	2	$185,000.00
FN Foreign	IICA Costa Rica	1	$3,000.00
FN Foreign	ILIA Chavchavadze State University	1	$13,370.00
FN Foreign	Indian Council of Agricultural Research	1	$453,000.00
FN Foreign	INIA	1	$39,000.00
FN Foreign	INIAP	1	$6,150.00
FN Foreign	INIFAP	2	$45,500.00
FN Foreign	INRA Animal Genetics Division	1	$5,000.00
FN Foreign	Institute of Botany	1	$24,000.00
FN Foreign	Instituto de Cultivos Tropicales	1	$455,000.00
FN Foreign	Instituto Nacional de Technologia Agropecuari	3	$219,890.00
FN Foreign	Instituto UNIEMP	1	$143,080.00
FN Foreign	International Institute Tropical Agriculture	4	$216,898.00
FN Foreign	International Livestock Research Institute	2	$319,500.00
FN Foreign	International Potato Center (CIP)	1	$4,500.00
FN Foreign	International Science & Technology Center	1	$868,730.00
FN Foreign	Kenya Agricultural Research Service	2	$257,968.00
FN Foreign	Kenya Medical Research Institute	1	$250,000.00
FN Foreign	Kyrgyz National Agrarian University	1	$17,490.00
FN Foreign	Ministry of Agriculture & Land Reclamation	1	$100,000.00
FN Foreign	National Genebank of Morocco	1	$4,000.00
FN Foreign	Natl Ctr for Agr Reseach & Extension (NCARE)	1	$17,000.00
FN Foreign	Philippine Animal Health Center (PAHC)	2	$487,652.00
FN Foreign	PICTIPAPA	1	$12,541.00
FN Foreign	Plant Research (NZ) Ltd	1	$3,787.28
FN Foreign	Polish Academy of Sciences	1	$16,000.00
FN Foreign	Punjab Agricultural University	1	$80,000.00
FN Foreign	Rothamsted Experiment Station	1	$5,000.00
FN Foreign	Seoul National University	2	$20,000.00

Type Perf Org Description	Cooperator Name	Number of Agreements	Dollar Amount
FN Foreign	Simon Fraser University	2	$115,000.00
FN Foreign	South African Agricultural Research Council	1	$3,000.00
FN Foreign	Tel Aviv University	2	$33,000.00
FN Foreign	The University of Adelaide	1	$132,000.00
FN Foreign	Universidad Autonoma de Zacateca	1	$2,000.00
FN Foreign	University of Calgary	1	$22,000.00
FN Foreign	University of Ottawa	1	$64,940.00
FN Foreign	University of Reading	2	$146,265.00
FN Foreign	University of Saskatchewan	1	$7,000.00
FN Foreign	University of Science and Technology of China	1	$15,000.00
FN Foreign	University of the West Indies	2	$128,574.49
FN Foreign	Wuhan Botanical Garden, Chinese Academy Scienc	1	$32,780.00
FN Foreign	Zentralverband der Deutschen Schweineprodukti	1	$4,000.00
		1,916	**$446,470,182.44**

11. Duplication or Overlap with Other Programs

ARS research does not duplicate or overlap other programs. REE and ARS are committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, ARS and NIFA leadership, program managers, and researchers rigorously track scientific projects to avoid duplication. In addition NIFA and ARS hold joint stakeholder meetings on scientific research to pull together research projects that are compatible and not duplicative.

ARS does play a critical role in providing research relevant to the mission of USDA's action and regulatory agencies and other Federal departments. Examples include:

- Research on bacterial pathogens in produce and meats is relevant to the missions of the Food and Drug Administration and the USDA, Food Safety and Inspection Service, respectively.
- Improving conservation practices enhances the environmental benefits of farm bill conservation programs and supports the mission of the Natural Resources Conservation Service.
- Research on the nutrient needs of children, adults and the elderly provides the science base to undergird U.S. food policy, the *Dietary Guidelines for Americans,* essential to the missions of USDA (Food and Nutrition Service (FNS), Center for Nutrition Policy and Promotion (CNPP), ERS), Health and Human Services (Food and Drug Administration (FDA), CDC, NIH), and the Department of Defense.
- Determining the effects of biotech products on the ground beetle population benefits sustainable agricultural productivity and also is relevant to the mission of USDA, APHIS, Biotechnology Regulatory Services.
- Long-term assessment of the effectiveness of biotech products contributes to maintaining crop disease protection but is also relevant to the mission of the Environmental Protection Agency.
- Research on tree pathogens benefits fruit tree improvement but is also relevant to forest trees and contributes to the mission of the Forest Service.
- Research on reducing cereal grain mycotoxins improves grain quality but is also relevant to the mission of the Grain Inspection, Packers, and Stockyards Administration (GIPSA).
- Research on effective biological control of invasive weeds and pests supports sustainable farming systems but is also be relevant to protecting the U.S. border and the mission of Homeland Security.
- Developing new sorghum and forage grass germplasm with high value for animal feed also benefits the mission of the Department of Energy to develop biofuels.

- Creation of planning tools for research, development, and commercial production of biofuels benefits plans for the Department of Defense and the Federal Aviation Administration to achieve diverse fuel sources.
- Research contributing to the sound design, maintenance, and assessment of dams, levees, and channels for water storage and control supports the mission of the Army Corps of Engineers and the Federal Emergency Management Agency.
- Development of vaccines, diagnostic tests and other countermeasures to control foreign animal diseases in coordination with the Department of Homeland Security to help the Animal Plant Health Inspection Services to protect the United States from these diseases.
- Research to develop and validate novel methods to protect United States military deployed abroad from threats posed by disease-carrying insects. This program is in support of the Department of Defense.

ARS partners with other Federal agencies in responding to national needs and emergencies through cooperation in Task Forces and Interagency Working Groups that identify urgent research needs and agency roles. Recent examples include interagency task forces and working groups to develop and implement action plans to address Soybean Rust, Avian Influenza, Childhood Obesity, Antibiotic Resistance, Citrus Greening, Ug99 Wheat Stem Rust, Water Resources, and Climate Change. These group's national plans clearly identify the specific roles and responsibilities of ARS research projects and researchers. Often, ARS is responsible for providing unique disease and pest scientific expertise, specialized genetic resources and collections, critical human nutrition and food safety expertise and resources, natural resource management expertise, and nationally coordinated research teams.

ARS partners with the USDA Research, Education and Economics (REE) agencies through the leadership of the Under Secretary and Chief Scientist. One of the most important of these partnerships is with the National Institute of Food and Agriculture (NIFA), which provides grants that support universities and also much collaboration between universities and ARS. ARS research is funded by Congressional appropriations that can support multi-year, long-term research while NIFA grants support complementary, shorter-term agricultural research. Cooperation and avoidance of duplication is guided through REE administrative leadership, budget development, and according to REE research priorities. The REE Action Plan identifies important goals for the agencies and specifies the role of ARS, NIFA and the other REE agencies. Other coordination is provided by multiple working groups, committees, and joint customer/stakeholder workshops that insure that ARS long-term research is optimally leveraged with NIFA awards and research supported by other agencies. These types of partnerships are a perfect mesh of interests and collaboration for the public good. The list of accomplishments that have come from partnerships between ARS and land-grant schools is long and impressive. Examples include:

- The Interagency Working Group on Plant Genomes, guides research on plant genome sequencing with NIFA supporting sequencing projects and ARS supporting crop genome database to curate and distribute the data information to crop breeders and other researchers (REE Action Plan, Goal 8).
- ARS manages and safeguards the national genebanks and seed collections. NIFA has recently awarded a Triticeae grant to a university-led project that will evaluate accessions in the ARS small grains collection for weather stress tolerance traits.
- The USDA BioEnergy Science team guides interagency cooperative research on bioenergy with ARS researchers developing new bioenergy feedstock lines.
- ARS and NIFA national program leaders include their counterparts in national program planning workshops including some joint workshops such as the 2011 joint ARS–NIFA Animal Genomics Workshop.

In addition to complementing the work of other agencies, ARS ensures that duplication and overlap are avoided within its own programs by developing nationally coordinated research Action Plans for each of the ARS National Programs. The ARS Office of National Programs and National Program Leaders provide oversight to guarantee that individual ARS project plans are targeted to the problem priorities and optimally coordinated to achieve the expected results. The National Programs are planned centrally with extensive input with external customers, stakeholders, research partners, and ARS scientists. Those providing perspectives on problems to be solved and research needs include producers, industry and other agricultural processors, consumers, Administration officials, representatives of USDA action and regulatory agencies, other government agencies, Congress, non-governmental groups (*e.g.,* commodity groups and advisory groups), state and local governments, national and international trade organizations, university scientists, private researchers, and government laboratories. Research collaborations among Agency scientists and with non-ARS scientists are a frequent outcome of the input and planning process, which ensures complementary objectives and approaches, prevents redundancies, and leads to research projects and programs that have impact for the public. Routinely, the agency's senior line managers and field scientists also meet with customers, stakeholders, and partners to build a strong understanding of regional and local issues.

Input from these constituencies leads to development of an Action Plan that provides the documentation of needs and researchable problems, which guides development of individual research project plans. Those plans—which include an assessment of related research already accomplished or in progress—are reviewed by peer panels who have the Action Plan in hand. This rigorous process, developed by ARS in response to a mandate in the 1995 Farm Bill, is a further check point for ensuring that research will solve problems without wasteful programmatic redundancies.

In an era of limited available funds, there is a strong incentive to not repeat what others in the agricultural research arena are doing unless there is a stronger public good provision requirement. ARS national leaders and scientists participate on over 160 Federal interagency working groups, and an uncounted but similarly large number of formal and informal professional associations and an even larger number of private-academic-ARS scientist work collaborations. As a result, ARS prevents redundancies in its programs, complements the missions of many other science-based Departments and agencies, and achieves much of the value in its research through mission-driven responsiveness to customer needs.

Intra-Agency Duplication

As an example of how the agency conducts research on important issues in multiple locations across the country without duplicating itself, the agency would like to highlight three particular programs that have multiple scientists collaborating across the country to answer complex research questions without unnecessary duplication.

ARS Watersheds

The Agricultural Research Service (ARS) operates a network of approximately 23 Benchmark Watersheds, Experimental Ranges, and associated/related research facilities that collect long-term physical, chemical, and biological data on agricultural sustainability, climate change, ecosystem services, and natural resource conservation at the watershed or landscape scale. Data records extend as far back as 98 years. The distribution of these sites across the nation gives them great value because the interactions of agricultural production systems with natural resources are highly environment-dependent. ARS sustains this land-based infrastructure for research and environmental management testing to enable understanding and forecasting of the nation's capacity to provide agricultural commodities and other ecosystem goods and services under geographically variable, ever-changing environmental and resource-use conditions.

In addition to supporting high-quality, location-based research, these sites provide an unparalleled opportunity to make important comparisons between very different environments, across large distances. The multi-location approach allows ARS to develop research questions that are shared and coordinated across sites; provide the capacity to address these large-scale questions across sites through shared research protocols; collect compatible data sets across sites; provide the capacity and infrastructure for cross-site data analysis; and generally facilitate and foster shared engagement in agricultural research across the nation's highly diverse environments.

The watershed/rangeland network is a key infrastructure for the research in many ARS National Programs and addresses the needs of other USDA agencies, such as the evaluation and improvement of farm bill conservation programs through the Conservation Effects Assessment Project (CEAP). Collectively, the sites are a platform to support multi-organization research and funding efforts; a resource for developing and testing regional- and national-scale hypotheses that cannot be undertaken by individual locations alone; and a foundation for developing long-range, multi-agency/institutional funding plans.

During the last 10 years, a concept for a Long-Term Agroecosystems Research (LTAR) network has been proposed in a number of highly visible publications, *e.g.,* the 2003 National Research Council report, *Frontiers in Agricultural Research,* which urged the USDA to adapt a strategic, long-term approach to food and agricultural research. Creation of a new LTAR network would cost tens of millions of dollars, and universities or other organizations could not likely duplicate the existing

ARS resource and its long-term data records. Two of ARS' Experimental Range research sites are already part of the National Science Foundation's (NSF) Long-Term Ecological Research (LTER) Network; three have been selected to become part of NSF's proposed National Ecological Observatory Network (NEON). Thus, the geographically distributed LTAR network needed by the scientific community already exists in ARS' experimental watershed/rangeland network.

ARS' unique watershed/rangeland resource is widely available for partnerships with non-USDA organizations, and research in cooperation with university scientists, other Federal agencies, and others is widespread within the network.

ARS Bee Research

The bee industry is essential for the security of the nation's food supply. Pollination is responsible for $15 billion in added crop value; bee pollinated crops include important field crops such as alfalfa, and many fruits and nuts, major sources of vitamins. The bee industry is threatened by invasive mites (varroa and tracheal), predators (small hive beetle), diseases (American foulbrood, chalkbrood, viruses), insecticide poisoning, Africanization of managed colonies, the pressures of migratory beekeeping, and other problems leading to decreased colony health and manageability. With the appearance of colony collapse disorder in 2007, 30% or more of the nation's colonies are now lost annually, an unsustainable situation that threatens the entire bee industry and crops such as almond and apple that are totally dependent on bee pollination. In response, ARS has the core national responsibility for ensuring an adequate force of pollinators, and conducts honey bee research at four laboratories, in Arizona, Louisiana, Maryland, and Texas. In addition, ARS conducts research on other (non-honey bee) pollinating bees in Utah. Each laboratory has a unique regional advantage and research role:

- Arizona, Tucson, the "**Bee Health and Nutrition Laboratory**": (1) determines nutritional needs of bees and develops supplementary diets such as a highly successful protein diet now commercialized as MegaBee; (2) determines the negative effects of fungicides and bactericides on bee bread, the fermented pollen-based protein diet that bees store to feed their brood; (3) conducts research for beekeepers that transport colonies for pollination, particularly into California, where crops pollinated by bees have a value in excess of $12.7 billion; (4) identifies new compounds for varroa mite control, such as newly commercialized plant beta-acids from hops; (5) develops tools to manage the genetics of commercial colonies in Africanized areas; (6) and maintains an Africanized Honey Bee (AHB) Identification Service.
- Louisiana, Baton Rouge, the "**Bee Breeding Laboratory**": (1) focuses uniquely on breeding improved bees, and has developed a Southern-based island system for isolation of breeding stocks during breeding; (2) selected and commercialized the Russian bee for varroa and tracheal mite resistance (and high honey production and survival in harsh climates); (3) and is using molecular and other techniques to determine genes for introgression of resistance traits into bee lines preferred by beekeepers for their docility, honey production, and other characteristics.
- Beltsville, Maryland, the "**Bee Disease Laboratory**": (1) has a Bee Disease Diagnosis Service that works with APHIS to prevent introduction of new pathogens and pests; (2) has been lead in developing antibiotics for controlling bee bacterial diseases and kits for detection of bee viruses for maintenance of pure stock; and, (3) is the laboratory leading international efforts to exploit the genomes of bees and their parasites and pathogens.
- Texas, Weslaco, the "**Bee IPM Laboratory**": (1) conducts research in a region that has served as a pathway for invasive problems, *e.g.,* Africanized honey bee; (2) is the principal laboratory developing systems, including miticide resistance management, for control of bee pests; and (3) is working to elucidate bee immunity to disease.
- Utah, Logan, the "**Native Bee Laboratory**": (1) is the only ARS facility (and only large facility in the world) developing alternative species of bees for pollination of crops and for land restoration; and, (2) maintains the premier bee systematics laboratory.

ARS Beef Production Research

Beef cattle research is conducted in the USDA–ARS in three primary locations: the U.S. Meat Animal Research Center in Clay Center Nebraska (USMARC), Fort Keogh Livestock and Range Research Laboratory in Miles City, Montana and the Sub Tropical Agriculture Research Station in Brooksville, Florida (STARS). Research and priority for these ARS labs is outlined below. In addition, ARS conducts research in forage efficiencies, manure management, range and pasture management, parasite control, climate change/adaptation and forage toxicology at various other locations where cattle and/or sheep serve as experimental units, but are not the focus of the primary research objectives.

USMARC: Research at USMARC is focused on bovine genetic and genomics and improvement of beef cattle growth and efficiencies in typical corn belt pasture production systems. Beef cattle research is specifically focused on improving feedlot nutrient utilization efficiency, enhancing reproductive efficiencies, improving meat quality and consumer acceptance, combating bovine respiratory disease and improving the management and adaptability of feedlot cattle to environmental stressors. USMARC also conducts significant research in emerging genetic and genomic technologies to improve the rate of genetic improvement for numerous traits of economic importance for the beef industry.

Fort Keogh: Research at Fort Keogh in Miles City Montana is focused on range cattle production efficiencies particularly on cow-calf production and the interface between beef cattle production and range-forage management and ecosystem services on open range lands in the Western U.S. Specific beef cattle research includes genetic and genomic technology development to improve the productivity and efficiency of cattle grazing open range and the improvement of reproductive efficiencies of cows in typical Western range production environments. Additional research is focused on rumen ecology and the relationship between the rumen microbiome and beef cattle production efficiencies, particularly in cow-calf production systems.

STARS: Research at STARS in Brooksville Florida is focused on breed improvement of cattle adapted to the severe production environments of the subtropics which include additional stressors of poorer quality forages, extreme heat and humidity, and significantly increased disease and parasite infestation challenges than cattle production in the rest of the U.S. Beef cattle production in the subtropics of the U.S. is largely confined to the cow-calf sector but represents 40% of the total U.S. beef cow herd. Specific research is being conducted to improve the Brahman (*Bos indicus*) breed and their crosses to enhance adaptation throughout the subtropics and tropics around the world. Brahman cattle exhibit adaptive characteristics for these extreme environments but are discriminated against for poor dispositions, inferior reproductive performance, inferior feedlot performance, and inferior carcass quality particularly meat tenderness. To ensure the sustainability and competitiveness of beef producers in sub-tropical and tropical environments Brahman cattle are being genetically improved to consistently demonstrate better performance and efficiency for these critical economic traits.

12. Waste, Fraud and Abuse

There are currently no fraud, waste, and abuse audits ongoing. The agency utilizes various internal procedures to prevent and detect fraud, waste, and abuse instances and provide an annual assurance statement to the Department of Agriculture Chief Financial Officer with our assessment of the effectiveness of our procedures. Over the past several years, the assurance statement has not identified any exceptions related to fraud, waste, and abuse. Some of the procedures that support our assurance statement are as follows:

- Office of Management and Budget Circular A–123 Appendix A "Internal Control over Financial Reporting" covering Financial Reporting, Reimbursable Agreements, Property Management, Funds Management, Budgeting, and Human Resources
- Consolidated Assistance, Review, and Evaluations of ARS Area offices and Locations
- National Program Reviews
- National Institute of Standards and Technology and Federal Information Security Management Act Risk Assessments
- Human Resources Management Evaluations
- Quality Control Reviews of Near Field Communications (NFC) Data Elements
- Facilities Contracting and Engineering Management Design Review Board and Contract Review Board Meetings
- Safety, Health, and Environmental Management Reviews, Evaluations, and Studies
- Procurement and Personal Property Management Reviews
- Purchase Card Audits and Reviews

Open Audit Summary

ARS is undergoing several Government Accountability Office (GAO) and Office of the Inspector General (OIG) audits. The focus of the majority of these audits is how effective and efficient ARS is in conducting its research, securing and protecting select agents, addressing critical and emerging issues (such as Colony Collapse Disorder) and managing its resources. In the table below is a breakout of the different types of audits ongoing at ARS.

Audit Entity	Program Audits	IT Audits	Financial and Administrative Audits	Fraud, Waste and Abuse Audits/Investigations	Total Open Audits
GAO	11	1	0	0	12
OIG	2	3	2	0	7

Open GAO Audit Findings

There is currently one GAO audit with open findings that ARS must address related to Agroterrorism Response and Recovery Efforts. ARS has responded to these findings and is awaiting additional instructions. In our response, ARS did not disagree with the findings, however the agency believes that additional information is required to further explain observations made in the report.

GAO Audits (In Progress)

120788, DOD Research Facilities and Administration Cost Reimbursement
311044, Update to the 2005 Wireless Network Security Report
361174, Quality Assurance of Carbon Offsets in U.S. Climate Change Programs
361177, The USDA Protocols and Standards to Ensure the Safety of Meat and Other Food Procured by Schools
361185, Renewable Energy Initiatives
361191, Ethanol Blends and Risk
361204, Agroterrorism Response and Recovery Efforts
361216, Chesapeake Bay Action Plan
361223, Antibiotic Use in Food and Animals
361260, USDA Efforts to Reduce E. Coli
460612, High Containment Laboratories: GAO Assessment of Commissioned Reports on Biosafety and Biosecurity
460619, Duplication of Federal Inspections of High-Containment Laboratories

OIG Audits (In Progress)

50401–01–11, Fiscal Year 2011 USDA Consolidated Financial Statements Audit
50501–1–12, USDA's Security over Domain Name Systems Services
50501–2–12, FY 2011 Federal Information Security Management Act Audit
50601–01–22, Effectiveness of the Departments Recent Efforts to Entrance Agricultural Trade
50703–01–HQ, Oversight and Control of USDA ARRA Activities
50099–84–HY, USDA's Response to Colony Collapse Disorder
50501–01–IT, USDA's Management and Security Over Wireless Handheld Devices

13. Effect of Administrative PAYGO

None.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—NATIONAL INSTITUTE OF FOOD AND AGRICULTURE

1. Program Name

1890 Institutions Capacity Building Grants Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

This program is authorized by section 1417(b)(4) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended (NARETPA) (7 U.S.C. 3152(b)(4)) and pursuant to annual appropriations made available specifically for the 1890 Capacity Building Program.

Section 7107 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) (Pub. L. 110–246) amended the authority for the 1890 Capacity Building Program to allow for extension capacity building, as well as teaching and research. In accordance with the statutory authority, subject to the availability of funds, the Secretary of Agriculture may make competitive grants, for a period not to exceed 5 years, to design and implement food and agricultural programs to build Teaching, Research and Extension capacity at colleges and universities having significant minority enrollments.

4. Purpose/Goals

The purpose of the 1890 Capacity Building Program is to support research, education, and extension as well as integrated research, teaching, and/or extension by awarding grants that address key problems of national, regional, and multi-institutional importance in sustaining all components of agriculture, including farm efficiency and profitability, ranching, renewable energy, forestry (both urban and agroforestry), aquaculture, rural communities and entrepreneurship, human nutrition, food safety, family and consumer sciences, biotechnology, and conventional breeding.

5. Success in Meeting Programmatic Purpose/Goals

The 1890 Capacity Building Grant strengthens teaching, research and extension programs in the food and agricultural sciences by building the institutional capacities of the 1890 Land-Grant Institutions, and Tuskegee University. The program supports projects that strengthen teaching programs in the food and agricultural sciences in the need areas of curriculum design and materials development, faculty development, and others. It supports projects that strengthen research and extension programs in need areas of studies and experimentation, extension program development support systems, and others.

Examples of success include:

As a result of the capacity building grant at **Kentucky State University,** the Geospatial Education and Analysis Center provided ESRI (a GIS software company) authorized training to faculty, staff, and students and to state, regional and local government employees and others who use the ESRI suite of software products. The KSU GIS Training facility has had 382 students take the Introduction to ArcGIS I and II courses taught by KSU staff. Almost ten percent of the total number of students that enrolled in the courses were KSU students, faculty, and staff. The Center's ESRI Authorized Training courses have provided the facility the means to be self-sustaining. The center generates funds needed to maintain the equipment, upgrade the facility, and invest in new hardware, software, and data needed to meet the needs of campus users, as well as local GIS users. The KSU GIS resources have been used to produce several map products that are in use by the Frankfort/Franklin County Riverfront Development Commission in their efforts to create better interaction between citizens and the Kentucky Riverfront environment.

An educational effort at **Tennessee State University** (TSU) collaborates with India's G.B. Pant Agricultural University of Agriculture and Technology (GBPUA&T) to internationalize TSU's agriculture program, enhance the competitiveness of Tennessee's agricultural entrepreneurs, and foster on-going research collaborations with GBPUA&T faculty. The new course contents were developed for two courses in agribusiness after the interactive meetings with faculty and students of the GBPUA&T and other Indian agricultural universities on issues related to curriculum in Agribusiness. International content is being integrated in several courses at TSU's undergraduate and graduate agriculture program. The content has greater examples of real-life situations. More interdisciplinary content in courses are being designed to include research opportunities for graduate and undergraduate students. Scientific information is being made available on faculty and student experience with international exchange program, and best management practices and lessons learned. Students now have a better appreciation and understanding of global problems.

Fort Valley State University (FVSU) in Georgia has designed and developed an Outdoor Forestry Classroom/Laboratory to provide hands-on and experiential learning experiences to students enrolled in the FVSU's forestry course, to use the Outdoor Forestry Classroom/Laboratory to train and prepare high school agriculture students for various forestry career development events, and to use the Outdoor Forestry Classroom/Laboratory for summer workshops for high school agriculture teachers throughout the state of Georgia. During Spring 2009, Area 3 of district number 4 of Georgia used the site to conduct Forestry Career Development Event activities. One hundred and fifty high school students were in attendance and had the opportunity to interact and discuss careers in the forestry industry with foresters from USDA, the Georgia Forestry Commission and Weyerhaeuser. In the future this site will be used to train and prepare high school agriculture students (FFA) for various forestry career development events. Forestry Camps (Workshops) will be conducted to upgrade the skills of limited resource forestry, land owners and provide continuing education for FFA teachers.

Participation in global education programs is low and there are deficiencies in gathering and managing data for decision-making in global education programs. A NIFA-funded project at **North Carolina A&T State University** developed a set of best practices and retool curricula to equip faculty and students with the skills needed to function smartly around the world in order to strengthen America's leadership in international agriculture. As outcome, a 30 percent improvement in international content in curricula in agricultural courses; a reported increase of 40 percent in participation in study abroad programs among students enrolled in schools of agriculture in 1890 institutions; a 40 percent increase in awareness of and interest in international agricultural issues among faculty and students in schools of agriculture in 1890 institutions. In the long run the project will produce students and faculty capable of working with their counterparts in a transnational context to solve complex global agricultural problems.

6. Annual Budget Authority (Fiscal Year (FY) 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$9,479	$11,404	$11,411	$12,312	$12,189	$12,375	$13,592	$15,000	$18,250	$19,336

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$1,238	$7,547	$13,246	$14,762	$17,059

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$495	$544	$600	$730	$773

9. Eligibility Criteria

Applications may only be submitted by 1890 Land-Grant Institutions, including Tuskegee University and West Virginia State University.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	110	None	344
Applications Funded	43	None	118

Note: FY 2009 funds were awarded collectively with FY 2010 funds.

11. Duplication or Overlap with Other Programs

USDA's Research, Education, and Economics (REE) mission area is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Agriculture and Food Research Initiative (AFRI).

2. Subprograms/Department Initiatives

Foundational Program
Childhood Obesity
Climate Change
Global Food Security
Food Safety
Sustainable Bioenergy
NIFA Fellowship Grant Program

3. Brief History

Section 7406 of the 2008 Farm Bill amended section 2(b) of the Competitive, Special, and Facilities Research Grant Act (7 U.S.C. 450i(b)) to authorize AFRI.

4. Purpose/Goals

The Foundational Program Request for Application (RFA) focuses on building a foundation of knowledge in fundamental and applied food and agricultural sciences critical for solving current and future societal challenges.

The Childhood Obesity Prevention Challenge Area RFA focuses on the societal challenge to end child obesity through specific program areas that are designed to achieve the long-term outcome of reducing the prevalence of overweight and obesity among children and adolescents.

The Climate Change RFA focuses on the societal challenge to mitigate and adapt to climate change through specific program areas that are designed to achieve the long-term outcome of reducing the use of energy, nitrogen, and water in the production of food, fiber and fuel, and increase carbon sequestration.

The Global Food Security RFA focuses on the societal challenge to keep American agriculture competitive while ending world hunger through specific program areas that are designed to achieve the long-term outcome of increasing food availability and decreasing the number of food insecure individuals.

The Food Safety Challenge Area RFA focuses on the societal challenge to improve food safety for all Americans through specific program that areas are designed to achieve the long-term outcome of reducing foodborne illnesses and deaths through a safe food supply.

The Sustainable Bioenergy RFA focuses on the societal challenge to secure America's energy future through specific program areas that are designed to achieve the long-term outcome of reducing the national dependence on foreign oil through the production of sustainable bioenergy.

The AFRI NIFA Fellowships Grant Program is focused on developing technical and functional competence for pre-doctoral students, and the research independence and teaching credentials of postdoctoral scientists in the food, forestry and agricultural sciences that are within NIFA's challenge areas through well-developed and highly interactive mentoring and training activities.

5. Success in Meeting Programmatic Purpose/Goals

AFRI at the National Institute of Food and Agriculture (NIFA) is charged with funding research, education, and extension grants and integrated research, extension, and education grants that address key problems of national, regional, and multi-state importance in sustaining all components of agriculture, including farm efficiency and profitability, ranching, renewable energy, forestry (both urban and agroforestry), aquaculture, rural communities and entrepreneurship, human nutrition, food safety, biotechnology, and conventional breeding. Providing this support requires that AFRI advances fundamental sciences in support of agriculture and coordinates opportunities to build on these discoveries. This will necessitate efforts in education and extension that deliver science-based knowledge to people, allowing them to make informed practical decisions.

Examples of success include:

The AFRI Wheat Coordinated Agricultural Project (WheatCAP) is led by the **University of California,** Davis implemented genetic Marker Assisted Selection (MAS) strategies for quality and disease resistance traits across the U.S. public breeding programs. The project generated approximately 1,000,000 MAS data points that were used to develop 90 new germplasm lines and cultivars and thousands of improved lines for breeding. The WheatCAP provided a stimulating learning environment that supported training of 117 undergraduates and 73 graduate students, many of which are being hired as breeders in companies and public institutions.

An international team of scientists have mapped the genome of the plant pathogen that causes downy mildew disease which causes major losses to crops such as corn, grapes, and lettuce. The genome sequence of *Hyaloperonospora arabidopsidis,* the pathogen that causes downy mildew disease, is published this week in the journal *Science.* In the paper, researchers compare the sequence of *H. arabidopsidis* with other fully-sequenced genomes of destructive plant pathogens to shed light on the differences in the ways microbes interact with their host and how those differences evolve. The study could lead to new ways to investigate how these pathogens cause plant disease and find new ways to prevent plant loss in the future.

S. Enteritidis and *C. jejuni* are major foodborne pathogens transmitted through poultry products. Many plant-derived antimicrobials are natural, generally regarded as safe molecules used to preserve foods and enhance food flavor. Preliminary research by **Connecticut** scientists revealed that plant molecules, including trans-cinnamaldehyde, carvacrol, thymol, and eugenol were bactericidal on *S. Enteritidis* and *C. jejuni* in chicken bowel contents in the laboratory. Additionally, trans-cinnamaldehyde and eugenol reduced significant bowel populations of these pathogens in chickens. The current research is investigating the effect of trans-cinnamaldehyde, carvacrol, thymol, and eugenol as dietary supplements to reduce colonization of *S. Enteritidis* and *C. jejuni* in broiler chickens and their safety in chickens. The work will potentially lead to decreased outbreaks of salmonellosis and campylobacteriosis, thereby improving public health and economic opportunities for poultry farmers.

Scientists at the **University of Wisconsin** created a Relative Antioxidant Index (RACI) which provides standardization of information about the antioxidant content of various fruits and vegetables and is useful as a ranking tool for use by the food industry, scientists, and consumers. The RACI statistically integrates the antioxidant capacity values generated using seven different chemical methods and was validated using 20 commonly consumed vegetables.

With funding from NIFA, scientists at the **University of California-Davis** have identified the genes in wheat that are responsible for the plant's tolerance to freezing temperatures. This discovery may lead to improved crop production since wheat breeders have long recognized the need to produce cultivars with greater resistance to freezing temperatures, but have had limited success to date.

NIFA-funded scientists at the **University of Missouri** in cooperation with the Agricultural Research Service developed a new tool for cattle, called the Illumina BovineSNP50 Chip. This tool allows scientists to examine the animal's entire genome to detect variations in a more efficient and economical way. Researchers around the world are using the chip to identify regions within the bovine genome that harbor variants that cause animals to differ in the outward expression of important traits. More importantly, the high resolution of this snip chip will allow scientists to predict an animal's total genetic merit from its SNP profile. Breeding companies are using the chip to assist in the genetic selection process of dairy animals. As a result, the industry is saving millions of dollars annually by more efficiently prescreening young bulls and streamlining the process of identifying elite cows. Producers base these and other decisions on each animal's genetic merit, as estimated from their SNP profiles.

6. Annual Budget Authority (Fiscal Year (FY) 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$120,452	$166,045	$164,027	$179,552	$181,170	$190,229	$190,883	$201,504	$262,482	$264,470

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$9,511	$76,124	$143,464	$198,017	$223,339

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$7,609	$7,635	$8,060	$10,499	$10,579

9. Eligibility Criteria

AFRI makes awards under two legislative authorities with different eligibilities. Depending on Program Area Priorities and the requested activities, the authority used, and hence eligibility, may differ within a particular Program Area.

Eligibility is also linked to the **project type** requested in Program Area Descriptions.

Eligible applicants for Research Projects include:

- State Agricultural Experiment Stations;
- Colleges and universities (including junior colleges offering associate degrees orhigher);
- University research foundations;
- Other research institutions and organizations;
- Federal agencies;
- National laboratories;
- Private organizations or corporations;
- Individuals who are U.S. citizens, nationals, or permanent residents; and
- any group consisting of two or more entities identified in (1) through (8).

Eligible institutions do not include foreign and international organizations.

Eligible applicants for Integrated Projects include: (1) colleges and universities; (2) 1994 Land-Grant Institutions; and (3) Hispanic-serving agricultural colleges and universities.

Eligible applicants for the Research, Education, or Extension Projects include: (1) State Agricultural Experiment Stations; (2) colleges and universities (including junior colleges offering associate degrees or higher); (3) university research foundations; (4) other research institutions and organizations; (5) Federal agencies, (6) national laboratories; (7) private organizations or corporations; (8) individuals who are U.S. citizens, nationals, or permanent residents; and (9) any group consisting of two or more entities identified in (1) through (8).

Eligible institutions **do not** include foreign and international organizations.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	2,417	1,569
Applications Funded	None	151	350

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

A peer review panel verifies that the project described in the application is original compared to the published literature; however, a search of the CRIS database is also conducted to ensure that the program is not unwarrantedly repeating work that is not yet published in scientific journals or other outlets. The CRIS search would include any work under the name of the Project Director (PD) and a separate search for key words associated with the specific investigation described in the project application. Search results must be checked for the possibility of supporting duplicative work by two different investigators or the overlapping support of one investigator from two sources for essentially the same work. Should the NIFA National Program Leader (NPL) suspect duplication of effort the NPL must contact the PD to discuss any potential or suspected overlaps or duplication. The AFRI will not fund any project for overlapping objectives receiving funds from another USDA program or that is unnecessarily duplicative. The search is documented on the Competitive Proposal Recommendation Form (Form 3) with the following statement: "A CRIS search performed on (Date) for the PD and using the following key words deemed appropriate for this application: (key words). Results confirm that this is original work and is not inappropriately duplicative of, or overlapping with, other work supported by USDA."

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Beginning Farmer and Rancher Development Program (BFRDP).

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 7405(c) of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) (Pub. L. 107–171) (7 U.S.C. 3319f(c)), as amended by section 7410 of the 2008 Farm Bill, established a competitive grants program for the purpose of providing education, outreach, training and technical assistance to benefit beginning farmers and ranchers in the United States.

Section 7405(d) of the 2002 Farm Bill established beginning farmer and rancher education teams to develop curricula and conduct educational programs and workshops for beginning farmers orranchers in diverse geographical areas of the United States.

4. Purpose/Goals

The primary goal of BFRDP is to enhance food security by providing beginning farmer and rancher producers and their families in the U.S. and its territories, with the knowledge, skills and tools needed to make informed decisions for their operations, and enhance their sustainability.

5. Success in Meeting Programmatic Purpose/Goals

Training activities are the cornerstone of almost all the BFRDP grantee programs. Types of training included webinars, seminars, internships, mentorships, on-farm field days, *etc.* Face-to-face training events, such as regular non-credit courses or workshop sessions at farming conferences, were the most frequent types of events. More than 5,000 new and potential farmers were counted as participants in BFRDP project training events. Most attended face-to-face workshops or courses, but many also participated in other types of training, including roundtable discussions, hands-on field days, farm internships, and working with mentor farmers. This outcome indicates that the BFRDP goal to train more than 6,000 beginning farmers and ranchers will most likely be met, if not greatly exceeded. Data from BFRDP training program participants who responded to surveys shows that approximately 17 percent of the 5,339 farmers trained had very little or no experience in farming. About 12–16 percent are farm workers, females, limited resource, and socially disadvantaged.

Examples of success include:

The **Northeast Beginning Farmer Coalition** is a learning network for beginning farmer training programs. Three major strategies to foster the network include the delivering of mentoring, training, and program development resources; developing evaluation resources and outreach strategies to understand and enhance the impacts of training efforts; and engaging K–12 teachers and young farmer activists to shift youth cultural norms about farming career options. During the coalition's first year, it conducted needs assessments of new farm start-ups focused on gaps in service. A course to train new instructors reached 20 farmers, nonprofit, and extension educator participants. Attendees developed five new online courses for beginning farmers. The coalition also developed and reviewed materials and resources and created resources to support teachers at eight schools in New York with agriculture education programs.

The **Western Navajo Nation Beginning Farmers and Ranchers Project** engages, prepares, and supports socially disadvantaged, underserved, and limited resource beginning Navajo farmers and ranchers in eight communities covering 8,000 square miles of the Navajo Nation. The overall goal of the project is to provide Navajo community members who wish to begin farming and ranching with the skills to effectively launch sustainable agricultural operations using traditional and contemporary agricultural techniques in conjunction with effective business practices. Utilizing multiple learning methods, the project features Navajo language-based instruction, intensive experiential education with successful Navajo farmer and rancher mentors, regional peer roundtables with expert facilitators, and production experts. The project is teaching ancestral traditional ways to introduce participants to farming or ranching.

In the first year, the project worked with 13 chapter members through direct agricultural training and networking activities that included two roundtables, two conferences, and weekly classes in technology, business, or introductory farming and ranching to 1,000+ participants. Fifty percent of participants are women. Seventy percent are farming or ranching less than 1 year, or do not farm/ranch currently. The project staff is comprised of four traditional Navajo locals of varying ages and educational backgrounds. All are bilingual, fluent in Navajo, and culturally sensitive to the target group's history and challenges

The **Florida A&M University** New and Beginning Farmer Training Program encourages farm entry by removing the barriers in four major areas that face the next generation farmers: (1) access to training, education, and technical assistance; (2) access to land; (3) access to capital and credit, and; (4) access to markets. This project uses non-traditional approaches in its extension training and assistance activities to reach the target African-American audience. These opportunities include the Young Farmer Entrepreneur Incubator; a business incubator model for agricultural production and marketing demonstrations that targets new and beginning farmers under the age of 25; and a beginning farmer demonstration/training website with various alternative enterprises, production management practices, and market development models. The demonstration site uses hands-on training activities in collard and green bean production and marketing to show the viability of alternative market opportunities, including institutions, retail, and direct-to-consumer outlets.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	(1)	(1)	$18,000	$19,000	$19,000

[1] Funding began in FY 2009. Mandatory funding was provided by transfer from Commodity Credit Corporation (CCC).

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	(1)	(1)	$1,800	$10,000	$18,550

[1] Funding began in FY 2009. Mandatory funding was provided by transfer from Commodity Credit Corporation (CCC).

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	(1)	(1)	$720	$760	$760

[1] Funding began in FY 2009. Mandatory funding was provided by transfer from Commodity Credit Corporation (CCC).

9. Eligibility Criteria

BFRDP program recipients must be a collaborative state, tribal, local, or regionally-based network or partnership of public or private entities, which may include: a state cooperative extension service; a Federal, state or tribal agency; a community-based and nongovernmental organization; college or university (including an institution awarding an associate's degree) or foundation maintained by a college or university; or any other appropriate partner, as determined by the Secretary. In accordance with the authorizing legislation, Priority will be given to partnerships and collaborations led by or including nongovernmental and community-based organizations with expertise in new agricultural producer training and outreach.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	196	122
Applications Funded	None	29	40

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Community Food Projects Competitive Grants Program (CFPCGP).

2. Subprograms/Department Initiatives

None.

3. Brief History

CFPCGP was authorized by Section 25 of the Food Stamp Act of 1977 (7 U.S.C. 2034), as amended by the Food and Nutrition Act of 2008 and reauthorized by Section 4402 of the 2008 Farm Bill.

Since 1996, CFPCGP has promoted self-sufficiency and food security in low-income communities through community food projects (CFP) and Training and Technical Assistance (T&TA) projects. CFPs unite the entire food system, assessing strengths, establishing linkages, and creating systems that improve self-reliance over food needs.

4. Purpose/Goals

CFPCGP was established to meet the needs of low-income people by increasing access to fresher, more nutritious food supplies; increase the self-reliance of communities in providing for their own food needs; promote comprehensive responses to local food, farm, and nutrition issues; meets specific state, local, or neighborhood food and agricultural needs for infrastructure improvement and development; plans for long-term solutions; and create innovative marketing activities that benefit both agricultural producers and low-income consumers. Grants are intended to help eligible private nonprofit entities in need of a one-time infusion of Federal assistance to establish and carryout multipurpose community food projects.

5. Success in Meeting Programmatic Purpose/Goals

Examples of success include:

The **Philadelphia Horticultural Society** (PHS) is establishing and developing a network of urban entrepreneurial growers in Philadelphia that will significantly increase the supply of locally grown fruits and vegetables to Philadelphia communities. Over the course of 3 years, approximately 66 entrepreneurial growers are being supplied with locally grown seedlings as well as soil, tools and all necessary materials for sustainable urban food gardening for market. These growers are developing skills and experience in areas such as organic pest management, season extension, growing for market, crop planning, marketing, and networking through five mandatory workshops and on-going technical assistance delivered by PHS staff. Marketing and distribution opportunities for the growers are being developed by

PHS staff (with grower input) and includes community farmers markets, mobile purchase by a local co-op market, purchase by a local food assistance provider, and relationships with 20 wholesale outlets. They are also establishing and operating three Neighborhood Green Centers to serve the network of growers as well as the surrounding community; and improving food security and access to affordable, locally grown produce in targeted neighborhoods by establishing three community farmers markets with partner organizations to provide 50 market days over the course of 3 years in targeted areas in which CGA produce can be sold at affordable prices. Over 4300 pounds of naturally grown produce was made available to local residents during this first year of the project. As additional growers are added in years 2 and 3, this annual output will increase.

The **American Friends Service Committee** in New Mexico (AFSC) is to increasing economic development and food security for low-income communities in the South Valley and surrounding areas. They are providing direct technical assistance to farmers to develop farm infrastructure, increase technical farming skills and entrepreneurial capacity; facilitating the development of a network of community-based farms with a joint business plan and set up procurement by institutional buyers, retail outlets, and wholesale distributors and families; (3) documenting training curricula, best practices and lessons learned for farmer-to-farmer information sharing and outreach; and increasing local food sales and nutritional education in Albuquerque Public Schools and among low-income communities in the South Valley. The project has met and exceeded expectations in its first year, especially in terms of training outcomes (meeting trainee learning objectives) and enterprise capacity. Project participants experienced market growth, production growth, and increased income, notable given the farmers limited to no farming experience or training at the beginning of the project. The year one trainees/farmers all have ongoing farm enterprises and expect to continue to earn substantial parts of their household income from farming into the near future. In addition to its market successes, the establishment of ACN promises to represent an important advancement in institutionalized organizational collaboration in the South Valley.

World Hunger Year, Inc. (WHY) is working in conjunction with the Community Food Security Coalition (CFSC) on ongoing evaluation of the Food Security Learning Center (FSLC). These evaluation measures will help gain a better understanding of the FSLC audience, what tools and resources they need to conduct their work or research and how to take action and combat challenges facing our food system. WHY staff is currently evaluating the effectiveness of the FSLC. This includes determining how the outcomes and outputs of the FSLC can be best measured. Finally, WHY will document major initiatives that take place as a result of this project through event surveys, meeting minutes, photographs and video, *etc.* These will be used to inform future decisions, delegate responsibilities and write final reports.

6. Annual Budget Authority (Fiscal Year (FY) 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	* $0	$10,000	$5,000	$5,000

* FY 2008 funds were made available to NIFA in FY 2009.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Annual Outlays	(*)	(*)	(*)	(*)	(*)

* Mandatory funding was provided by transfer from the Food and Nutrition Service. Therefore, NIFA does not report outlays for the program.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Annual Delivery Cost	$200	$0	$400	$200	$200

9. Eligibility Criteria

A. Community Food Projects (CFP) and Planning Projects (PP) Eligibility

Only private, nonprofit entities, meeting the following three (3) requirements are eligible to receive a CFP or PP grant:

(a) have experience in the area of:

(i) community food work, particularly concerning small and medium-size farms, including the provision of sustainably produced food to people in low-income communities and the development of new markets in low-income communities for agricultural producers; or

(ii) job training and business development activities for food-related activities in low-income communities;

(b) demonstrate competency to implement a project, provide fiscal accountability, collect data, and prepare reports and other necessary documentation; and

(c) demonstrate a willingness to share information with researchers, evaluators, practitioners, and other interested parties, including a plan for dissemination of results.

B. Partners and Collaborators

Applicants with CFP and PP proposals are encouraged to seek and create partnerships with public or private, nonprofit or for-profit entities, including links with academic institutions (including minority-serving colleges and universities), and/or other appropriate professionals, community-based organizations, and local government entities. ***Only the applicant must meet the eligibility requirements.*** Project partners and collaborators need not meet the eligibility requirements.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	113	159	171
Applications Funded	None	50	27

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

Complainant (an employee of the grantee, Our School of Blair Grocery, New Orleans) contacted NIFA alleging that grantee has depleted most of the approx. $299,000 award without fulfilling the required budgetary items or the programming listed in the proposal. Complaint was received March 29, 2011and review is ongoing.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Distance Education Grants for Insular Areas.

2. Subprograms/Department Initiatives

None.

3. Brief History

The Distance Education Grants for Insular Areas (DEG) program is administered under the Provisions of 7 U.S.C. 3362, to strengthen the capacity of Insular Area institutions to carry out *distance education* programs in the food and agricultural sciences. This program was first funded in FY 2010.

4. Purpose/Goals

The purpose of this program is to strengthen the capacity of institutions of higher education in Insular Areas to carry out resident instruction, curriculum, and teaching programs in the food and agricultural sciences through distance education technology. The Distance Education Grants Program for Institutions of Higher Education in Insular Areas (DEG) is a NIFA-administered competitive grants program focused on improving formal, post-secondary agricultural sciences education.

5. Success in Meeting Programmatic Purpose/Goals

Although this grant program is too new to have any discernable success to date examples of expected success include:

These new funds will strengthen the **University of Guam**'s Distance Education for the Consortium of Caribbean and Pacific Island institutions (CariPac) and are a key strategy for fulfilling the mission. The Caribbean and Pacific Island students contribute to sustaining a balanced and healthy society, and provide excellent higher education in Agriculture and Food Science, within the Insular Areas, to meet the evolving needs of a global society supports the Distance Education program goals: (1) to increase the number of graduates with a degree in the food and agricultural sciences and (2) helps students achieve their career goals and help meet workplace needs by increasing the quality of undergraduate instruction. The goals of CariPac are to harness research and education to help address local food, agricultural, and environmental needs; support local economic growth; and to prepare students to achieve their own personal career goals.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	(1)	(1)	(1)	$750	$749

[1] Funding began in FY 2010.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	(1)	(1)	(1)	$38	$112

[1] Funding began in FY 2010.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	(1)	(1)	(1)	$30	$30

[1] Funding began in FY 2010.

9. Eligibility Criteria

Applications may only be submitted by an institution of higher education, as defined in section 101(a) of the Higher Education Act of 1995 (20 U.S.C. 1001(a)), that is located in an Insular Area and that has a demonstrable capacity to carry out teaching and extension programs in the food and agricultural sciences. Individual land-grant colleges and universities, and other institutions that have secured land-grant status through Federal legislation, ***and*** which are located in Insular Areas are automatically eligible for awards under the DEG grants program, either as direct applicants or as parties to a consortium agreement. The eight insular areas are the Commonwealth of Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the Virgin Islands of the United States.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	None	1
Applications Funded	None	None	1

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Farm Business Management and Benchmarking Program (FBMB).

2. Subprograms/Department Initiatives

None.

3. Brief History

The authority for this program is under Section 7208 of the 2008 Farm Bill which amended the Food, Agriculture, Conservation and Trade Act of 1990 by adding section 1672D (7 U.S.C. 5925f) which established a competitive research and extension grants program to support improved farm management. The FBMB program was newly authorized by the FCEA and initially funded in FY 2010.

4. Purpose/Goals

The Farm Business Management and Benchmarking (FBMB) Competitive Grants Program provides funds to (1) improve the farm management knowledge and skills of agricultural producers; and (2) establish and maintain a national, publicly available farm financial management database to support improved farm management.

5. Success in Meeting Programmatic Purpose/Goals

Although this grant program is too new to have any discernable success to date examples of expected success include:

This competitive grants program provides funds to improve the farm management knowledge and skills of agricultural producers; and establish and maintain a national, publicly available farm financial management database to support improved farm management.

The University of Minnesota is leading the effort by developing and maintaining a national, publicly available online farm financial database that any U.S. producer can use for benchmarking and improving their farm management. The project will improve the profitability and competitiveness of small and mid-sized U.S. farms and ranches by providing benchmarking resources using high-quality farm financial management data. Benchmarking allows producers to compare their performance to farms and ranches of similar size that produce the same products. The benchmarking database will let producers identify their businesses strengths and weaknesses. To develop and expand a national benchmarking database of actual farm data, the data will be collected by farm business management education programs and associations that deliver financial analyses to producers. Data collection and aggregation into a national database will be accomplished through increased collaboration between state-level farm management education programs and associations. A National Farm Management Center is being established to develop and maintain the benchmarking database and to facilitate collaboration among the many state level programs that will partner to implement the database. The national center will coordinate development of standardized procedures and training for financial analysis and data collection methodologies to ensure the database provides uniform benchmarking data. Twelve farm business management education programs and associations in eleven states will collaborative to implement this project. Several additional programs will be involved in a task force to discuss how to expand the database to include more states. The national database will be publicly available to all U.S. producers. Use of the database for benchmarking will improve producers' abilities to successfully manage risk and financial challenges and to become more globally competitive.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	(1)	(1)	(1)	$1,500	$1,497

[1] Funding began in FY 2010.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	(1)	(1)	(1)	$150	$825

[1] Funding began in FY 2010.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	(1)	(1)	(1)	$60	$60

[1] Funding began in FY 2010.

9. Eligibility Criteria

Pursuant to 7 U.S.C. 450i(b)(7), eligible applicants means: (A) state agricultural experiment stations; (B) colleges and universities; (C) university research foundations; (D) other research institutions and organizations; (E) Federal agencies; (F) national laboratories; (G) private organizations or corporations; (H) individuals; or (I) any group consisting of two or more of the entities described in subparagraphs (A) through (H).

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	None	6
Applications Funded	None	None	1

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

1. Program Name

Food and Agriculture Defense Initiative (FADI).

2. Subprograms/Department Initiatives

National Animal Health Laboratory Network (NAHLN)
National Plant Diagnostic Network (NPDN)
Extension Disaster Education Network (EDEN)

3. Brief History

Section 1484 (7 U.S.C. 3351) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA), which was amended by the 2002 Farm Bill, provides amounts for agricultural research, extension, and education. There are also amounts authorized to be appropriated for agricultural research, education, and extension activities for biosecurity planning and response.

According to NARETPA of 1977, using any authority available to the Secretary, the Secretary shall use funds made available under this section to carry out agricultural research, education, and extension activities (including through competitive grants) for the following:

(1) To reduce the vulnerability of the United States food and agricultural system to chemical or biological attack.

(2) To continue partnerships with institutions of higher education and other institutions to help form stable, long-term programs to enhance the biosecurity of the United States, including the coordination of the development, implementation, and enhancement of diverse capabilities for addressing threats to the nation's agricultural economy and food supply with special emphasis on planning, training, outreach, and research activities related to vulnerability analyses, incident response, and detection and prevention technologies.

(3) To make competitive grants to universities and qualified research institutions for research on counterbioterrorism.

(4) To counter or otherwise respond to chemical or biological attack.

4. Purpose/Goals

a. The National Animal Health Laboratory Network (NANLN)—The United States Department of Agriculture established the NAHLN as part of a national strategy to coordinate and network the diagnostic testing capacities of the Federal veterinary diagnostic laboratories with the extensive infrastructure (facilities, professional expertise, and support) of state and university veterinary diagnostic laboratories. This network enhances the nation's early detection of, response to, and recovery from animal health emergencies, including bioterrorist events, newly emerging diseases, and foreign animal disease (FAD) agents that threaten the nation's food supply and public health. NIFA and the Animal and Plant Health Inspection Service cooperatively provide leadership for this network.

b. National Plant Diagnostic Network (NPDN)—The NPDN mission is to quickly detect, diagnose and communicate outbreaks of newly introduced and emerging high consequence pests in over 1 billion acres of forest, pasture, and crop lands of the United States of America (please see attached Impact of the NPDN). Early detection leads to early response and successful remediation.

c. Extension Disaster Education Network (EDEN)—The Extension Disaster Education Network (EDEN) mission is to reduce the impact of disasters through extension education. Seventy institutions from all 50 states and three U.S. territories participate in EDEN. This valuable network of multidisciplinary professionals ensures that the cooperative extension system can appropriately respond to local, state, regional, and national education needs during a crisis. This network and its management fit well into the nation's Homeland Security framework.

5. Success in Meeting Programmatic Purpose/Goals

The National Animal Health Laboratory Network (NAHLN) is a national network of non-Federal public animal diagnostic laboratories; under the leadership of NIFA, Animal and Plant Health Inspection Service (APHIS), and the American Association of Veterinary Laboratory Diagnosticians. It has 12 core laboratories who receive NIFA support; which are located at **Cornell University (New York), Louisiana State University, University of Georgia, Texas A&M, University of Wisconsin, Iowa State University, Colorado State University, Washington State University, University of California at Davis, University of Arizona, North Carolina Department of Agriculture and Consumer Services,** and **Florida**

Department of Agriculture and Consumer Services. In addition to these core laboratories, NIFA provides a reduced amount of funding for laboratories in 16 other states: **Oregon, Utah, New Mexico, Wyoming, South Dakota, Nebraska, Kansas, Minnesota, Mississippi, Tennessee, Indiana, Michigan, Kentucky, Ohio, Pennsylvania,** and **New Jersey.** Animal disease-detection criteria have been developed for the following ten high-consequence diseases: *Foot-and-Mouth Disease, Exotic Newcastle Disease, Classical Swine Fever (or hog cholera), High Pathogen Avian Influenza, Low Pathogen Avian Influenza, Bovine Spongiform Encephalopathy, Scrapie, Chronic Wasting Disease, Rift Valley Fever* and *African Swine Fever. African Swine Fever,* added in Fiscal Year 2010, causes swine to have high fevers, reddening of the skin, hemorrhages in lymph nodes and internal organs, and occasionally enlargement of the spleen. NAHLN is part of a national strategy to coordinate the nation's Federal, state and university laboratory resources.

The National Plant Diagnostic Network (NPDN) is a 50 state network of land-grant university based plant diagnostic laboratories. The network is led by diagnostic laboratory centers at **Cornell University (New York), University of Florida, Kansas State University, Michigan State University,** and **University of California at Davis.** These institutions receive direct funding from NIFA and provide support to the other land-grant plant diagnostic laboratories in their region through subcontracts, training, and leadership. Because of this, plant laboratories in every state receive Federal funding and other support from the five NPDN centers. All 50 states and many U.S. territories are connected to the NPDN through digital distance diagnostics, used throughout the nation to speed early detection of high consequence plant pathogens and solve other agricultural problems. This web-based diagnostics system allows plant diagnosticians in one location to transmit a digital image across the country to someone with special expertise. Plant disease (and insect) detection criteria have been developed for *soybean rust, sudden oak death, Ralstonia stem rot, plum pox virus, pink hibiscus mealybug, potato wart, huanglongbing (citrus greening), Potato Cyst Nematode, Late Blight* and *Beet Curly Top*. The laboratory network partnered with other cooperative extension officials to quickly and efficiently conduct a widespread outreach and detection campaign on tomato and potato Late Blight, which became a significant problem in 2009 for the first time since the network was established. A new diagnostic test was implemented for Beet Curly Top, a disease spread by insects that affects tomatoes, sugar-beets, table beets, beans, and cucurbits.

The Extension Disaster Education Network (EDEN) is a collaborative multi-state effort by extension services across the country to improve the delivery of services to citizens affected by disasters. NIFA leads this effort. For example, the **University of Arkansas** Cooperative Extension Service assisted communities in the aftermath of severe ice storms and tornadoes that tore through Arkansas in the winter and spring. Faculty and staff helped residents and community leaders cope with disaster, identify and locate sources of assistance, make emergency plans, find information on emergency sheltering, manage storm damaged trees and debris, and negotiate FEMA regulations

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$7,953	$8,928	$9,900	$9,900	$9,830	$9,830	$9,830	$5,988

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY06	FY07	FY08	FY09	FY10	FY11
Annual Outlays		$495	$3,957	$7,397	$9,848	$9,638

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY06	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost		$396	$393	$393	$393	$240

9. Eligibility Criteria

Although applications may be submitted by universities and qualified research institutions for research on counterbioterrorism, NIFA makes awards through non-competitive cooperative agreements.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	35	35	36
Applications Funded	35	35	35

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Food Animal Residue Avoidance Database Program (FARAD).

2. Subprograms/Department Initiatives

There are no subprograms.

3. Brief History

Section 604 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7642) authorized this program. Section 7312 of the 2008 Farm Bill authorized appropriations and reauthorized the program through FY 2012.

4. Purpose/Goals

This funding is used to establish and maintain FARAD, a computer-based decision support system designed to provide livestock producers, extension specialists, and veterinarians with practical information on how to avoid drug, pesticide, and environmental contaminant residue problems.

5. Success in Meeting Programmatic Purpose/Goals

NIFA administers the funding that establishes and maintains the Food Animal Residue Avoidance Databank (FARAD), a computer-based decision support system designed to provide livestock producers, extension specialists, and veterinarians with practical information on how to avoid drug, pesticide, and environmental contaminant residue problems. The drugs and pesticides used in modern animal agriculture improve animal health and thereby promote more efficient and humane production.

Wherever drugs are used to treat sick animals or prevent disease, there is a potential that residues may be incurred. The U.S. Food and Drug Administration (FDA), which must approve all drugs meant to be marketed for use in animals, establishes tolerances for drug residues (similar to speed limits) to ensure food safety. The FDA also establishes "withdrawal times" or "withholding periods," which are times after drug treatment when milk and eggs are not to be used for food and during which animals are not to be slaughtered. This allows time for the animals to eliminate the drug residues.

FARAD is a repository of comprehensive residue avoidance information. FARAD also is sanctioned to provide these estimates to the U.S. Pharmacopeia-Drug Information (USP–DI) Veterinary Medicine Advisory Committee. Since 1982, FARAD has been working with producers, extension specialists and agents, and veterinarians to help avoid and mitigate residue problems. As a cooperative multi-state program, FARAD is available nationwide to offer advice about residue avoidance.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	([1])	([1])	$806	$1,000	$998

[1] Funding began in FY 2009.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	([1])	([1])	$484	$898	$977

[1] Funding began in FY 2009.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	([1])	([1])	$32	$40	$40

[1] Funding began in FY 2009.

9. Eligibility Criteria

The Secretary shall offer to enter into a contract, grant, or cooperative agreement with one or more appropriate colleges and universities to operate the FARAD program.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	5	4
Applications Funded	None	5	4

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

1. Program Name

Grants for Youth Serving Institutions (Rural Youth Development Grants Program or RYD).

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 410 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7630) authorized this program.

Section 7309 of the 2008 Farm Bill reauthorized 7 U.S.C. 7630 and also amended to provide additional flexibility in content delivery to each organization receiving funds and to allow recipients to redistribute all or part of the funds to individual councils or local chapters without further need of approval from the Secretary.

4. Purpose/Goals

The goals are to support and enhance the goals, objectives, and priorities of the eligible youth organizations; Support programs which address issues and needs of rural youth; Involve youth in design and implementation of their educational activities; Increase knowledge, skills, attitudes and behaviors necessary for rural youth to live productive, contributing, and fulfilling lives; and Increase economic opportunities and sustainability and improve quality of life in rural communities through enhanced human, social, civic, natural, financial, cultural, and built capital.

5. Success in Meeting Programmatic Purpose/Goals

NIFA makes grants available to the Girl Scouts of the United States of America, the Boy Scouts of America, the National 4–H Council, and the National FFA Organization to establish pilot projects to expand the programs carried out by the organizations in rural areas and small towns.

Examples of success:

The **Girl Scouts in Rural Communities** (GSRC) project utilizes Girl Scouting to facilitate the training and experiences that will empower rural girls with the leadership and personal development assets and skills to improve their lives and their communities. Funds enable the implementation of the "Challenge and Change: Challenge Yourself, Change Your World", a social entrepreneurship curriculum-based project for rural teen girls (ages 14–17) that was launched in FY 2005. Through this program the Girls Scouts recruit and train rural girls in social entrepreneurship (Challenge and Change Curriculum); provide opportunities for rural girls to assess the needs of their rural communities; provide opportunities for rural girls to identify, plan and lead projects aimed at solving identified needs in their communities; recruit and train adults to facilitate girl participation and serve as caring adults; and develop partnerships with other organizations in their communities to facilitate social entrepreneurship projects and the development of rural girls.

National FFA Organization is providing outreach and dissemination of their "Living to Serve" materials to over 7,000 chapters serving a membership base of approximately 500,000. They deliver tools that motivate and mobilize rural youth to partner with adults in joint ventures to create change in their communities that address identified needs and build capital. This program was the catalyst to move FFA from a model of "community service" to a much more rich and meaningful model of "service-learning". The "Living to Serve" instructional materials provide education on the principles of service-learning. These projects have dealt with specific community needs identified by the FFA members, plus the overarching goal of civic engagement and youth leadership.

The **National 4–H Council** implemented the "Engaging Youth, Serving Community" (EYSC) program that supports land-grant university efforts to develop, implement, and evaluate community based issues forums and action plans in rural communities. Projects provide youth with adult partners and constructive peer interaction through youth-adult partnerships and empower youth through meaningful leadership roles and life skills development. Youth and adults gain the life skills and experience needed to emerge as effective leaders and contributing members of society; develop positive attitudes towards the roles of youth in communities; improve their abilities to work with diverse community members to identify local issues and develop strategies for addressing these issues; and provide more opportunities for youth and families in rural communities for positive youth development experiences during out-of-school time.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$8,000	$2,981	$2,667	$2,646	$1,980	$1,980	$1,737	$1,767	$1,784	$1,780

Note: In FY 2002, Grants for Youth Serving Institutions were funded by transfer to the agency from Commodity Credit Corporation funds.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$1,188	$1,775	$1,723	$1,761	$1,783

Note: In FY 2002, Grants for Youth Serving Institutions were funded by transfer to the agency from Commodity Credit Corporation funds.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$79	$70	$71	$71	$71

Note: In FY 2002, Grants for Youth Serving Institutions were funded by transfer to the agency from Commodity Credit Corporation funds.

9. Eligibility Criteria

Pursuant to 7 U.S.C. 7630(a), only the Girl Scouts of the United States of America (GSUSA), the National 4–H Council (4–H), the Boy Scouts of America (BSA), and the National FFA Organization (FFA) are eligible.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	3	3	4
Applications Funded	3	3	3

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Healthy Urban Food Enterprise Development Center (HUFED).

2. Subprograms/Department Initiatives

There are no subprograms.

3. Brief History

The Healthy Urban Food Enterprise Development Center (HUFED) legislative authority is located in Section 25(h) (7 U.S.C. 2034(h)) of the Food and Nutrition Act of 2008. The HUFED Center program was created to respond to the need to redevelop a food enterprise structure in the United States in order to make more healthy, affordable food available in low-income areas, to improve access for small and mid-sized agricultural producers, and to promote positive economic activities generated from attracting healthy food enterprises into underserved communities.

Section 4402 of the 2008 Farm Bill provided mandatory funding for the HUFED Center and program-specific requirements.

4. Purpose/Goals

The purpose of the HUFED Center grant program is to establish and support a Healthy Urban Food Enterprise Development Center to increase access to healthy affordable foods, including locally produced agricultural products, to underserved communities. The HUFED Center will provide training and technical assistance for food enterprises and award sub-grants to eligible entities for healthy food enterprise development.

5. Success in Meeting Programmatic Purpose/Goals

The purpose of the this program is to establish and support a Healthy Urban Food Enterprise Development Center (HUFED) to increase access to healthy affordable foods, including locally produced agricultural products, to underserved communities.

Since the Center started, several high profile Federal initiatives interested in food access have emerged: Let's Move; Know Your Farmer, Know Your Food; and Healthy Food Financing Initiative. They have been actively pursuing news, information, and research to better position the Center to take advantage of the direction and interest in food access and regional food systems. The Center's understanding of the need for funding for healthy food enterprises was significantly deepened. They received 538 Letters of Interest (LOIs) within a 4 week outreach period. The LOIs spanned across the country, and included 47 states, as well as the District of Columbia and the U.S. Virgin Islands. A preliminary analysis of the applicant database has provided further insight on the landscape of food access work, which will inform future strategies not only for HUFED, but also for USDA. The enterprises for Year 1 grantees are underway and outcomes and impacts from their enterprises will be reported in Year 2's Accomplishments Report. Due to the new high profiled initiatives, the Center has taken a stronger effort in meeting and sharing information with USDA Deputy Undersecretaries and Senior Advisors to further link the Center's resources and knowledge. After designing and managing the proposal process for Year 1, an evaluation was conducted to identify efficiencies and areas of improvement for future RFAs. The grant making process will be streamlined towards the needs of the applicants, as well as the review panel. As the grantees begin the enterprises, HUFED is working with the internal evaluator, Kingslow Associates LLC, to ensure that metrics and indicators are in place so that the Center as well as the individual enterprises, can effectively measure their successes and challenges, with the long term goal of documenting best practices and lessons learned. The Center is also providing grantees guidance, and coaching around evaluation, and assisting with reporting and working with government grants, as needed.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	(1)	(1)	$1,000	$1,000	$1,000

[1] Funding began in FY 2009. Mandatory funding was provided through direct appropriation from the farm bill.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	(1)	(1)	$100	$550	$1,000

[1] Funding began in FY 2009. Mandatory funding was provided through direct appropriation from the farm bill.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	([1])	([1])	$100	$100	$100

[1] Funding began in FY 2009. Mandatory funding was provided through direct appropriation from the farm bill.

9. Eligibility Criteria

Eligible Applicants are nonprofit organizations are eligible to apply for and receive awards under the HUFED Center authority (7 U.S.C. 2034(h)(2)).

Regarding Eligible Applicants for Subgrants, the term "eligible entity" for the purpose of subgrants means (A) a nonprofit organization; (B) a cooperative; (C) a commercial entity; (D) an agricultural producers; (E) an academic institution; (F) an individual; and (G) such other entities as the Secretary may designate. Award recipients may subcontract to organizations not eligible to apply provided such organizations are necessary for the conduct of the project.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	13	1
Applications Funded	None	1	1

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Hispanic-Serving Agricultural Colleges and Universities (HSACU).

2. Subprograms/Department Initiatives

None.

3. Brief History

The authority for this program is under Section 7101 of the 2008 Farm Bill which amended section 1404 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 to add a definition for a new group of cooperating educational institutions known as Hispanic-Serving Agricultural Colleges and Universities.

Additionally, Section 7129 of the 2008 Farm Bill authorizes the following five new programs for HSACUs: (1) HSACU Endowment Fund (formula-based); (2) HSACU Equity Grants Program (formula-based); (3) HSACU Institutional Capacity-Building Grants Program (competitive); (4) HSACU Extension Grants Program (competitive); and (5) HSACU Fundamental and Applied Research Grants Program (competitive). As of FY 2011, none of the five new programs have received an appropriation.

4. Purpose/Goals

Establishing a process to identify and certify HSACUs supports the Federal Government-wide initiative to streamline and standardize all Federal assistance processes across the Federal Government. NIFA will be able to apply consistent rules used to determine HSACU eligibility for Federal assistance programs, including programs created or amended by the passage of the FCEA.

Use of funds from the HSACU Endowment Fund and the resulting interest distribution are authorized under the Act of August 30, 1980, (commonly known as the 'Second Morrill Act') (7 U.S.C. 321 *et seq.*). These funds benefit the HSACUs by supporting teaching programs in the food and agricultural sciences in the targeted areas of (1) curricula design and instructional materials development, (2) faculty development and preparation for teaching, (3) instruction delivery systems, (4) student experiential learning, (5) equipment and instrumentation for teaching, and (6) student recruitment and retention.

5. Success in Meeting Programmatic Purpose/Goals

This program was not funded by appropriation and, therefore, has no examples of success in meeting programmatic goals. However, another funded program within NIFA, Higher Education—Hispanic Serving Institutions has examples of success which include:

The education program at **California State University** in Fresno has improved and enhanced the capacity of food and agricultural science education on organic agriculture for plant science, food science, dietetic, and culinology. The grant helped create and facilitate an expansion of organic farming for teaching, research, and outreach programs. This project has attracted a number of under-represented student groups who are interested in learning and working with various aspects of healthy farming. CSU-Fresno has been able to establish year-round organic vegetable operation, organic greenhouse, organic herb garden, compost and vermicompost on campus farm operations for the first time which became an outdoor classroom demonstration to various classes and interested individuals, community, and local organizations such as Fresno City College, 4–H programs, and K–12 schools.

The function of the TREE (Teaching and Research in Environmental Ecology) Program at the **University of Texas** at San Antonio is to recruit, retain and financially support underrepresented undergraduates and graduate students. Workshops, training programs and mentorship from local community entities have been used to foster and develop the student's interest in careers in conservation and natural resources. While only three role-model seminars were planned, twenty-eight (28) role-model seminars were presented by a USDA research scientist, the Endangered Species Grants Coordinator from Texas Parks and Wildlife, faculty from the University of Texas at San Antonio, and faculty from other universities in the United States. The program has increased the number of minority and disadvantaged students participating in conservation and natural resource research from one to twelve.

Through partnerships with USDA Forest Service, **University of California Riverside and University of California Santa Barbara, Mt. San Jacinto College in San Jacinto, California** has implemented a strategic student recruitment and retention plan to increase diversity in the Environmental Studies degree program and facilitate seamless transfer to 4 year universities. As a result there have been significant increases in enrollment and retention of underrepresented groups. There has been a 148% growth in students enrolling and majoring in environmental studies during the first year of the project, and a 205% growth moving into the second year. The Summer Field Institute showed a 400% increase in the enrollment of Hispanic and other under-represented students, outpacing the 375% growth in overall enrollment over the last year. Students mentored under this program have become increasingly active on campus and in the local communities, which will likely generate future growth as well.

6. Annual Budget Authority (FY 2002–FY 2011)

This program has not been funded.

7. Annual Outlays (FY 2002–FY 2011)

This program has not been funded.

8. Annual Delivery Cost (FY 2002–FY 2011)

This program has not been funded.

9. Eligibility Criteria

HSACUs are defined as colleges and universities that qualify as Hispanic-serving Institutions (HSIs) and offer associate, bachelors, or other accredited degree programs in agriculture-related fields.

HSACUs do not include 1862 land-grant institutions, as defined in section 2 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7601).

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	None	None
Applications Funded	None	None	None

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Integrated Research, Education, and Extension Competitive Grants Program (Section 406).

2. Subprograms/Department Initiatives

A. Water Quality
B. Food Safety
C. Regional Pest Management Centers
D. Crops at Risk *
E. Risk Avoidance and Mitigation *
F. Methyl Bromide Transition
G. Organic Transitions

3. Brief History

Section 406 of the Agricultural Research, Extension, and Education Reform Act of 1998 (AREERA) (7 U.S.C. 7626), as reauthorized by Section 7306 of the 2008 Farm Bill and authorized a competitive grants program that provides funding for integrated, multifunctional agricultural research, extension, and education activities.

Section 7206 of the 2002 Farm Bill amended section 406(b) of AREERA to add the 1994 Land-Grant Institutions as eligible to apply for grants under this authority.

Section 7129 of the FCEA amended section 406(b) of AREERA (7 U.S.C. 7626(b)), adding Hispanic-serving agricultural colleges and universities (HSACUs) as eligible entities for competitive funds awarded under this authority.

4. Purpose/Goals

The purpose of the Integrated Research, Education, and Extension Competitive Grants Program (Section 406) is to provide funding for integrated, multifunctional agricultural research, extension, and education activities through a research, education, and extension competitive grants program. Grants are to be awarded to address priorities in United States agriculture that involve integrated research, education, and extension activities as determined by the Secretary in consultation with the National Agricultural Research, Extension, Education, and Economics Advisory Board (NAREEEAB).

5. Success in Meeting Programmatic Purpose/Goals

Examples of success include:

Water Quality Program

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* No funds were provided for this program in FY 2011 or FY 2012 Budgets

Faculty at the **University of Rhode Island** are heading up the Northeast States and Caribbean Islands (NESCI) Regional Water Program which is promoting collaboration, enhancing delivery of successful programs, and encouraging multi-state efforts to protect and restore water resources. The regional Sustainable Landscaping focus area has developed lawn care recommendations specific for northern and southern New England and is using these recommendations with residents to promote water quality protection. Post-evaluations of private well water workshops indicate that workshop participants are adopting practices to protect their private well, including: 52% had their well water tested; 67% inspected their wellhead; 18% maintained their water treatment system; 13% had a water treatment system installed. Moreover, Private Wells Nonpoint Education for Municipal Officials (NEMO) programs work with communities are resulting in changes to community plans, land use regulations, development practices, and the local decision making process that include strategies to protect water quality.

The **University of Maine** has worked with four communities which have learned more about groundwater resources, private well water, and water quality testing. Training participants expressed increased awareness and interest in local groundwater issues and solutions to address quality and quantity concerns. To date, the trainings enabled 90 students and parents to participate in "GET WET!" (a K–12 environmental education program) and private well water screening for contaminants. At three different academic conferences, they shared preliminary findings regarding (a) social capital production through community-based research about groundwater and private wells, and (b) the factors that influence private well water testing as a result of extension activities, and intergenerational learning between students and parents of environmental education content.

Food Safety Program

Scientists at the **University of Wisconsin** are assisting small and very small plants in HACCP validation through: (1) development of methods for in-plant validation of heating/drying regimes used in making ground and formed beef jerky and for in-plant validation of beef carcass interventions, using lactic acid bacteria as pathogen surrogates; and (2) development of a multi-media outreach program to disseminate project results and assist processors and regulators in validating Critical Limits. This research showed that methods commonly recommended to consumers for drying beef jerky in home-style products do not produce a safe product. Recommendations are being prepared to share with consumers wishing to make ground-and-formed beef jerky safely at home.

According to the Centers for Disease Control & Prevention, human enteric viruses are estimated to cause ⅔ of the foodborne illness in the U.S. each year, with the great majority of those attributed to norovirus (NoV). Fruits and vegetables have increasingly been implicated as vehicles for NoV gastroenteritis. Researchers in **Illinois** are developing a method which will serve as a foundation for upcoming cross contamination studies which will in turn lead to the development of a risk assessment model for NoV transfer within the food service setting. The methods developed from this project thus far, allowed for an assessment of recover methods for viruses. Recovery rates varied widely and the project team was able to use the information in method selection and refinement to ensure consistent recovery of viruses.

Regional Pest Management Centers

The goal of the Regional Integrated Pest Management Centers (IPM Centers) is to promote the development and implementation of IPM by facilitating collaboration across states, disciplines, and purposes. IPM Centers will establish and maintain information networks, build partnerships to address pest management challenges and opportunities, evaluate the impact of IPM implementation, communicate positive outcomes to key stakeholders, and manage funding resources effectively. The IPM Roadmap addresses pest management needs for production agriculture, natural resources and recreational environments, and residential and public areas.

Examples of success include:

The **Integrated Pest Management Pest Information Platform for Extension and Education** (ipmPIPE) informs growers about seasonal development and spread of Asian soybean rust, a devastating disease of legumes. The Regional IPM Centers manage this program that has allowed soybean growers to save a conservative estimate of $1 billion or more since 2005. Most of the savings derive from the ability by growers of 98% of the crop to avoid unnecessary fungicide applications. USDA's Economic Research Service estimated farmers avoided as much as 0.2lb of fungicide per acre per season, which works out to about 74 million pounds of fungicide avoided since 2005. Soybean growers in Gulf Coast states, where the disease is more prevalent, use the program to properly choose fungicides and time applications to protect their crop. In a similar program, pecan growers estimated gains of

$268/acre from the ipmPIPE Pecan system representing a potential benefit of $77 million for the 288,000 acres in participating states. Another ipmPIPE component for vine crops (cucumber, pumpkin, melons, *etc.*) saved many participants 2–3 fungicide sprays in 2009.

The Regional IPM Centers are collaborating with the EPA Tribal Pesticide Program Council (TPPC), USDA Tribal Education Equity and Extension Programs, 1994 and 1862 Land-Grant institutions, First American Land-Grant College and Organization Network (FALCON), American Indian Higher Education Consortium and First Nations to increase IPM practices and reduce pesticide usage and risk on reservations. The development of culturally sensitive IPM curricula and training modules allows for greater acceptance and implementation of IPM practices on the 56 million acres of tribal land. The program focuses on developing relationships at the state, regional and national levels to share knowledge of existing practices and foster adoption of these practices by other First Nations.

The Regional IPM Centers are coordinating "IPM Training in Public Housing," a national project to reduce pest-related risks that can trigger asthma. This collaborative effort between the Regional IPM Centers, U.S. Department of Housing and Urban Development's Healthy Homes Initiative, the Environmental Protection Agency, Land-Grant institutions, and public housing personnel and residents is implementing IPM to reduce human health risks. There are 1.2 million public housing units in the U.S. This project addresses many urban pest issues including bed bug infestations that are increasing at an alarming rate across the U.S. Partnering with the public housing personnel and residents will allow this sustainable approach to have long-term impacts in reducing asthma and other human health problems resulting from pest infestations.

Crops at Risk

In December 2008, the invasion of the Mexican rice borer (MRB) was discovered in two pheromone traps a few kilometers from the western Louisiana state line, in accordance with previously modeled forecasts. Annual yield losses of $220 million (sugarcane) and $45 million (rice) are forecast when the regions of both industries become fully infested. Research at **Louisiana State University** indicates that management techniques to mitigate the infestation which involve irrigation in sugarcane can reduce MRB losses up to 29%, use of environmentally friendly insecticides can reduce losses up to 53%, and resistant cultivars can reduce losses by 24%. The multi-year quarantine on MRB movement through the transport of sugarcane into Louisiana is projected to save between $1.1 and $3.2 billion (depending on management) during the time for complete invasion of both industries.

The **University of California Davis** has developed a polymerase chain reaction (PCR)-based diagnostic assay to differentiate races one and two of *Verticillium dahliae,* the pathogen that causes *Verticillium* wilt in lettuce. No resistance in lettuce cultivars is currently available against race two. This assay has allowed the determination of the current distribution of the two races in coastal California. Based on these results, the growers have been able to avoid planting lettuce in fields that contained race two. These results have been disseminated widely to the California Leafy Greens Board that is attended by growers, processors, seed company representatives, and everyone associated with the lettuce supply chain.

Risk Avoidance and Mitigation

Scientists at the **University of Georgia** developed a method which documented high level of resistance to Tomato spotted wilt virus (TSWV) in tomato under field conditions. This single tactic provides an available, viable means of managing this serious pest problem in commercial production systems. Growers were able to view the different resistant cultivars in the field so that they could evaluate the plants directly. Growers that participated in this project will likely base planting decisions on these results in subsequent commercial plantings. As early in the project as 2009, scientists were able to demonstrate an 8–12 fold increase in tomato yield with the resistant lines under heavy TSWV infection pressure in the field. The implementation of the use of host plant resistant lines and other tactics presented here could save growers millions of dollars annually.

Research by scientists in **California** is developing integrated pest management strategies to control the potato psyllid, a pathogen which is causing millions of dollars in damage to crops. As a result of research there has been a change in the understanding that many pesticides reduce transmission of the bacterial pathogen by the potato psyllid through repellency, not simply by killing the psyllid. As the result of an aggressive effort to disseminate this information, growers are beginning to change their pesticide use patterns from very intensive weekly control efforts that relied on large amounts of chemical pesticides, to a more sustainable approach using greener chemistries and application technique. This more sustainable approach also incorporates sampling to eliminate pesticide applications when the pest is not present, and to manage the potential development of pesticide resistance. As a result fewer pesticide applications are made, resulting in reduced costs to the grower and enhanced profitability, and as importantly, reduced farm worker and consumer exposure to agricultural chemicals.

Methyl Bromide Transition

The goal of the Methyl Bromide Transitions (MBT) program is to support the discovery and implementation of practical pest management alternatives to methyl bromide uses or minimize methyl bromide emissions for which the United States is requesting critical use exemptions. The program seeks to ensure that economically viable and environmentally sound alternatives to methyl bromide are in place and available as soon as possible. The program is focused on integrated commercial or field scale research that targets short- to medium-term solutions and associated extension activity that will foster the adoption of these solutions.

Kansas State University's objective it to show a reduction in methyl bromide (MB) usage as a structural treatment in food-processing facilities by facilitating adoption of MB alternatives strategies such as sulfuryl fluoride (SF), heat treatment and integrated pest management (IPM) approaches through pilot and commercial scale evaluations. Documenting cost-effectiveness of each strategy is central to adoption of MB strategies. The work also involves quantifying effects of structure airtightness and weather conditions on fumigant emissions from and dispersion around fumigated structures, an aspect useful in defining buffer zones for MB and SF fumigants. Research results showed that both methyl bromide and sulfuryl fluoride equilibrated throughout the five floors of the 340,000 cubic foot mill within 2 hours. Results are encouraging. When 1,250 pounds of sulfuryl fluoride was applied in a May application, all life stages of the red flour beetle were killed when using forced air heat treatment.

Virginia ranks third in the U.S. in fresh-market tomato production, with the majority of acres grown on plasticulture, utilizing methyl bromide (MeBr). Bell peppers are grown using similar production practices. Both of these crops are highly susceptible to soilborne pests and overgrowth by noxious weeds. The use of MeBr has been the primary tool to suppress these pest problems, and tomatoes and peppers are listed as MeBr Critical Use Nominations for 2009. Results of research at **Virginia Tech** show that field trials in 2008 and 2009 were able to identify a bacterial wilt resistant tomato cultivar (BHN669) that produced commercially acceptable fruit and yield. A small acreage of BHN669 was commercially produced in 2009 by two tomato producing companies and was found to be a suitable cultivar in terms of agronomic qualities and was extremely successful at delivering acceptable yields with high levels of bacterial wilt resistance. In 2010, full scale production using BHN669 was implemented by several producers resulting in successful management of bacterial wilt in historically problematic fields. Cultivar screens are continuing in small research plots to determine if any replacements other than BHN669 are suitable for production on the Eastern Shore of Virginia. In addition to the favorable results obtained with BHN669, the fumigant dimethyl disulfide (DMDS) was discovered to effectively suppress levels of bacterial wilt in small plots.

Organic Transition Program

Georgia scientists examined the feasibility of using protected cultivation in plastic tunnels as a means of producing high quality, organic blueberries, blackberries, and raspberries under southeastern conditions. As a result, high tunnels were found to speed up vegetative and reproductive development of blueberries. Tunnels were effective at advancing the spring harvest of highbush blueberries and the summer harvest of floricane blackberries and raspberries. Tunnels also extended the season of autumn-producing primocane blackberries and raspberries. Overall, tunnels advanced spring production and extended fall production of blackberries and raspberries, increasing total harvest and berry size. Upon completion of the research, the high tunnels in Georgia became an integral part of the organic teaching program, assuring that students get hands-on experience with high tunnels.

Organic soybean growers have few options for controlling the soybean aphid, which can severely depress soybean yields. Scientists in **Minnesota** found that planting a rye winter cover crop prior to soybeans can lead to lower densities of soybean aphids and an increase in yield when soybean aphid pressure is high. This is an important finding for organic farmers that have no reliable insecticides to use against soybean aphid.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$42,853	$43,942	$39,558	$42,714	$42,286	$42,286	$41,990	$41,990	$45,148	$28,942

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$2,114	$16,900	$29,451	$40,384	$41,679

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$1,691	$1,680	$1,680	$1,806	$1,158

9. Eligibility Criteria

Colleges and universities (as defined in section 1404 of NARETPA) (7 U.S.C. 3103) are eligible to submit applications for the Integrated Research, Education, and Extension Competitive Grants (Section 406) Programs.

Section 1404 of NARETPA was amended by section 7101 of the Food, Conservation, and Energy Act of 2008 (Pub. L. 110–246), to define and include as eligible, Hispanic-serving Agricultural Colleges and Universities (HSACUs), and to include research foundations maintained by eligible colleges or universities.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	289	375	319
Applications Funded	77	95	84

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

McIntire-Stennis Cooperative Forestry Research Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

Pub. L. 87–778 (76 Stat.806, 16 U.S.C. 582a, *et seq.*) signed into law on October 10, 1962, is also known as the McIntire-Stennis Cooperative Forestry Research Act.

This law provides the basis for Federal funding in forestry research and graduate education programs at state-certified schools of forestry in the United States.

Funding is provided to the states through a formula-based allocation process which depends on several factors. First, a base amount (approximately $25,000) is allocated to each state; however, this base amount is excluded from the formula. The balance of funding to each state is determined through a ranking process and dependent upon the following three factors: (1) forty percent of the remaining balance is allocated based on the area of non-Federal commercial forestland; (2) forty percent is allocated based upon the volume of timber cut annually from stock; and (3) twenty percent is allocated based on the total expenditures for forestry research from non-Federal sources. Funds are then distributed to the eligible state-certified Institutions within the state as determined by the Governor's designee.

Section 7412 of the Food, Conservation, and Energy Act of 2008 amended section 2 of the McIntire-Stennis Cooperative Forestry Act (16 U.S.C. 582a–1) to include the 1890 Land-Grant Institutions and made this change effective October 1, 2008. On an annual basis, USDA contacts the Governors of each state in which an eligible 1890 institution is located and receives the names of the McIntire-Stennis certified institutions and the proportionate amount of the state's McIntire-Stennis funding that is to be allocated to each.

4. Purpose/Goals

The purpose of this program is to increase forestry research in the production, utilization, and protection of forestland; to train future forestry scientists; and to involve other disciplines in forestry research.

5. Success in Meeting Programmatic Purpose/Goals

This program assists all states in carrying out a program of state forestry research at state forestry schools and colleges and developing a trained pool of forest scientists capable of conducting needed forestry research, which should include: (1) ecological restoration; (2) catastrophe management; (3) valuing and trading ecological services; (4) energy conservation, biomass energy and bio-based materials development; (5) forest fragmentation: (6) carbon sequestration and climate change; and (7) ways of fostering healthy forests and a globally competitive forest resources sector.

Examples of success include:

Scientists in Kansas have produced applied knowledge on a series of herbicides to eradicate saltcedar, which is an invasive weed tree found on the flood plains on the Cimmaron National Grasslands in Kansas. From this research, techniques have been developed that result in more effective control with reduced labor and herbicides with a resulting reduction in costs.

An invasive insect, the woodwasp *Sirex noctilio,* has recently become established in North American where it poses a significant threat to pine forests. The wasp transmits a pathogenic fungus and helps the fungus establish lethal infections by injecting a phytotoxic mucus into the trees along with the fungus and its eggs. Basic research at the University of Georgia is using advanced genomic and proteomic approaches to identify the bioactive protein and peptide constituents of the wasp mucus that facilitate fungal colonization of the pine tissues. Better understanding of the constituents and their mechanisms of action will enable development to develop genetic approaches and strategies to improve pine resistance to this pest.

Research at the University of Kentucky on the black bear in both Florida and Kentucky have provided important demographic, resource and habitat use, and movement data valuable to wildlife and other natural resource managers and land stewards. Detailed GPS-based movement data are providing a foundation for new analytical approaches that is changing the way black bear and other large mammal telemetry data are collected and interpreted. These findings continue to inform both professional and public findings and perceptions of these ecologically and economically important species. Both the black bear and elk have the potential to drive a productive recreation-based economy in economically challenged southeastern Kentucky. A science-based understanding and appreciation for the black bear and elk will strongly influence educational efforts and concomitant public perceptions about the species in ways that reduce human-wildlife conflict and that promotes species viability.

Research at the University of Illinois developed methods which were used to map the flooding regimes and internal drainage of soils in newly-acquired Weaver Park in Urbana, Illinois. This information is being used to plan the ecological restoration of native forest, prairie, and wetland plants in the park. A soil moisture regime map with micro-ecosystem level precision and greater accuracy than county soil maps was developed and reported in an article in the journal "Restoration Ecology." Soil moisture adaptations of plants to be used in the ecosystem restoration project are being matched to planting sites across a precisely mapped gradient of soil moisture from flooded to moderately well-drained. This is being done through a collaboration among the University of Illinois Agricultural Experiment Station, the Illinois State Geological Survey, and the Urbana Park District.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$21,884	$21,742	$21,755	$22,205	$22,008	$30,008	$24,791	$27,535	$29,000	$32,934

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$27,007	$25,313	$27,261	$28,854	$32,541

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$900	$744	$826	$870	$988

9. Eligibility Criteria

Applications may be submitted by state-certified Schools of Forestry as stipulated in accordance with Section 2 of Pub. L. 87–788, McIntire-Stennis Act.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	65	65	65
Applications Funded	65	65	65

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

New Era Rural Technology Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

Section 1405 of the National Agricultural Research, Extension, and Teaching Policy Act (NARETPA) of 1977, as amended (7 U.S.C. 3121), designates the U.S. Department of Agriculture (USDA) as the lead Federal agency for agriculture research, extension and teaching in the food and agricultural sciences.

Section 1473E of NARETPA (7 U.S.C. 3319e), as amended, required the establishment of a *New Era Rural Technology Competitive Grants Program* (RTP), which NIFA administers.

The RTP was authorized by Section 7137 of the 2008 Farm Bill and first funded in 2009.

4. Purpose/Goals

The New Era Rural Technology Competitive Grants Program will make grants available for technology development, applied research, and/or training, with a focus on rural communities, to aid in the development of a workforce for bioenergy, pulp and paper manufacturing, or agriculture-based renewable energy.

5. Success in Meeting Programmatic Purpose/Goals

The New Era Rural Technology Competitive Grants Program makes grants available to community colleges or advanced technological centers, located in a rural area, for technology development, applied research, and training necessary to produce graduates capable of strengthening the nation's technical, scientific and professional workforce in the fields of bioenergy, pulp and paper manufacturing, and agriculture-based renewable energy resources.

Examples of success include:

North Dakota State College of Science is addressing the workforce training needs in emerging technologies through the creation of a Regional Bio-fuels Advanced Technological Center (RBATC) The RBATC is addressing the educational and technical training needs in the biofuels industry in Minnesota, North Dakota and South Dakota by establishing an education and training center designed to deliver biofuels industry based, educational programs, hands-on skill development and industry training. The workforce challenges addressed by the RBATC include: (1) availability and capacity of education and training; (2) development of entry-level employee skills; (3) enhancement of incumbent employee skills; (4) promotion of career awareness and outreach opportunities for students and the general public.

Treasure Valley Community College in Oregon is conducting regional agriculture-based renewable energy summit with broad-based representation from regional businesses, agencies and education for the purpose of providing information for identifying: current agricultural renewable energy practices in the rural region, new or expanded renewable energy practices planned in the next 3–5 years, workforce skills related to renewable energy needed by agriculture-related employers where workforce skills are taught in current programs, and where revisions or new programs are required. They are developing and disseminating a final strategic workforce plan to guide curricular improvement, revision and innovation Identify and implement renewable energy curricular revision options to in agriculture, natural resources, and basic manufacturing.

An **Indian Hills Community College** in Iowa project is focusing on improving the quality of bioenergy education through professional development for instructors and creating opportunities for students to gain valuable experiential learning through internships and applied research with bioenergy companies. It is improving the students' marketable skills and exposing them to industry contacts for future employment references and connections. For the industry, this program is helping smaller bioenergy companies realize the value of internships which is, in turn, creating a sustainable pool of companies for student internship opportunities in the future. It is also helping smaller bioenergy companies conduct applied research to support specific product development projects that they might otherwise have been unable to afford.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	[1]	[1]	$750	$875	$873

[1] Funding began in FY 2009.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	([1])	([1])	$75	$425	$819

[1] Funding began in FY 2009.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	([1])	([1])	$30	$35	$35

[1] Funding began in FY 2009.

9. Eligibility Criteria

Applications may be submitted by either: (1) public or private nonprofit community colleges, or (2) post-secondary, degree-granting advanced technological centers, either of which **must:**

a. be located in a *rural area* (see definition in Part VIII, E.);

b. have been in existence as of June 18, 2008;

c. participate in agricultural or bioenergy research and applied research;

d. have a proven record of development and implementation of programs to meet the needs of students, educators, business, and industry to supply the agriculture-based, renewable energy or pulp and paper manufacturing fields with certified technicians, as determined by the Secretary; and

e. have the ability to leverage existing partnerships and occupational outreach and training programs for secondary schools, 4 year institutions, and relevant nonprofit organizations.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	13	13
Applications Funded	None	6	5

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers.

2. Subprograms/Department Initiatives

None.

3. Brief History

Established by the Food, Agriculture, Conservation, and Trade Act of 1990, Section 2501, Public Law 101–624, 7 U.S.C. 2279. In accordance with Section 14013 of the 2008 Farm Bill, the Office of Advocacy and Outreach was established within USDA and authority to carry out this program was transferred to that office.

4. Purpose/Goals

The objective of the Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (OASDFR) program is to provide outreach, training, education, assistance, and technical assistance to encourage and assist socially disadvantaged farmers, ranchers and forest landowners in owning and operating farms, ranches and nonindustrial forestlands.

The intent of the competitive grant program is to communicate in a linguistically appropriate manner, to socially disadvantaged farmers, ranchers and forest landowners about participating equitably in the full range of agricultural programs offered by the Department.

5. Success in Meeting Programmatic Purpose/Goals

Examples of success include:

As a result of outreach activities by the **University of Arkansas at Pine Bluff,** approximately 20 individuals were assisted in developing financial plans for their farm operations. Eight producers used their plans to obtain $763,000.00 in USDA Operating Loans. Six producers were assisted in restructuring their debts, and five producers were assisted in developing plans to determine the feasibility of adding different alternatives to their operation. Many of these producers were assisted in determining crop insurance premium cost, breakeven prices, and in developing marketing plans for their grain crops. Five individuals were assisted in using their local elevators to pre-market portions of their crops using forward contracts. Using Conservation Programs—In Central Arkansas approximately eight Environmental Quality Incentive Program (EQIP) contracts were awarded to Socially Disadvantaged Producers for a total of $683,575. Most of this went toward helping producers level land to improve drainage and increase irrigation efficiency.

As a result of outreach activities at **Alcorn State University** in Mississippi, 102 borrowers received structured training to increase their knowledge and skills needed to complete a balance sheet, income statement and inventory analysis for their farming operations. Borrowers have gained knowledge of current farm practices, minimize farm risks. Borrowers also met their educational requirement according to the USDA–FSA regulation and qualify to receive additional funds from USDA and have currently assisted in putting $2.5 million into the Mississippi economy. There were a 100 percent passing rate. In addition, 176 small farmers now have the knowledge, skills and a formulized record keeping system to keep accurate farm records; 72 small farmers have gained knowledge of legal issues associated with family farm operations and the risk management strategies; and 531 small farmers, ranchers and women and business are knowledgeable of new and innovative alternative enterprises that would have a greater return with less startup capital or input cost.

Because of the New Entry Sustainable Farming Project (New Entry) which assists immigrants, refugees, and other underserved producers to develop commercial farming opportunities across Eastern Massachusetts, farmers participating in New Entry since October 2008 have increased their technical crop production skills, trained and shared practical farm skills with each other, and utilized educational resources on New Entry's website. Since October, a total of 29 potential farmers enrolled in the Explore Farming classes to assess their farming interest and a total of 45 people enrolled in the Farm Business Planning Course (FBPC). New Entry graduated total of 23 people from its FBPC, representing 19 farm businesses. All graduates completed a comprehensive business plan. 12 new graduates are currently implementing their business plans on farmland, and another nine New Entry farmers graduates began another season of business/production plan implementation. New Entry farmers are experiencing an increase in production and sales over prior years. A total of 20 New Entry farmers have joined together into a cooperative to sell their produce into the 2009 Community Supported Agriculture (CSA) program. A total of 218 CSA shares were purchased by customers (double over 2008). Combined CSA revenues for New Entry farmers are projected to be about $67,000 for the 2009 season.

As a result of the Small Farm Program's outreach activities at the University of California, small-scale growers, many of whom speak Spanish, Hmong, or Chinese as their primary language, have gained access to results of applied research on specialty crops, business management skills, relevant market analysis, and irrigation/

water quality management in agriculture. Information was disseminated through ongoing personal consultations, workshops, classes, field days, radio and printed newsletters and other printed materials. The diversity of information delivery means that small-scale producers in the five regions covered by the Small Farm Program gained access to one-on-one consultation when relevant, and that this information also reached wider audiences. Workshops and classes typically attracted between 20 and 60 producers, while field days and conferences reached 100 or more during this period.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$3,243	$3,470	$5,935	$5,888	$5,940	$5,940	$6,395	$15,000	$0	$0

Note: Became a mandatory program in FY 2009; Mandatory funding was provided by transfer from CCC. The program was delegated to the Assistant Secretary for Civil Rights, Office of Advocacy and Outreach in FY 2010.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY08	FY09	FY10	FY11
Annual Outlays	$1,500	$8,250	$13,500	$6,750

Note: Became a mandatory program in FY 2009; Mandatory funding was provided by transfer from CCC. The program was delegated to the Assistant Secretary for Civil Rights, Office of Advocacy and Outreach in FY 2010.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$238	$256	$750	$0	$0

Note: Became a mandatory program in FY 2009; Mandatory funding was provided by transfer from CCC. The program was delegated to the Assistant Secretary for Civil Rights, Office of Advocacy and Outreach in FY 2010.

9. Eligibility Criteria

As determined in 7 U.S.C. 2279, eligibility is defined as follows: 1890 Land-Grant Institutions, including Tuskegee University and West Virginia State College, Indian Tribal Community Colleges, Alaska Native Cooperative Colleges, Hispanic-serving post-secondary educational institutions, other accredited post-secondary educational institutions, and Indian tribes providing agricultural education or other agriculturally-related services to socially disadvantaged farmers and ranchers in their region, and community-based organizations that: (1) have demonstrated experience in providing agricultural education or other agriculturally related services to socially disadvantaged farmers and ranchers in their region; (2) provides documentary evidence of its past experience in working with socially disadvantaged farmers and ranchers during the 2 years preceding its application for assistance; and (3) does not engage in activities prohibited under Section 501(c)(3) of the Internal Revenue Code of 1986.

Also eligible are organizations or institutions that received funding under 7 U.S.C. 2279(a) before January 1, 1996, but only with respect to projects that the Secretary considers are similar to projects previously carried out by the organization or institution under such subsection.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	57	91	None
Applications Funded	15	55	None

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Secondary Education, Two-Year Postsecondary Education, and Agriculture in the K–12 Classroom Challenge Grants Program.

2. Subprograms/Department Initiatives

There are no subprograms.

3. Brief History

Section 1405 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended, (7 U.S.C. 3121) designates the U.S. Department of Agriculture (USDA) as the lead Federal agency for agriculture research, extension and teaching in the food and agricultural sciences. Section 7109 of the Food, Conservation, and Energy Act of 2008 (P.L. 110–246) amends authority for this program contained in section 1417(j) of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3152(j)).

Section 7109 of the 2008 Food, Conservation, and Energy Act (Pub. L. 110–246) expanded the eligibility to include other institutions of higher education and nonprofit organizations and the objectives to support current Agriculture in the classroom programs for grades Kindergarten through 12.

4. Purpose/Goals

The Secondary Education, Two-Year Postsecondary Education, and Agriculture in the K–12 Classroom Challenge Grants (SPECA) program seeks to: (a) promote and strengthen secondary education and 2 year post-secondary education in agri-science and agribusiness in order to help ensure the existence in the United States of a qualified workforce to serve the food and agricultural sciences system; and (b) promote complementary and synergistic linkages among secondary, 2 year post-secondary, and higher education programs in the food and agricultural sciences in order to advance excellence in education and encourage more young Americans to pursue and complete a baccalaureate or higher degree in the food and agricultural sciences.

5. Success in Meeting Programmatic Purpose/Goals

Agriculture in the Classroom (AITC) is a partnership of agriculture, business, education, government, and volunteers, coordinated through NIFA Higher Education Programs, to improve agricultural literacy in the nation's secondary schools. AITC accomplishes this goal through two mechanisms; projects developed by the national office, and projects developed by the individual state programs.

Examples of success include:

New York has developed school food gardens through the New York Ag in the Classroom Kids Growing Food program. Survey data indicates that the gardens impacted well over 65,000 students, teachers, and community members in 2007 by creating opportunities to make links to agriculture, food systems, and good nutrition; increasing student motivation; providing opportunities for peer teaching; teaching life skills; integrating garden-based learning into the core curriculum; and involving the community in the gardens. Moreover, 40,000 elementary age students received instruction during New York's Ag Literacy Week Program, 150 Educators were trained on the Food, Land and People Curriculum, and over 30,000 passed through the Moo Country area at the New York State Fair.

In **California** Ag in the Classroom (CFAITC), the number of CFAITC ambassadors increased by 10.3% in 2010 (13,427 in December 2010 compared to 12,173 in December 2009), showing significant gains in the target audience. CFAITC is represented by Ambassadors in 44% of California's schools. The CFAITC website (*www.learnaboutag.org*) received 23% more website hits (2,626,608 in total) in 2010 compared to 2009, an increase of more than 492,761 website hits. Moreover, 100 percent of conference attendees agreed that, after attending the conference they would implement the materials/ideas received upon returning to class.

In **Michigan,** Agricultural Literacy activities conducted by volunteers, increased across the state by 30 percent in 2010. The number of students reached through agriculture in the classroom increased by 40 percent in 2010. 80 percent of the volunteers trained at the state level conduct AITC lessons at the local level. Volunteer involvement in Michigan Agricultural Education programs rose by 25 percent in 2010. The number of Project RED (Rural Education Day) events held across the state has increased by 35 percent to 31 counties, 46 percent of all the involved counties across the state. Moreover, teachers reached through in-service activities increased by 25 percent in 2010. Of the teachers trained, 90 percent said they planned to continue to integrate agriculture into their existing curriculum.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$1,000	$994	$890	$992	$990	$990	$983	$983	$983	$981

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$50	$148	$494	$987	$983

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Outlays						$50	$148	$494	$987	$983

9. Eligibility Criteria

Applications may only be submitted by: (1) public secondary schools, (2) public or private nonprofit junior and community colleges, (3) institutions of higher education, or (4) nonprofit organizations.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	43	75	66
Applications Funded	24	24	24

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Smith-Lever 3(d) Extension Activities Programs.

2. Subprograms/Department Initiatives

A. Expanded Food and Nutrition Education (EFNEP)

B. Pest Management

C. Farm Safety (aka Assistive Technology Program for Farmers with Disabilities or AgrAbility)

D. New Technologies for Agricultural Extension

E. Children, Youth, and Families at Risk (CYFAR)

F. Youth Farm Safety Education and Certification

G. Sustainable Agriculture (SARE)

H. Federally Recognized Tribes (formerly Extension Indian Reservation or EIRP)

3. Brief History

Various Extension Activities are authorized under Section 3(d) of the Smith-Lever Act (7 U.S.C. 343(d)); section 1680 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5933).

Section 7116 of the Food, Conservation, and Energy Act of 2008 (FCEA) provided several amendments to Section 1425 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA) (7 U.S.C. 3175); including inserting sec. 1425 Nutrition Education Program and the definition of 1862 and 1890 Institutions for the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7601).

Section 7403 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246) (FCEA) amended section 3(d) of the Smith-Lever Act (7 U.S.C. 343(d)) to provide the opportunity for 1862 and 1890 land-grant institutions, including Tuskegee University and West Virginia State University, and the University of the District Columbia, to compete for and receive these funds directly from the Secretary of Agriculture. However, section 1425 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (NARETPA) provides a statutory formula for the distribution of funds appropriated for the Expanded Food and Nutrition Education program (EFNEP). *Section 7116 of FCEA* amended NARETPA section 1425 to revise this statutory formula effective October 1, 2008.

4. Purpose/Goals

Expanded Food and Nutrition Education (EFNEP)

Grants under this program are to assist all states in carrying out a program of extension activities designed to employ and train professional and paraprofessional aides to engage in direct nutrition education of low-income families and in other appropriate nutrition education programs.

Pest Management

Pest management includes a wide range of programs addressing human health, environmental and economic issues related to the management of pest populations through a variety of science based technologies. Americans want safe, pest and disease-free homes, schools, parks, recreational areas, as well as a safe and affordable supply of blemish-free food products and a wholesome pesticide-free environment. NIFA funds programs and projects which support research, education, and extension activities that promote pest management in general, and reduced risk pest management in particular. The agency's pest management programs are implemented through working partnerships with scientists in our nation's colleges and universities, other Federal agencies and the private sector.

Farm Safety (aka Assistive Technology Program for Farmers with Disabilities or AgrAbility)

AgrAbility increases the likelihood that individuals with disabilities and their families engaged in production agriculture (AgrAbility customers) become more successful. The primary outcome is enhanced quality of life for people with disabilities in agriculture. The program supports cooperative projects in which State Cooperative Extension Services (CES) based at either 1862 or 1890 Land-Grant Universities subcontract to private, nonprofit disability organizations. Measures of success may include improvements in customers' financial stability or access to life activities and the capacity of states and regions to deliver services this population requires in a timely and satisfying manner. To address the specialized needs of AgrAbility's customers, the program builds service capacity on national, regional, state, and local levels through education and networking. In the absence of capacity, projects provide assistance to customers. Projects use marketing to direct the public to initiatives in education, networking, and assistance.

New Technologies for Agricultural Extension

The purpose of the New Technologies for Ag Extension Program (NTAE) is to increase the capacity of each state to contribute expertise and content to the development of eXtension, a national web-based information and education delivery system that provides direct access to science-based educational resources from land-grant and other partner institutions about subjects of high importance to the general public. This initiative is intended to dramatically change how the CES does business with its customers. Applications are being solicited for the NTAE to deliver: state of the art technology and software applications, high quality leaders and staff, training for an exceptional CES workforce, legally binding contractual and financial instruments, and comprehensive evaluation, communications and marketing activities.

Children, Youth, and Families at Risk (CYFAR)

Through an annual Congressional appropriation for the National Children, Youth, and Families at Risk (CYFAR) Program, NIFA allocates funding to land-grant university extension services for community-based programs for at-risk children and their families. Since 1991, CYFAR has supported programs in more than 600 communities in all states and territories. State and local public and private organizations have contributed cash and in-kind resources that match or exceed the Federal appropriation. The CYFAR Program is based on research on effective programs for at-risk youth and families and on the human ecological principle of working across the lifespan in the context of the family and community. To assure that critical needs of children and families are met, CYFAR supports comprehensive, intensive, community-based programs developed with active citizen participation in all phases. CYFAR promotes building resiliency and protective factors in youth, families, and communities. CYFAR supports collaboration—forming lasting partnerships to achieve greater outcomes and to provide a support base for sustaining programs for those at risk. CYFAR also promotes the use of technology to improve programs, provide efficient access to educational resources, and provide essential technological skills for youth and adults in at-risk environments.

Youth Farm Safety Education and Certification

The Youth Farm Safety Education and Certification Program (YFSEC) supports national efforts to deliver timely, pertinent, and appropriate training to youth seeking employment or already employed in agricultural production. The program has critical ties to the current regulations for youth employment in agriculture, especially the exemptions provided in 29 CFR Part 570, subpart E–1 for youth under the age of 16 employed in some agricultural occupations having obtained certification. Significant changes in agricultural production and in the agricultural workforce since this regulation took effect in the early 1970's have encouraged the USDA to consider training and certification innovations along with developing appropriate training and restrictions on youth employment in hazardous agricultural jobs. YFSEC's funding has appeared under the Smith-Lever 3(d) line for Youth Farm Safety Education and Certification since 2001.

Sustainable Agriculture (SARE)

SARE works to increase knowledge about—and help farmers and ranchers adopt—practices that are profitable, environmentally sound, and good to communities. Several types of competitive grants are awarded by four regional administrative councils. Research and education grants, generally ranging from $60,000 to $150,000, fund projects that usually involve scientists, producers and others in an interdisciplinary approach. Professional development grants, generally ranging from $20,000 to $90,000, offer educational opportunities for extension, NRCS, and other agricultural professionals. Producer grants, typically between $1,000 and $15,000, go to farmers and ranchers who test innovative ideas and share the results with their neighbors. Projects address crop and livestock production and marketing, stewardship of soil and other natural resources, economics and quality of life.

Federally Recognized Tribes (formerly Extension Indian Reservation or EIRP)

The purpose of this program is to support Extension Agents who establish Extension education programs on the Indian Reservations and Tribal jurisdictions of Federally-Recognized Tribes. To the extent practicable, priorities should reflect the following national critical needs areas: (1) Development of sustainable energy; (2) Increased global food security; (3) Adaptation/mitigation of agriculture and natural resources to global climate change; (4) Reduction of childhood and adolescent obesity; and (5) Improved food safety.

5. Success in Meeting Programmatic Purpose/Goals

Expanded Food and Nutrition Education Program

The Expanded Food and Nutrition Education Program (EFNEP) program continues to be highly effective in changing participants' behaviors, resulting in significant improvements in daily living skills. In 2010 94 percent of adults reported improvements in their diets including consuming the equivalent of nearly one additional cup of fruits and vegetables, 84 percent of recent graduates improved food management practices, 89 percent improved nutrition practices, and 67 percent improved food safety practices. Multiple cost-benefit studies in past years show that every dollar invested in EFNEP results in from $3.63 to $10.64 in saved health care costs and $2.48 saved in food expenditures. State success examples include: **Pennsylvania State University's EFNEP** reported over 96% of the EFNEP adult participants made positive changes in one or more food groups including consuming the equivalent of an additional ½ cup of fruits and vegetables. **Louisiana State University's EFNEP** survey found that over 96% of EFNEP program participants reported positive change in any food group at program exit including consuming the equivalent of one additional cup of fruits and vegetables. **Utah State University's EFNEP** reported over 98% of its EFNEP families made a positive change in consumption of at least one food group including consuming the equivalent of nearly one additional cup of fruits and vegetables. The **Mississippi State University Extension** EFNEP reported over ninety-five percent (95%) of the EFNEP adult participants made positive changes in one or more food groups. The **Iowa State University** EFNEP survey found that over 98% of EFNEP program participants reported positive change in any food group at program exit. The **University of Missouri** reported over 87% of its EFNEP families made a positive change in consumption of at least one food group.

Smith-Lever 3(d) Program

The Smith-Lever 3(d) Renewable Resources Extension Act (RREA) calls for "expanded extension programs for forest and rangeland resources" to enhance the sustainability of these renewable natural resources. With NIFA funding, 69 land-grant institutions educated private forestland and rangeland owners regarding forest and rangeland sustainability. As a result of these activities: 937 income-generating business were created or expanded, 2,390 new jobs were created, 27,300 landowners increased their awareness of forest or rangeland resources, 21,100 landowners implemented at least one new renewable resource practice, landowners either earned or saved and estimated $17,810,000, loggers either earned or saved $198,571,756 by adopting new harvesting technologies, and every RREA dollar leverages from $5–$15 from state, county and other resources.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Smith-Lever 3(d) Extension Activities Programs (excluding EFNEP)	$32,688	$31,926	$28,563	$28,228	$29,955	$30,979	$31,970	$32,383	$33,199	$33,133
Expanded Food and Nutrition Education Program (EFVEP)	$32,688	$31,926	$28,563	$28,228	$29,955	$30,979	$31,970	$32,383	$33,199	$33,133

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Smith-Lever 3(d) Extension Activities Programs (excluding EFNEP)	$18,587	$30,644	$31,568	$32,531	$33,117
Expanded Food and Nutrition Education Program (EFVEP)	$38,123	$62,843	$64,584	$66,610	$67,899

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Smith-Lever 3(d) Extension Activities Programs (excluding EFNEP)	$1,131	$1,278	$1,187	$1,328	$1,325
Expanded Food and Nutrition Education Program (EFVEP)	$341	$422	$446	$522	$517

9. Eligibility Criteria

Section 7403 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246) (FCEA) amended section 3(d) of the Smith-Lever Act (7 U.S.C. 343(d)) to provide the opportunity for 1862 and 1890 land-grant institutions, including Tuskegee University and West Virginia State University, and the University of the District of Columbia, to compete for and receive these funds directly from the Secretary of Agriculture.

10. Utilization (Participation) Data

For Smith-Lever 3(d) Extension Activities Programs (excluding EFNEP):

Fiscal Year	2008	2009	2010
Applications Received	193	269	274
Applications Funded	165	223	234

For Expanded Food and Nutrition Education Program (EFNEP):

Fiscal Year	2008	2009	2010
Applications Received	74	75	75
Applications Funded	74	75	75

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

One OIG Hotline complaint (PS–1399–0071) was investigated alleging misuse of Federal funds by the grantee (the University of Hawaii) Cooperative Extension Service (CES). The complainant alleged that the university did not use NIFA CES program funds to fill the position of CES Agent for coffee producers left vacant by the former agent's resignation. As a result, the complainant was concerned that CES funding to provide assistance to farmers may have been diverted to other uses. The USDA OIG and NIFA both investigated the allegations and determined that the allegations do not appear to be substantiated, and no further review was warranted.

The funding involved is primarily Smith-Lever 3(b) and (c); and to a lesser extent Smith-Lever 3(d) Extension Activities Programs.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Specialty Crop Research Initiative Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

The authority for this program is under Section 7311 of the 2008 Farm Bill which amended Section 412 to the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7621 *et seq.*) and established the Specialty Crop Research Initiative Program. This represents a newly authorized and newly funded program.

4. Purpose/Goals

The Specialty Crop Research Initiative (SCRI) Program was established to address the critical needs of the specialty crop industry by developing and disseminating science-based tools to address needs of specific crops and their regions including research in plant breeding, genetics, and genomics to improve crop characteristics (such as product, taste, quality, and appearance; environmental responses and tolerances; nutrient management, including plant nutrient uptake efficiency; pest and disease management, including resistance to pests and diseases resulting in reduced application management strategies; and enhanced phytonutrient content); efforts to identify and address threats from pests and diseases, including threats to specialty crop pollinators; efforts to improve production efficiency, productivity, and profitability over the long term (including specialty crop policy and marketing); new innovations and technology, including improved mechanization and technologies that delay or inhibit ripening; and methods to prevent, detect, monitor, control, and respond to potential food safety hazards in the production and processing of specialty crops, including fresh produce.

5. Success in Meeting Programmatic Purpose/Goals

The Specialty Crop Research Initiative (SCRI) was established to solve critical industry issues through research and extension activities. SCRI gives priority to projects that are multi-state, multi-institutional, or trans-disciplinary; and include explicit mechanisms to communicate results to producers and the public. Projects must address at least one of five focus areas: research in plant breeding, genetics, and genomics to improve crop characteristics; efforts to identify and address threats from pests and diseases, including threats to specialty crop pollinators; efforts to improve production efficiency, productivity, and profitability over the long term; new innovations and technology, including improved mechanization and technologies that delay or inhibit ripening; and methods to prevent, detect, monitor, control, and respond to potential food safety hazards in the production and processing of specialty crops.

Examples of success include:

The RosBREED project being led by **Michigan State University** is creating a national, dynamic, sustained effort in research, infrastructure establishment, training, and extension for applying marker-assisted breeding (MAB) to deliver improved plant materials more efficiently and rapidly. The *Rosaceae* family (almonds, apples, apricots, blackberries, peaches, pears, plums, sweet cherries, tart cherries, strawberries, raspberries, roses and other ornamentals) provides vital contributions to human health and well-being, and collectively constitutes the economic backbone of many U.S. rural communities. *Rosaceae* genetics and genomics are developing rapidly but have not been translated to routine practical application. This project will increase the likelihood of new cultivar adoption, enlarge market potential, and increase consumption of rosaceous fruits by using socioeconomic knowledge of stakeholder values and consumer preferences to inform breeding; establish sustainable technical infrastructure for an efficient MAB Pipeline in *Rosaceae*, including crop specific SNP genome scan platforms for breeding-relevant germplasm exploiting the shared ancestry of *Rosaceae* crops; integrate breeding and genomics resources by establishing a user-friendly U.S.-wide standardized statistical framework and breeding information management system; implement MAB in core RosBREED breeding programs with a common focus on fruit quality traits; and enhance sustainability of cultivar development by transferring MAB technologies to the public and private community of U.S. *Rosaceae* breeders through training current and future breeders as well as engaging the production, processing and marketing sectors, allied scientists, and consumers.

Carnegie Mellon University is working with the specialty crop industry to fulfill its vision of significantly reducing the cost of production of U.S. fruit. They are developing, integrating, testing, deploying, and assessing a carefully chosen set of information, mobility, manipulation and plant science technologies, assessing their socioeconomic utility, and transferring results to the end-users via commercialization and outreach. Among the numerous preliminary results include initial trials with harvest assist system showed ten percent improvement in harvesting speed with 5% reduction in bruising; management efficiency trials in pilot orchards demonstrated increases in efficiency as high as 78 percent; and over 27 percent of Pennsylvania producers who attended field days are adopting trellised planting systems to increase efficiency and 65 percent plan to make this change.

Washington State University (WSU) is leading a team of scientists in the western U.S. to improve the long-term sustainability of the apple, pear and walnut industries in the by enhancing biological control of pest insects and mites, and synthesize the information developed in this project along with existing information to provide the outreach tools needed to bring about change in grower practices. Preliminary results are encouraging and will be added to the WSU-Decision Aid System and University of California UC–IPM web sites for easy access and will be very useful to apple, pear and walnut growers and pest control advisors. These recommendations will to lead to increased biological control in orchards, which should reduce pesticide inputs leading to higher grower profits and lower worker safety problems.

Water and nitrogen management in deciduous perennial crops is constrained by a lack of information and an inability to provide targeted management. Currently, the application of fertilizers and water follows standardized practice with little consideration of spatial, temporal and crop variability resulting in lost income and negative environmental impact. The **University of California** is addressing these needs through a multi-discipline, multi-scale activity that integrates remote and local sensing, with modeling and on-farm validation to derive grower appropriate management tools and sound knowledge to inform policy decisions. Initial activities are being conducted in Almond, Pecan, Grape and Pistachio and are being adapted to the full range of perennial fruit and nut species through collaborative agreements in years 3 through 5 of this project. Thus far, the RESET remote sensing model (which measures evaporation and transpiration) has been published online, and provides e-mail output to users. Researchers in California have tested the model against Almond data and have help improved the operation and user interface of the model.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	([1])	$30,000	$50,000	$50,000	$50,000

[1] Program was first authorized in 2008.
Note: Mandatory funding was provided by transfer from CCC.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	([1])	$1,500	$13,000	$30,500	$45,000

[1] Program was first authorized in 2008.
Note: Mandatory funding was provided by transfer from CCC.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	([1])	$1,200	$1,720	$2,000	$2,000

[1] Program was first authorized in 2008.
Note: Mandatory funding was provided by transfer from CCC.

9. Eligibility Criteria

The Secretary may carry out the SCRI Program through (1) Federal Agencies; (2) national laboratories; (3) colleges and universities; (4) research institutions and organizations; (5) private organizations or corporations; (6) state agricultural experiment stations; (7) individuals; or (8) groups consisting of two or more entities described in paragraphs (1) through (7).

In making grants under this section, the Secretary shall provide a higher priority to projects that (1) are multi-state, multi-institutional, or multi-disciplinary; and (2) include explicit mechanisms to communicate results to producers and the public.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	238	265	149
Applications Funded	27	92	32

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Sun Grant Program.

2. Subprograms/Department Initiatives

There are no subprograms.

3. Brief History

The authority for this program is contained in section 7526 of the 2008 Farm Bill. USDA received its first funding for this program in FY 2010.

4. Purpose/Goals

The purpose of this program is to provide grants to the North-Central, Southeastern, South-Central, Western, and Northeastern Sun Grant Centers and the Western Insular Pacific Subcenter (as designated in section 7526(b)(1)(A)–(F) of the FCEA). The Sun Grant Centers and Subcenter will use the majority of grant funds for competitive grants and the remainder for research on technology development and implementation.

All activities conducted in this program must seek to (a) enhance national energy security through the development, distribution, and implementation of bio-based energy technologies; (b) promote diversification in, and the environmental sustainability of, agricultural production in the United States through bio-based energy and product technologies; (c) promote economic diversification in rural areas of the United States through bio-based energy and product technologies; and (d) enhance the efficiency of bioenergy and biomass research and development programs through improved coordination and collaboration among the Department of Agriculture, the Department of Energy, and land-grant colleges and universities.

5. Success in Meeting Programmatic Purpose/Goals

Although this grant program is too new to have any discernable success to date examples of expected success include:

This program is providing grants to the North-Central, Southeastern, South-Central, Western, and Northeastern Sun Grant Centers and the Western Insular Pacific Sub-center. All activities conducted in this program are seeking to enhance national energy security through the development, distribution, and implementation of biobased energy technologies; promote diversification in, and the environmental sustainability of, agricultural production in the United States through biobased energy and product technologies; promote economic diversification in rural areas of the United States through biobased energy and product technologies; and enhance the efficiency of bioenergy and biomass research and development programs through improved coordination and collaboration among the Department of Agriculture, the Department of Energy, and land-grant colleges and universities.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	2010	2011
Annual Budget Authority	$2,250	$2,246

Note: Program was first funded in FY 2010.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	2010	2011
Annual Outlays	$225	$1,237

Note: Program was first funded in FY 2010.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	2010	2011
Annual Delivery Cost	$90	$90

Note: Program was first funded in FY 2010.

9. Eligibility Criteria

Eligible applicants are the five centers that will competitively award projects to eligible entities in the states and territories within their regions:

North-Central Center—A north-central sun grant center at South Dakota State University for the region composed of the States of Illinois, Indiana, Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming.

Southeastern Center—A southeastern sun grant center at the University of Tennessee at Knoxville for the region composed of the States of Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee and Virginia, the Commonwealth of Puerto Rico, and the United States Virgin Islands.

South-Central Center—A south-central sun grant center at Oklahoma State University for the region composed of the States of Arkansas, Colorado, Kansas, Louisiana, Missouri, New Mexico, Oklahoma, and Texas.

Western Center—A western sun grant center at Oregon State University for the region composed of the States of Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington and a Western Insular Pacific Subcenter at the University of Hawaii for the region of Alaska, Hawaii, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

Northeastern Center—A northeastern sun grant center at Cornell University for the region composed of the States of Connecticut, Delaware, Massachusetts, Maryland, Maine, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and West Virginia.

Funding for the Western Insular Pacific Sun Grant Subcenter at University of Hawaii must come from Western Sun Grant Center at Oregon State University.

Eligible applicants for competitively awarded projects within the respective regions of the individual Sun Grant Centers and Subcenter are: state agricultural experiment stations; colleges and universities; university research foundations; other research institutions and organizations; Federal agencies; national laboratories; private organizations or corporations; individuals; or any group consisting of two or more of the entities described in this paragraph.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	None	5
Applications Funded	None	None	5

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other

Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Tribal Colleges Education Equity Grants Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

Authority for this program is contained in the Equity in Educational Land-Grant Status Act of 1994 (7 U.S.C. 301 note) as amended by the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7601 note). Under this authority, appropriated funds are to be awarded to the 1994 Land-Grant Institutions (hereinafter referred to as 1994 Institutions) for Education capacity building and funds are to be distributed equally among institutions that meet eligibility requirements.

Section 7402 of the 2008 Farm Bill added Ilisagvik College as a 1994 Land-Grant Institution.

4. Purpose/Goals

The purpose of the Tribal Colleges Education Equity Grants Program (TCEG) is to provide funding to enhance educational opportunities for Native Americans in the food and agricultural sciences. The TCEG program is intended to strengthen institutional capacity to deliver relevant formal education opportunities. The TCEG is intended to be a component of the applicant 1994 institution's land-grant roadmap or strategic planning process. To the extent practicable, priorities should reflect NIFA's following national critical needs areas: (a) Development of sustainable energy; (b) Increased global food security; (c) Adaptation/mitigation of agriculture and natural resources to global climate change; (d) Reduction of childhood and adolescent obesity; and (e) Improved food safety.

5. Success in Meeting Programmatic Purpose/Goals

This program provides funding to enhance educational opportunities for Native Americans in the food and agricultural sciences; and strengthens institutional capacity to deliver relevant formal education opportunities.

Examples of success include:

As a result of a move of the Equity program to the Math & Science Department at Oglala Lakota College in **South Dakota,** the program has had a 300% increase in contact with new and/or potential students for the Natural Resource degree plan of study. Two Native American men advanced their care goals through hard work earning an Associate of Arts or a Baccalaureate of Science degree in either General Agriculture or Natural Resource Management. The program has been able to serve a larger group of students through instruction of the course Bio 113 People and the Environment, which is a core course to meet the science requirements in the majority of Oglala Lakota College's degree programs. Moreover, a current student working for the Bureau of Indian Affairs in Pine Ridge South Dakota stated that through the programs course content he learned more than he has in any other program, especially courses taught by the project director.

The Omaha Nation and Santee Sioux have epidemic numbers for Health Problems, diabetes, obesity, heart disease, and malnutrition. **Nebraska Indian Community College** (NICC) is enhancing the short-term and long-term educational opportunities for the Omaha Nation and Santee Sioux Nation by strengthening specific instructional programs in the Food, Natural Resources, Native Foods and Agricultural Sciences Area. Twenty-six students were enrolled in courses with a specific focus in agri-science and agribusiness. Other courses incorporated these topics to a lesser extent. The impacted students are in a wide-variety of degrees (education, science, business, general liberal arts), allowing for information to be disseminated to a large constituency in these communities.

A **Sinte Gleska University (South Dakota)** project developed curricula and syllabi in Natural Resources History and Management, Tribal Land Management and History, Horticulture and Environmental Law. This project also worked on revision of the Tribal Land Management degree programs and produced new degree programs. They also developed a career guide for students based on available careers on the Rosebud Reservation. As a result, one student completed a bachelor's degree in Environmental Science; ten students have been recruited to the Tribal Lands Management degree program; collaborations have been formed with tribal land programs, Federal land programs and with South Dakota state extension programs; Career Guide is available for local schools and as a recruitment tool; and an advisory committee was formed to provide community and stakeholders input into future planning for the USDA programs.

The **Turtle Mountain Community College's (North Dakota)** formed an articulation agreement between the college and a local agricultural high school—St. John Public—to provide Equine Science offerings to its students as dual credit. They designed and implemented agricultural related curriculum in GIS/GPS and NSCA Certified Personal Trainer Certificate which will be part of the college's course catalog. Moreover, the College enhanced the community's knowledge of animal sciences by offering a series of workshops throughout the year and provided educational opportunities to youth and adults in a vast array of subjects in the areas of health, wellness, community wellness, and outreach education. The program has allowed the community to participate in a vast number of educational programming in the agricultural fields. Participating students are now academically prepared to further their education or seek employment in Equine Science, GPS/GIS and Certified Personal Training. The program has perked the interest of the community to be more actively involved in gardening and other agricultural-related disciplines which will in turn contribute to better health and fitness. The college's Anishinabe Center has become a 'One Stop Wellness Center' which actively promotes and has integrated the seven pillars of wellness—Social, Emotional, Occupational, Spiritual, Physical, Environmental, and Intellectual.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$1,549	$1,689	$1,679	$2,232	$2,228	$3,342	$3,319	$3,342	$3,342	$3,335

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$167	$500	$1,669	$3,334	$3,330

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Delivery Cost	$0	$0	$0	$0	$0

9. Eligibility Criteria

Tribal colleges and universities designated as 1994 Land-Grant Institutions under the Educational Land-Grant Status Act of 1994, as amended. This Act, as amended in Section 533(a), requires that each 1994 Land-Grant Institution be accredited or making progress towards accreditation and be recognized as a legal entity. If accreditation is being sought, a college must demonstrate its progress towards accreditation by a letter from a nationally recognized accreditation agency affirming receipt of application for an accreditation site visit or other such documentation.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	30	31	30
Applications Funded	30	30	30

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Veterinary Medicine Loan Repayment Program.

2. Subprograms/Department Initiatives

None.

3. Brief History

In January 2003, NVMSA was passed into law adding section 1415A to the National Agricultural Research, Extension, and Teaching Policy Act of 1997. This law established a new Veterinary Medicine Loan Repayment Program (7 U.S.C. 3151a)

Section 7105 of the 2008 Farm Bill amended section 1415A to revise the determination of veterinarian shortage situations to consider (1) geographical areas that the Secretary determines have a shortage of veterinarians; and (2) areas of veterinary practice that the Secretary determines have a shortage of veterinarians, such as food animal medicine, public health, epidemiology, and food safety. This section also added that priority should be given to agreements with veterinarians for the practice of food animal medicine in veterinarian shortage situations.

4. Purpose/Goals

USDA's Veterinary Medicine Loan Repayment Program (VMLRP), authorized by the National Veterinary Medical Services Act (NVMSA) helps qualified veterinarians offset a significant portion of the debt incurred in pursuit of their veterinary medicine degrees in return for their service in certain high-priority veterinary shortage situations. The National Institute of Food and Agriculture (NIFA) will carry out NVMSA by entering into educational loan repayment agreements with veterinarians who agree to provide veterinary services in veterinarian shortage situations for a determined period of time.

5. Success in Meeting Programmatic Purpose/Goals

Veterinarians are critical to the national food safety and food security infrastructures, and to the health and well-being of both animals and humans; however, major studies indicate significant and growing shortages of food supply veterinarians and veterinarians serving in certain other high priority specialty areas. A leading cause for this shortage is the heavy cost of 4 years of professional veterinary medical training, which can average between $100,000 and $140,000. Congress established the VMLRP as a way to remedy this growing need.

In Fiscal Year 2010, NIFA made 62 award offers of which 53 were accepted for a total of $5,185,970 (includes loan and tax payments) with the average award at $97,848 (includes loan and tax payments). The average eligible debt for repayment was $98,672. Sixty-five percent of recipients received the maximum payment of $25,000 per year (plus taxes), and 65 percent of awards went to those who obtained their Doctor of Veterinary Medicine within the last 3 years. Thirty-four states will fill at least one shortage area through VMLRP:

- Iowa will fill five shortage areas
- Idaho, Kansas and Texas will fill four shortage areas
- Kentucky and South Dakota will fill three shortage areas

Shortage type breakdown:

- Type 1 (at least 80 percent private practice): 24 awards
- Type 2 (at least 30 percent private practice): 24 awards

- Type 3: (at least 49 percent public practice): 5 awards

Participants are required to serve in one of three types of shortage situations. Type 1 shortage areas are private practice dedicated to food animal medicine at least 80 percent of the time. Type 2 shortages are private practices in rural areas dedicated to food animal medicine up to 30 percent of the time. Type 3 shortage areas are dedicated to public practice up to 49 percent of the time.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	FY06	FY07	FY08	FY09	FY10	FY11
Annual Budget Authority	$495	$495	$869	$2,950	$4,800	$4,790

Note: Funding began in FY 2006.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$50	$310	$909	$2,199	$3,967

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	FY07	FY08	FY09	FY10	FY11
Annual Outlays	$50	$87	$295	$480	$479

9. Eligibility Criteria

To be eligible to apply to the VMLRP, an applicant must: (1) Have a degree of Doctor of Veterinary Medicine (DVM), or the equivalent, from a college of veterinary medicine accredited by the AVMA Council on Education; (2) Have qualifying educational loan debt as defined in 7 CFR 3431 Section 3; (3) Secure an offer of employment or establish and/or maintain a practice in a veterinary shortage situation, as determined by the Secretary, within the time period specified in the VMLRP service agreement offer; and (4) provide certifications and verifications in accordance with 7 CFR 3431 Section 16.

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	0	0	260
Applications Funded	0	0	53

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

1. Program Name

Women in Minorities in Science, Technology, Engineering and Mathematics Fields Program (WAMS).

2. Subprograms/Department Initiatives

There are no subprograms.

3. Brief History

Section 7204 of the 2008 Farm Bill amended Section 1672 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5925), authorizes the Secretary of Agriculture to make competitive grants to support research and extension activities to increase participation by women and underrepresented minorities from rural areas in the fields of science, technology, engineering, and mathematics.

4. Purpose/Goals

Purpose/Goals include:

(1) To support research and extension projects to increase participation by women and underrepresented minorities from rural areas in science, technology, engineering, and mathematics fields related to the food and agricultural sciences;

(2) to improve the economic health and viability of rural communities through the development of research and extension initiatives focused on new and emerging employment opportunities in STEM occupations; and

(3) to fund projects that address the national challenge to increase the number and diversity (*i.e.,* having a food and agricultural sciences workforce representative of the nation's population) of students entering food and agriculture related STEM disciplines.

5. Success in Meeting Programmatic Purpose/Goals

Although this grant program is too new to have any discernable success to date examples of expected success include:

An education grant to **Twin Cities Public Television** in Minnesota aims to encourage more girls to consider careers in STEM fields via the "SciGirls" program. While girls and women have increased their representation in many fields of science in recent years, their progress is still not keeping pace with the rising demand for skilled workers in many STEM fields. Although women make up nearly ½ the college-educated workforce, they represent only ¼ of the college-educated workforce in science and engineering occupations. "SciGirls" will be distributed through PBS Plus to the nation's 350 PBS stations. From experience with comparable PBS Plus programs, they project that each episode will attract several million viewers over its broadcast life, nearly ½ of which will be rural audiences.

A **University of Georgia** project is enhancing the readiness of women and underrepresented males from Georgia's rural communities to successfully transition into careers in STEM in general and food, agriculture, natural resources, and related sciences (UFANRRS) in particular. In addition to addressing the clogs in the existing pipeline of trained women and minorities from high school to undergraduate degrees, the project is also including a component that introduces middle school students to career options in food and agricultural sciences. The innovativeness and significance of this project rest on the project's design in building the pipeline to the undergraduate pool through increased interest in STEM programs early in the education process and recognizing the need to transition students from bachelor's to master's STEM programs through better preparation.

6. Annual Budget Authority (FY 2007–FY 2011)

(in thousands of dollars)

	2010	2011
Annual Budget Authority	$400	$399

Note: Funding began in FY 2010.

7. Annual Outlays (FY 2007–FY 2011)

(in thousands of dollars)

	2010	2011
Annual Outlays	$240	$387

Note: Funding began in FY 2010.

8. Annual Delivery Cost (FY 2007–FY 2011)

(in thousands of dollars)

	2010	2011
Annual Delivery Cost	$16	$16

Note: Funding began in FY 2010.

9. Eligibility Criteria

Eligible applicants are: (a) state agricultural experiment stations; (b) colleges and universities; (c) university research foundations; (d) other research institutions and organizations; (e) Federal agencies; (f) national laboratories; (g) private organizations or corporations; (h) individuals; or (i) any group consisting of two or more of the entities described in subparagraphs (a) through (h).

10. Utilization (Participation) Data

Fiscal Year	2008	2009	2010
Applications Received	None	None	13
Applications Funded	None	None	2

11. Duplication or Overlap with Other Programs

REE is committed to maximizing Federal dollars by ensuring systematic monitoring and evaluation. While the scientific method requires the flexibility to replicate results, NIFA's leadership, program managers, and researchers rigorously track scientific projects through its Current Research Information System (CRIS) to avoid duplication. Program leadership also holds joint stakeholder meetings and/or coordinates with other science agencies (ARS, ERS, others) to ensure that programs are complementary, and do not duplicate other science programs in USDA and other Federal agencies. The creation and staffing of the USDA Office of the Chief Scientist has bolstered this coordination.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—NATIONAL AGRICULTURAL STATISTICS SERVICE

1. Program Name

National Agricultural Statistics Service.

2. Subprograms/Department Initiatives

Agricultural Estimates and Census of Agriculture:

i. 2008 Organic Production Survey,
ii. Cash Rents Survey,
iii. Prices Survey,
iv. Specialty Crops Survey, and
v. Civil Rights Report.

3. Brief History

a. *2008 Organic Program Survey:* The 2007 Census of Agriculture showed more than 20,000 farmers engaged in organic production in the United States. As a follow-up to the 2007 Census, USDA conducted it first ever, wide-scale survey of organic agriculture.

b. *Cash Rents Survey:* NASS has been directed through the 2008 Farm Bill to collect cash rents data for use by the Farm Service Agency (FSA) in program administration. The Food, Conservation, and Energy Act of 2008, Section 2110, states,

> "The Secretary (acting through the National Agricultural Statistics Service) shall conduct an annual survey of per acre estimates of county average market dry land and irrigated cash rental rates for cropland and pastureland in all counties or equivalent subdivisions within each state that have 20,000 acres of cropland or pastureland."
>
> The Cash Rents Survey is conducted annually by the USDA's National Agricultural Statistics Service (NASS). The Cash Rents Survey obtains annual average cash rental rates by farmers and ranchers for all counties in the U.S. that meet the requirements outlined in the 2008 Farm Bill. This survey provides the basis for estimates of the current year's Cash Rent paid for Irrigated Cropland, Non-irrigated Cropland, and Permanent Pasture. Data collection on the Cash Rents Survey is from February through mid July. The final 2011 Cash Rents estimates will be published on September 9, 2011. Data will be published at the county, district, state, and national level.

c. *Prices Survey:* The collection and publication of prices received by farmers gained importance with passage of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) and the importance continued with the passage of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill).

d. *Specialty Crops Survey:* Issued in November 2009, this is the first time NASS has summarized and published the Census of agriculture data for specialty crops.

e. *Civil Rights Report:* FARM BILL Section 14006 TRANSPARENCY AND ACCOUNTABILITY FOR SOCIALLY DISADVANTAGED FARMERS OR RANCHERS requires USDA to annually compile program application and participation rate data regarding socially disadvantaged farmers or ranchers: race, ethnicity, and gender for the entire U.S. for each state and county.

4. Purpose/Goals

a. *2008 Organic Program Survey:* Through the Organic Production Survey, USDA's National Agricultural Statistics Service (NASS) gathered additional information on how the growth of organic farming is changing the face of U.S. agriculture. This survey gave organic producers an opportunity to share information about their industry and help ensure the continued growth and sustainability of organic farming in the United States. The survey results can be utilized to help shape decisions regarding farm policy, funding allocations, availability of goods and services, community development and other key issues. In addition, the information can help producers of organic agriculture make informed decisions about the future of their own organic production operations. The survey looked at organic farming during the 2008 calendar year, including:

- Production of field crops, vegetables, fruits, tree nuts, berries, livestock and poultry
- Production practices, including pest management, cover crops, crop rotation, rotational grazing, conservation tillage, water management and buffer zones
- Production expenses
- Marketing practices, including wholesale, retail and direct-to-consumer sales
- Value-added production and processing

The survey included not only farm operations that are currently engaged in organic production, but those making the transition to organic agriculture.

b. *Cash Rents Survey:* The Cash Rents Survey provides the per acre estimate of county average cash rent paid by farmers. Estimates derived from this survey supply basic information needed by farmers to make decisions for both short term and long term planning. The Cash Rents Report may also be used by individual producers in planning expenses for their agricultural operation or by Extension or University Staff in developing operating budgets for agricultural operations in their locale.

c. *Prices Survey:* Farm commodity prices are subject to the market forces of supply and demand. However, in times of depressed commodity prices the government will make counter cyclical payments to producers to assist them. The 2008 Farm Bill continued many of the commodity programs introduced in the 2002 Farm Bill, adjusting payment levels and eligibility while introducing the ACRE program. The data showing prices received by farmers is collected and published by NASS, and is critical to implementing and administering these programs.

d. *Specialty Crops Survey:* The 2007 Census of Agriculture Specialty Crop publication provides data that supplement the *2007 Census of Agriculture,* Volume 1. As a service to agricultural and economic data users, the 2007 data for specialty crops are published at the U.S. and state-level.

e. *Civil Rights Report:* As stated in the farm bill "Using the technologies and systems of the National Agricultural Statistics Service, the Secretary shall compile and present the data compiled under paragraph (1) for each program described in the paragraph in a manner that includes the raw numbers and participation rates for (A) the entire United States; (B) each state; and (C) each county in each state." The department will use the report to ensure all farm producers are treated equitably by departmental service providers.

5. Success in Meeting Programmatic Purpose/Goals

a. *2008 Organic Program Survey:* Data were collected, edited, analysis conducted and results released on February 3, 2010. There was an 87 percent response rate and NASS counted 14,540 USDA certified and exempt organic farms.

b. *Cash Rents Survey:* The survey has been conducted each year since the 2008 Farm Bill was enacted. Published results have been made available to FSA and the general public for 2008, 2009, and 2010 as mandated by the farm bill. The 2011 results will be published on August 4, 2011.

c. *Prices Survey:* NASS has maintained this important data series for many years, making this critical data available to FSA and the general public. Data are published each month in the *Agriculture Prices* report—a Principal Economic Indicator of the United States.

d. *Specialty Crops Survey:* A volume was published on this subject in November 2009 at the U.S. level and state level. An additional volume was published for Outlying Areas including Puerto Rico, U.S. Virgin Islands, Guam, and the Commonwealth of Northern Mariana Islands.

e. *Civil Rights Report:* NASS has participated with the department in an ongoing process for several years to fulfill this important section of the farm bill: "(1) ANNUAL REQUIREMENT.—For each county and state in the United States, the Secretary of Agriculture (referred to in this section as the 'Secretary') shall annually compile program application and participation rate data regarding socially disadvantaged farmers or ranchers by computing for each program of the Department of Agriculture that serves agricultural producers and landowners—

> (A) raw numbers of applicants and participants by race, ethnicity, and gender, subject to appropriate privacy protections, as determined by the Secretary; and
>
> (B) the application and participation rate, by race, ethnicity, and gender, as a percentage of the total participation rate of all agricultural producers and landowners."

NASS has created a web-based tool that will provide participation rates for every applicable USDA program at the state and county level. NASS has worked with other agencies in developing a format the agencies can use to submit participation data to the database which the web-based tool uses. This software works to facilitate data queries for USDA program Agencies who will load program application and participation data and will be maintained by the Department. As per the farm bill, both percentage rate and number of applicants and participants will be available. NASS has also summarized the data for total agricultural producers at the appropriate levels which will be used as the denominator in the participation rate calculation.

6. Annual Budget Authority (FY 2007–FY 2011)

National Agricultural Statistics Service

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Grand Total
Budget Authority from the Farm Bill						
a. 2008 Organic Production Survey—Farm bill funds transferred to NASS through Farm Service Agency (FSA) Commodity Credit Corporation (CCC)	$1,000,000					**$1,000,000**
b. Cash Rents Survey—Reimbursable Agreement with FSA CCC	$800,000	$4,811,132	$5,700,000	$5,700,000	$4,275,000	**$21,286,132**
c. Prices Survey—Reimbursable Agreement with FSA CCC	$2,486,000	$2,800,000	$2,800,000	$2,800,000	$2,800,000	**$13,686,000**
d. Specialty Crops Survey*	—	—	—	—	—	—
e. Civil Rights Report*	—	—	—	—	—	—
Grand Total	**$1,800,000**	**$4,811,132**	**$5,700,000**	**$5,700,000**	**$4,275,000**	**$22,286,132**

* The farm bill directed work to be done on Specialty Crops Survey and Civil Rights Report but no funds were given through the farm bill.

7. Annual Outlays (FY 2002–FY 2011)

Budget authority is the authority provided by public law to enter into financial obligations that will result in immediate or future outlays of funds. Outlays are the issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a Federal obligation. Outlays may be from unexpended balances of prior-year budgetary resources plus the current budgetary resources.

For example: The farm bill authorized $1.0 million in 2008 for the Organic Production Survey but most of those funds were obligated and spent in 2009. The farm bill directed work on Specialty Crops and Civil Rights but no funds were provided in the farm bill. NASS used resources from the Census of Agriculture to summarize data needed for the survey and report. This data is considered a special tabulation of the Census, a service provided under Census of Agriculture authority.

National Agricultural Statistics Service

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Grand Total
Outlays of Farm Bill Funds						
a. 2008 Organic Production Survey—Farm bill funds transferred to NASS through FSA CCC	$12,355	$987,645	$0	$0	$0	**$1,000,000**
b. Cash Rents Survey—Reimbursable Agreement with FSA CCC	$800,000	$4,811,132	$5,700,000	$5,700,000	$4,275,000	**$21,286,132**

c. Prices Survey—Reimbursable Agreement with FSA CCC	$2,486,000	$2,800,000	$2,800,000	$2,800,000	$2,800,000	**$13,686,000**
Outlays of NASS Funds for Farm Bill Directed Activities						
d. Specialty Crops Survey *	$0	$15,413	$9,438	$0	$0	**$24,851**
e. Civil Rights Report *	$1,512	$4,320	$9,720	$11,448	$0	**$27,000**
Grand Total	**$813,867**	**$5,818,510**	**$5,719,158**	**$5,711,448**	**$4,275,000**	**$22,337,983**

* NASS redirected funds to fulfill the farm bill direction. NASS used resources from the Census of Agriculture to summarize data needed for the survey and report. This data is considered a special tabulation of the Census, a service provided under Census of Agriculture authority.

8. Annual Delivery Cost (FY 2002–FY 2011)

NASS programs are very integrated; most of the surveys are done from questionnaires with the farmers and ranchers. The questions cover a wide variety of crops; farming and ranching practices; operator characteristics (primary occupation, sex, age, race, and Spanish, Hispanic, or Latino origin); farm size and type of ownership (family, partnership, corporation, other). NASS produces over 500 reports derived from this data.

National Agricultural Statistics Service
Annual Cost of Surveys

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Grand Total
a. 2008 Organic Production Survey—Farm bill funds transferred to NASS through FSA CCC						
Salary expenses Subtotal	$12,355	$987,645	$0	$0	$0	**$1,000,000**
FTEs	0.0	6.2	0.0	0.0	0.0	**6.2**
2008 Organic Production Survey—funds appropriated to NASS Salary expenses Subtotal	$174,410	$441,040	$0	$0	$615,450	
Contracts	$0	$485,897	$0	$0	$0	**$485,897**
Printing	$0	$0	$45,008	$0	$0	**$45,008**
Postage	$0	$59,947	$0	$0	$0	**$59,947**
Subtotal	$0	$720,254	$486,049	$0	$0	**$1,206,303**
FTEs	0.1	4.6	4.1	0.0	0.0	**8.8**
Total	$12,355	$1,707,899	$486,049	$0	$0	**$2,206,303**

National Agricultural Statistics Service—Continued
Annual Cost of Surveys

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	Grand Total
Total FTEs	0.1	10.8	4.1	0.0	0.0	**15.0**
b. Cash Rents Survey—Reimbursable Agreement with FSA CCC						
Salary expenses Subtotal	$800,000	$4,811,132	$5,700,000	$5,700,000	$4,275,000	**$21,286,132**
FTEs	7.4	44.3	52.5	52.5	39.4	**196.0**
c. Prices Survey—Reimbursable Agreement with FSA CCC						
Salary expenses Subtotal	$2,486,000	$2,800,000	$2,800,000	$2,800,000	$2,800,000	**$13,686,000**
FTEs	22.9	25.8	25.8	25.8	25.8	**126.0**
d. Specialty Crops Survey*—Funds appropriated to NASS						
Salary expenses Subtotal	$0	$13,313	$4,438	$0	$0	**$17,750**
FTEs	0.0	0.1	0.0	0.0	0.0	**0.1**
e. Civil Rights Report*—Funds appropriated to NASS						
Salary expenses	$1,512	$4,320	$9,720	$11,448	$0	**$27,000**
FTEs	0.0	0.0	0.1	0.1	0.0	**0.2**
Grand Total	**$3,299,867**	**$9,336,664**	**$9,000,206**	**$8,511,448**	**$7,075,000**	**$37,223,185**
Grand Total FTEs	**30.4**	**81.0**	**82.5**	**78.4**	**65.2**	**337.4**

* The farm bill directed work to be done on Specialty Crops and Civil Rights but funds were not given from the farm bill. NASS used resources from the Census of Agriculture to summarize data needed for the survey and report. This data is considered a special tabulation of the Census, a service provided under Census of Agriculture authority.

9. Eligibility Criteria

a. *2008 Organic Production Survey:* USDA-certified organic producers; Producers exempt from USDA certification; Producers transitioning to organic identified from the 2007 Census of Agriculture and updated for newly certified, exempt, and transitioning farms.

b. *Cash Rents:* The population for the Cash Rents Survey is the USDA–NASS farm population. It includes "all operations that sold or have the potential to sell at least $1,000 worth of agricultural products during the year." A sample of farmers/ranchers is surveyed that have or could have a cash rental agreement.

c. *Prices Survey:* All entities that purchase grains, oilseeds, pulse crops, peanuts, or cotton directly from farmers are eligible to be surveyed, and represent the population. All sampled units are visited each year to go over all procedures and detailed reporting instructions to ensure that the data is accurate and complete.

d. *Specialty Crops Survey:* A specialty crop is defined by Section 3 of the Specialty Crops Competitiveness Act of 2004 (7 U.S.C. 1621 note; Public Law 108–465) as fruits and vegetables, tree nuts, dried fruits, and nursery crops (including floriculture). Maple syrup is included because some USDA agencies consider it a specialty crop. Data are provided that include and exclude maple syrup to accommodate either definition.

e. *Civil Rights Report:* The population for the Civil Rights Report is the USDA–NASS farm population. It includes "all operations that sold or have the potential to sell at least $1,000 worth of agricultural products during the year."

10. Utilization (Participation) Data

a. *2008 Organic Production Survey:* The final mail list included 28,938 farms that met the criteria of which 14,540 farms were USDA certified or exempt.

b. *Cash Rents:* NASS sampled approximately 220,000 producers and strives to get 80% percent response rate.

c. *Prices Survey:* NASS strives to achieve an 80% response rate for operations surveyed each month.

d. *Specialty Crops Survey:* The number of farms producing specialty crops totals 247,772.

e. *Civil Rights Report:* NASS used already collected data from the Census of Agriculture. The Census form was mailed to approximately 3.1 million potential farm operations. The 2007 Census of Agriculture counted 2.2 million farming operations. USDA program agencies will load application and participation data for their programs. The application and participation rates and data will then be available to the general public.

11. Duplication or Overlap with Other Programs

a. *2008 Organic Production Survey:* No duplication. These data were collected from the organic producers themselves and not from certifying entities as is published from other agencies.

b. *Cash Rents:* No duplication. This is the only source of information on farm level cash rent rates for all qualifying counties in the United States.

c. *Prices Survey:* No duplication. This data series is the only available source of prices received by farmers available for the U.S.

d. *Specialty Crops Survey:* No duplication.

e. *Civil Rights Report:* No duplication. This is the only source of information for participation and application rate data.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—ECONOMIC RESEARCH SERVICE

1. Program Name

Economic Research Service (ERS).

2. Subprograms/Department Initiatives

Economic Research and Analysis.

3. Brief History

The Economic Research Service (ERS) was established in 1961 from components of the former Bureau of Agricultural Economics principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621–1627).

4. Purpose/Goals

The mission of ERS is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development.

ERS has six strategic goals which correspond to each of the four USDA strategic goals. To achieve these goals, ERS enhances the understanding of policy makers, regulators, program managers, and those shaping debate of economic issues affecting agriculture, food, the environment, and rural development. Activities to support ERS' mission and goals involve research and development of economic and statistical indicators on a broad range of topics, including but not limited to global agricultural market conditions, trade restrictions, agribusiness concentration, farm and retail food prices, foodborne illnesses, food labeling, nutrition, food assistance programs, agrichemical usage, livestock waste management, conservation, agricultural productivity, technology transfer, and rural employment. Research results and economic indicators on such important agricultural, food, natural resource, and rural issues are fully disseminated to public and private decision makers through published and electronic reports and articles; special staff analyses, briefings, presentations, and papers; databases; and individual contacts.

5. Success in Meeting Programmatic Purpose/Goals

The long-term performance goal for the Economic Research Service is the successful execution of the ERS program of economic research and analysis to provide policy makers, regulators, program managers, and those shaping the public debate on agricultural economic issues with timely, relevant, and high quality economic research, analysis, and data to enhance their understanding of economic issues affecting food and agriculture. The key outcome of the ERS program is informed public and private decision-making on economic and policy issues related to agriculture, food, the environment, and rural development.

Central to effective ERS performance is successful completion of planned research that enhances understanding by policy makers, regulators, program managers, and those shaping the public debate of economic issues related to enhancing economic opportunities for agricultural producers. ERS research and management practices use many methods to ensure that the direction of agency research activities reflects current and anticipated needs of ERS stakeholders and customers, that research and analysis produced by the agency adheres to disciplinary standards to ensure the highest possible quality, and that the agency's research products are delivered in a way that is accessible to customers.

ERS interacts with stakeholders and customers in many ways to ensure that the research agenda focuses on topics relevant to public and private decision makers. ERS regularly convenes workshops, stakeholder sessions, or other meetings in which the results of recent agency research are discussed, upcoming policy issues are identified, and questions for future research are explored.

ERS strategic planning activities include reviews of progress in meeting program plans and implementing revisions as necessary. ERS strategic planning includes discussions with customers and stakeholders on prospective research projects to meet anticipated needs of policy officials. Stakeholder conferences are used to help set priorities for ERS extramural funding programs. ERS management regularly discusses implementation of research activities with key customers and stakeholders including USDA Agencies, other Federal departments, Congressional staff and members, and private sector partners to ensure continued and improved agency effectiveness. Suggestions and ideas from our key customers informs our program planning process to ensure that ERS continues to provide the information, data, market outlook and analysis needed to inform decision making on economic issues related to food, agriculture, and rural America.

ERS uses independent expert review panels that evaluate the effectiveness of the ERS program of economic research and analysis to enable better informed decisions on food and agricultural policy issues. Over the past 6 years, review panels have assessed major segments of the ERS program. In each review, the external panels assess the relevance, quality, and performance of program plans, activities, and accomplishments. This assessment includes an evaluation using a quantitative analysis tool to rate portfolio effectiveness on a multi-category scale (excellent, adequate, needs improvement). The panel recommendations are used in agency strategic planning and priority setting. All past reviews have rated ERS performance as "Excellent."

6. Annual Budget Authority (FY 2002–FY 2011) ($000)

FY 2002: $67,154
FY 2003: $68,674
FY 2004: $70,981
FY 2005: $74,170
FY 2006: $75,172
FY 2007: $75,193
FY 2008: $77,397
FY 2009: $79,500
FY 2010: $82,478
FY 2011: $81,814

7. Annual Outlays (FY 2002–FY 2011) ($000)

FY 2002: $69,892
FY 2003: $70,262
FY 2004: $65,543
FY 2005: $72,847
FY 2006: $72,778
FY 2007: $72,760
FY 2008: $77,707
FY 2009: $79,719
FY 2010: $67,927
FY 2011: $82,000 (est.)

8. Annual Delivery Cost (FY 2007–FY 2011) ($000)

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Salaries and Expenses	$34,157	$32,945	$39,621	$39,675	$40,781	$42,311	$45,080	$48,897	$52,361	$52,400
Data Acquisition	$4,000	$6,500	$6,950	$10,450	$10,027	$10,250	$13,116	$16,407	$16,095	$16,199
Contracts, Agreements, and Grants	$12,859	$11,732	$5,130	$5,899	$6,899	$5,240	$8,750	$8,223	$9,050	$8,634
Direct costs			$492	$270	$283	$480	$2,176	$1,757	$1,200	$1,200
Indirect Costs*	$16,029	$17,243	$18,637	$17,743	$17,015	$16,335	$7,908	$3,606	$3,037	$3,381
Total Cost	**$67,045**	**$68,420**	**$70,830**	**$74,037**	**$75,005**	**$74,616**	**$77,030**	**$78,890**	**$81,743**	**$81,814**
Total FTEs	**479**	**462**	**439**	**427**	**400**	**376**	**386**	**388**	**400**	**400**

* Variances in Indirect Costs throughout the years are attributed to differences in charging data acquisition, contracts, and agreements to the budget object class for categories included in Indirect costs.

9. Eligibility Criteria

N/A.

10. Utilization (Participation) Data

N/A.

11. Duplication or Overlap with Other Programs

The four REE agencies are complementary and have distinct missions. The National Agriculture Statistics Service (NASS) conducts basic statistically valid surveys to create a body of data that reflects on-the-ground factual information. ERS constructs data series, using data from a variety of sources, to inform its program of research and market analysis. Data collected by NASS are used by ERS for its farm income estimates and research, and in the ERS program of market outlook and analysis. Other data and research in ERS, such as the food security statistics, rely on survey agreements with other Federal agencies such as the Census bureau. ERS provides data, research and analysis that support the wide range of program and policy issues of importance to USDA. ERS data, information and analysis meet the information needs of USDA policy makers and programs, and are used by the media, trade associations, public interest groups, and the general public. Findings are useful to inform policymakers and for continuously improving the quality of the market information that guides production decisions and risk management.

ERS provides social science research and analysis to complement the other scientific expertise of the REE agencies in multidisciplinary research. ERS collaborates with ARS in carrying out research to address the needs of U.S. agriculture, including research and data development to support rural prosperity, agricultural productivity, global food security, food safety, and better diets. ERS coordinates with NIFA regarding extramural funding priorities and identifying promising new areas for research.

ERS is the primary source of statistical indicators that, among other things, gauge the health of the farm sector (including farm income estimates and projections), assess the current and expected performance of the agricultural sector (including trade), and provide measures of food insecurity here and abroad. ERS is one of the 14 OMB officially-designated Federal statistical agencies.

ERS collaborates with the staff of the Office of the Chief Economist and staff economists in USDA program agencies to provide data, research findings, and market analysis and outlook to support Departmental decision making on program implementation and development.

12. Waste, Fraud and Abuse

No such instances have to date been identified.

13. Effect of Administrative PAYGO

None.

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF USDA DAIRY PROGRAMS)

THURSDAY, SEPTEMBER 8, 2011

SUBCOMMITTEE ON LIVESTOCK, DAIRY, AND POULTRY,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 2:15 p.m., in Room 1300, Longworth House Office Building, Hon. Thomas J. Rooney [Chairman of the Subcommittee] presiding.

Members present: Representatives Rooney, Goodlatte, Neugebauer, Conaway, Huelskamp, DesJarlais, Gibson, Ribble, Cardoza, Scott, Courtney, Boswell, Owens, Peterson (*ex officio*), Costa, and Welch.

Staff present: John Goldberg, Debbie Smith, Lauren Sturgeon, Suzanne Watson, Michelle Weber, John Konya, Nathaniel B. Fretz, Mary Knigge, and Jamie Mitchell.

OPENING STATEMENT OF HON. THOMAS J. ROONEY, A REPRESENTATIVE IN CONGRESS FROM FLORIDA

The CHAIRMAN. This hearing of the Subcommittee on Livestock, Dairy, and Poultry for the purpose of conducting an agricultural program audit; an examination of USDA dairy programs will come to order.

I would like to welcome y'all to today's hearing to review the current dairy programs. I would like to begin by thanking Ranking Member Cardoza for his help in preparing for today's hearing. I would also like to welcome our witnesses and extend our gratitude for you making the effort to be here and to share your time and expertise with our Subcommittee.

This hearing is the tenth in a series of audits of USDA farm programs. Through these discussions, we hope to gain a better understanding of how each program is operating and what we might do to improve farm policy, moving forward. Our witnesses today will share their knowledge and expertise in administering Federal dairy programs.

The events of 2009 exposed what many have long held to be an inadequacy of some of our current dairy programs. While some observers may argue that additional funding may improve the overall effectiveness of our dairy safety net, our current budgetary outlook makes this option a nonstarter. Innovative and effective ideas are needed in order to ensure that our programs support our producers, facilitate product and market development, and continue to ensure the availability of safe, abundant, and affordable products for our consumers.

Our witnesses will provide the Subcommittee with detailed information on existing programs, testifying to their current conditions, productivity, and possible public policy challenges. In this hearing, we hope to gain some perspective about the issues we should focus on in greater detail later in this Congress.

I appreciate my colleagues' attendance and interest in this hearing and encourage suggestions and recommendations as we move forward with our Subcommittee's agenda.

[The prepared statement of Mr. Rooney follows:]

PREPARED STATEMENT OF HON. THOMAS J. ROONEY, A REPRESENTATIVE IN CONGRESS FROM FLORIDA

Good afternoon, and welcome to today's hearing to review current dairy programs. I would like to begin by thanking Ranking Member Cardoza for his help in preparing for today's hearing. I would also like to welcome our witnesses and extend our gratitude for making the effort to be here and to share their time and expertise with our Subcommittee.

This hearing is the tenth is a series of audits of USDA farm programs. Through these discussions we hope to gain a better understanding of how each program is operating and what we might do to improve farm policy, moving forward. Our witnesses today will share their knowledge and expertise in administering Federal dairy programs.

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Our witnesses will provide the Subcommittee with detailed information on existing programs, testifying to their current conditions, productivity, and possible public policy challenges. In this hearing we hope to gain some perspective about the issues we should focus on in greater detail later in this Congress.

I appreciate my colleagues' attendance and interest in this hearing and encourage suggestions and recommendations as we move forward with our Subcommittee's agenda.

The CHAIRMAN. With that, I would like to recognize the Ranking Member, Representative Cardoza.

OPENING STATEMENT OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. CARDOZA. Thank you, Mr. Chairman.

I very much appreciate your friendship and your organizational ability putting this hearing together. I want to also thank our witnesses for being with us today. This is a vital hearing with regard to our dairy programs at USDA.

The dairy industry has always faced a rocky road, but the past few years have been particularly challenging. In California, we produce 21 percent of the country's milk supply, producing some of the highest amounts of cheese, milk, butter, yogurt, nonfat dry milk than anywhere else in the country.

Alone, the dairy industry produces $4.5 billion in annual sales and generates $63 billion in economic activity. This equates to over 443,000 jobs for our country; therefore, it is vital that USDA implement programs that keep the industry strong and are equitably distributed throughout the country in order to keep dairymen and women producing wholesome products that we all enjoy and so that parents can provide their children with the best available nutrition.

It is also essential that this Congress enact dairy policy reforms that lift up the industry and lay the foundation for the future of dairy production. As a country and as a Committee, we need to ensure that we lay the long-term foundation for a strong industry so that we can continue to produce milk and other dairy products at home and not rely on imports from other countries. Producing our own food is vital to our national security. It is imperative that we protect our domestic food production industry, especially the dairy industry.

I look forward to hearing from our witnesses today and thank them all for being here. We will use this information to craft dairy policies, moving forward, and I appreciate your input.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Cardoza follows:]

PREPARED STATEMENT OF HON. DENNIS A. CARDOZA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Thank you, Mr. Chairman, and thank you to our witnesses for sharing with us today the status of the dairy programs at USDA.

The dairy industry has always faced a rocky road, but the past few years have been particularly challenging.

In California, we produce 21% of the country's milk supply, producing some of the highest amounts of cheese, milk, butter, yogurt, and nonfat dry milk in the country.

Alone, the dairy industry produced $4.5 billion in annual sales and generated $63 billion in economic activity. This equates to over 443,000 jobs.

Therefore, it is vital that USDA implement programs that keep the industry strong and are equitably distributed throughout the country, to keep dairymen and women producing the wholesome products that we all enjoy, and so that parents can provide their children with the best available nutrition.

It is also essential that this Congress enact dairy policy reforms that lift up the industry and lay a foundation for the future of dairy production.

As a country and as a Committee, we need to ensure that we lay the long-term foundation for a strong industry so that we can continue to produce milk and other dairy products at home—and not rely on imports from other countries.

Producing our own food is vital to our national security. It is imperative that we protect our domestic food production industry, including dairy.

I look forward to hearing from our witnesses today and thank them for being here. We'll use this information to craft dairy policies, moving forward, and I appreciate your input. Thank you.

The CHAIRMAN. Thank you, Mr. Cardoza.

The chair would request that other Members submit their opening statements for the record so that the witnesses may be able to begin their testimony and ensure that there is ample time for questions.

[The prepared statements of Mr. Peterson and Mr. Baca follow:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Good afternoon. Thank you Chairman Rooney and Ranking Member Cardoza for continuing the Agriculture Committee's farm bill audit hearings.

We have known for some time now that our current dairy programs are not working. They are not keeping pace with the challenges facing today's dairy industry.

I worry that if we have another situation like we had in 2009 we could easily lose half our nation's dairies. Unfortunately, the current environment in the dairy sector is becoming very similar to what we saw leading up to the 2009 collapse. This is why I believe we need to address dairy programs sooner than later.

I've put forward a draft dairy reform proposal that I hope to introduce in the coming weeks. We can discuss the proposal more at another time but I do believe that we're on the right track to reaching a solution.

It is also important to note that whatever this Committee decides to do, with dairy programs specifically or the farm bill as a whole, we will have to make some tough choices to reduce spending.

Again, I thank the chair for holding today's hearing and look forward to hearing from our witnesses.

PREPARED STATEMENT OF HON. JOE BACA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Chairman Rooney and Ranking Member Cardoza:

I am pleased to be here today to review the current state of dairy programs at USDA—and to discuss what steps, if any, the Federal Government should take to stabilize the dairy market in the 2012 Farm Bill.

I thank the Chairman and Ranking Member for convening this hearing and hope we will be able to gain valuable insight into this critical issue.

I also want to thank our witnesses for coming here today—and taking time from their schedule to help us in Congress better understand current dairy policy.

Everyone in this room understands the important work America's dairy farmers do, and the vital need to keep the dairy industry healthy and prosperous.

When agricultural markets fluctuate, there is a direct and significant impact on our nation's food supply—and thus the health and nutrition of virtually every American.

In my own Congressional District in the Inland Empire of California—dairy is a significant agricultural and economic product.

We all know the dairy industry has been hit harder than most by the recent economic downturn. We also know that our dairy farmers continue to see higher levels of production costs.

As Members of the Subcommittee on Livestock, Dairy, and Poultry, it is vitally important that we review the current efficiency and effectiveness of dairy programs.

America's dairy industry must remain strong and secure.

We must be willing to work together on this issue. The USDA, industry groups, the Federal and state governments all play an important role in stabilizing our markets.

I look forward to hearing from our witnesses today and again thank the Chairman and Ranking Member for their leadership.

Thank you.

The CHAIRMAN. I would like to welcome our panel of witnesses to the table: Mr. Juan Garcia, Acting Deputy Administrator for Farm Programs, Farm Service Agency, U.S. Department of Agriculture, accompanied by Dr. Larry Salathe, Senior Economist, Office of the Chief Economist, USDA; and Ms. Dana Coale, Deputy Administrator for Dairy Programs, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C.

Mr. Garcia, please begin when you are ready.

STATEMENT OF JUAN M. GARCIA, ACTING DEPUTY ADMINISTRATOR FOR FARM PROGRAMS, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY LARRY SALATHE, PH.D., SENIOR ECONOMIST, OFFICE OF THE CHIEF ECONOMIST, USDA

Mr. GARCIA. Thank you, Mr. Chairman.

Mr. Chairman, Ranking Member Cardoza, and Members of the Subcommittee, thank you for the opportunity to discuss the dairy provisions associated with the 2008 Farm Bill. Today, I will review dairy programs of the Farm Service Agency, Foreign Agricultural Service and Risk Management Agency. I will also briefly mention some important dairy assistance programs authorized outside the farm bill.

Dairy production in the United States is marked by significant volatility and low market predictability. Our dairy producers are the most productive in the world, but their livelihood comes with a great deal of uncertainty regarding prices and input costs. Given the roller coaster cycle of the dairy market, market downturns can have very significant impacts very quickly. We saw this unfold in 2009 with the last dramatic and rapid decline in dairy prices. The global economic recession, the melamine scare in China, and increases in the value of the dollar lowered the demand for U.S. dairy products in world markets, while grain prices kept feed costs relatively high. As you know, this puts tremendous pressure on U.S. dairy producers.

Since 2009, Secretary Vilsack has exercised every authority at hand to provide as much relief as possible to dairy producers under a variety of programs. Today, I would like to mention those programs briefly.

Since April 2009, FSA has provided more than $900 million for producers under the Milk Income Loss Contract Program, which makes payments when market prices are low relative to a level fixed in statute. Most of those payments went out at the height of the crisis in 2009.

We are also working hard to be sure credit is available for dairy producers, in particular during market downturns when commercial credit is hard to come by.

In March 2009, FSA authorized the release of MILC sales proceeds for essential family living and farm operating expenses and notified borrowers of a wide variety of additional loan servicing options.

Stable markets are crucial to a healthy dairy industry. The Commodity Credit Corporation stands ready to buy certain dairy products at support levels under the Dairy Product Price Support Program. By doing so, the Dairy Product Price Support Program helps support market prices. The acquired products are largely used to provide assistance to needy families, both in the U.S. and overseas.

The Foreign Agricultural Service, in turn, operates a Dairy Export Incentive Program, which provides a bonus on a bid basis to exporters of dairy products to bridge the gap between world market prices and U.S. domestic prices. Since 2002, world dairy prices have warranted issuing allocations under the program five times.

In addition to these authorities under the farm bill, USDA has also expedited emergency non-farm bill aid to producers. The Fiscal Year 2010 Agricultural Appropriations Act authorized $290 million in additional direct payments to dairy producers under the Dairy Economic Loss Program, as well as $60 million for the purchase of cheese and other products. The $290 million was paid in near record time, with payments beginning within 60 days of legislative passage. We are particularly proud that these important payments were made so quickly to the greatest possible benefit during a time of crisis for U.S. dairies.

Finally, insurance makes up an important part of the safety net for dairy producers. There are two basic insurance models used to provide livestock insurance: the Livestock Risk Protection and

Livestock Gross Margin. The Livestock Risk Protection provides protection against unexpected declines in the price of certain livestock, while the Livestock Gross Margin provides protection against unexpected declines in the gross margin of the insured livestock product for certain livestock, which includes milk.

Mr. Chairman and Members of the Subcommittee, Secretary Vilsack and all of us at USDA recognize that volatility and market uncertainty affect all producers to a certain extent. Market fluctuations can be particularly dramatic in the dairy industry, and we have been very diligent in exercising a broad range of program authority to help dairy producers across America. We look forward to continuing our work with Congress on this important issue, providing information or technical assistance wherever we can.

Mr. Chairman, this concludes my remarks and I would be happy to answer any questions you may have. Thank you very much.

[The prepared statement of Mr. Garcia follows:]

PREPARED STATEMENT OF JUAN M. GARCIA, ACTING DEPUTY ADMINISTRATOR FOR FARM PROGRAMS, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Ranking Member, and Members of the Subcommittee, thank you for the opportunity to discuss the dairy provisions associated with the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). I will be covering not only the programs associated with the Farm Service Agency (FSA), but also those associated with the Foreign Agricultural Service (FAS) and the Risk Management Agency (RMA). The programs of these agencies provide the backbone of the farm safety net for dairy producers. This hearing provides an opportunity to reflect on the performance of these programs under the 2008 Farm Bill, while thinking ahead to the upcoming farm bill debate.

The dairy market situation has been extremely volatile in recent years, which has greatly affected FSA programs, in particular. I will start my discussion with those programs, intertwining information on the dairy market situation to highlight our response to the very weak economic climate faced by dairy producers in 2009.

Farm Service Agency Programs and the Dairy Crisis

Several events converged in early 2009 that caused a dramatic and rapid decline in dairy prices, which averaged $12.93 per hundredweight (cwt.) for the calendar year, the lowest level since 2003. The global economic recession, the melamine scare in China, and increases in the value of the dollar lowered the demand for U.S. dairy products in world markets. In addition, more normal weather returned to the grass-fed dairy industry in New Zealand and Australia, which had been plagued by drought in the preceding years. And, at home, the economic crisis weakened the demand for dairy products.

Meanwhile, feed costs remained relatively high in 2009, causing the ratio between milk and feed prices to fall to its lowest level in more than 25 years. Financial pressure led producers to cull additional dairy cows and reduce milk production. The number of milk cows dropped from 9.31 million head in January 2009 to 9.08 million head in December 2009. In 2009, milk production declined by 0.3 percent, the first year-over-year decline since 2001.

Since April 2009, FSA has paid dairy producers more than $900 million under the Milk Income Loss Contract (MILC) program, which makes payments when market prices are low relative to a level fixed in statute. The 2008 Farm Bill kept the same basic countercyclical price structure for the MILC program as in the 2002 Farm Bill, but also included a "feed cost adjuster," which increases the size of the payment depending on ration costs.

Most of these MILC payments occurred in calendar year 2009, although a payment of about $15 million was made for April production in early June, 2010. Since enactment of the 2008 Farm Bill, MILC payments have been made during 11 months; the feed cost adjuster had an impact on the payment in 5 of those months.

The dairy crisis also affected producers' ability to receive financing from commercial sources. In March 2009, FSA issued guidance on assisting dairy producers with their credit needs. This notice announced that FSA Farm Loan Programs (FLP) was authorizing the release of milk sales proceeds for essential family living and farm operating expenses and notified FLP borrowers of servicing options that could be considered by FSA on a case-by-case basis, including extending repayment terms for annual operating loans for dairy farmers, rescheduling, consolidation, reamortization, and deferral for 1 to 5 years. We also contacted guaranteed lenders to discuss FSA policies for dairy loans and remind them of loan servicing options available under the Guaranteed Loan Program that could be considered for certain producers.

USDA also expedited emergency non-farm bill aid to producers during the dairy crisis. The Fiscal Year 2010 Agriculture Appropriations Act authorized $290 million in additional direct payments to dairy producers, as well as $60 million for the purchase of cheese and other products. The $290 million was paid in near-record time—with payments beginning within 60 days of legislative passage. Under the Dairy Economic Loss Assistance Program, eligible farmers received a one-time direct payment based on the amount of milk both produced and commercially marketed by their operations during the months of February through July 2009. A 100 cow dairy farm received payments of roughly $6,000; a 200 cow dairy, about $12,000; and operations of 400 cows or more, roughly $19,000. (Note that payments did not increase proportionately for large operations because of the application of a 6 million pound production eligibility limitation.)

In addition, the Commodity Credit Corporation (CCC) stands ready to buy certain dairy products at support levels under the Dairy Product Price Support Program (DPPSP). By doing so, the DPPSP helps support market prices. The acquired products are largely used to provide assistance to needy families, both in the U.S. and overseas. In total since October 2008, CCC has purchased nearly 270 million pounds of nonfat dry milk (NDM) under the DPPSP at a cost of $227 million. Expenditures for purchases, handling, transportation, and storage were an additional $16 million, bringing total program expenditures to $243 million. No purchases have occurred since July 2009. Also during this time period, CCC purchased about 4.6 million pounds of butter, much of it during late 2008 and the first half of 2009. The Secretary announced in March 2009 that about 200 million pounds of NDM would be processed or bartered into value-added products, such as instantized nonfat dry milk, ultra high temperature milk, cheese, and ready-to-eat milk-based soups for the National School Lunch Program and the Emergency Food Assistance Program. USDA also temporarily increased DPPSP purchase prices for cheddar blocks, cheddar barrels, and NDM during August–October 2009.

With the mid-point of the all-milk price forecast to average a record of $20.40 per cwt. in calendar year 2011, no MILC payments are expected during the remainder of the year, nor are purchases under the DPPSP expected. While high feed costs are putting financial pressure on dairy producers, milk prices are at high enough levels that MILC payments will not be triggered in the foreseeable future. Indeed, no payments have been made under MILC for milk produced since April 2010.

The current strong prices are in part due to strong world dairy markets, which are supporting higher U.S. exports and lower U.S. imports. Compared to the same period a year ago, March through May exports of U.S. dairy products were 36.4 percent higher for cheese, 65.7 percent higher for butter and 13.7 percent higher for nonfat dry milk.

Dairy Export Incentive Program

The Dairy Export Incentive Program (DEIP) was authorized under the Food Security Act of 1985 and most recently reauthorized in the 2008 Farm Bill. This program, administered by the Foreign Agricultural Service, provides a bonus or subsidy on a bid basis to exporters of dairy products. By providing a subsidy on exports of dairy products, Congress intended DEIP to bridge the gap between world market prices and U.S. domestic prices. Commodities eligible under DEIP are milk powder, NDM, butterfat, and various cheeses.

The authorizing legislation for DEIP provides that the subsidy may be paid in cash or in commodities held by the CCC. As CCC inventories diminished, DEIP evolved into the sole use of cash payments for the subsidy. DEIP is subject to U.S. export subsidy reduction commitments under the World Trade Organization's Uruguay Round Agreements, and is therefore capped annually by both subsidy value and quantity in accordance with those commitments. DEIP has helped to meet the needs of U.S. exporters and expand markets for U.S. dairy products when world prices are depressed due to the application of subsidies by other nations, particularly the European Union. Agricultural economists at FAS continuously monitor the world dairy situation and have the responsibility for recommending issuing allocations under DEIP as world dairy prices dictate.

Since 2002, world dairy prices have warranted issuing allocations under DEIP five times. DEIP bonuses were last awarded in Fiscal Year 2010 in an amount of $2.37

million, including for sales of mozzarella cheese to China and butter to Saudi Arabia.

Livestock Gross Margin-Dairy (LGM-Dairy) Program

While not contained in the farm bill, insurance is an important part of the safety net for dairy producers. The Agricultural Risk Protection Act of 2000 amended the Federal Crop Insurance Act (FCIA), providing authority to RMA to offer insurance for livestock products. It also provided $20 million in funding to cover administrative and operating and premium subsidy costs for pilot livestock insurance plans each fiscal year. RMA currently reinsures eight livestock products, all of which were developed and submitted by private parties through authorities contained in section 508(h) of the FCIA. There are two basic insurance models used to provide livestock insurance—Livestock Risk Protection (LRP) and Livestock Gross Margin (LGM). LRP provides protection against unexpected declines in the price of feeder cattle, fed cattle, lamb, and swine. LGM provides protection against unexpected declines in the gross margin (difference between the price received and feed costs) of the insured livestock product for cattle, dairy (milk), and swine.

The LGM-Dairy insurance product provides protection to dairy producers when the gross margin declines. LGM-Dairy uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and the actual gross margin. LGM Dairy is a private sector pilot program owned and maintained by Iowa Agricultural Insurance Innovations, LLC (IAII). RMA works actively with this entity, and is aware that IAII continues to evaluate areas for potential improvement to make the product more effective and attractive for dairy farmers.

Prior to Fiscal Year 2011, total annual expenditures on all livestock insurance products had never exceeded $5 million. For Fiscal Year 2011, about $345,523 had been spent to support all livestock products through mid-December, 2010, with LGM-Dairy accounting for $66,117 of the total. In response to dairy producer concerns, the Federal Crop Insurance Corporation (FCIC) Board of Directors approved changes to LGM-Dairy, which became effective in December 2010, including a shift in the premium due date to after the end of the insurance period and the addition of graduated producer premium subsidies. These changes, along with promotional efforts led by industry groups, resulted in a dramatic and immediate increase in sales. For the December 17, 2010 sales period, LGM-Dairy sales increased by almost $1.4 million, compared to less than $70,000 during all sales periods dating back to the beginning of the fiscal year.

Subsequently, RMA revised the funding allocation for LGM-Dairy and added an additional $5 million to underwriting capacity, using funds from other livestock products that, to date, had limited sales. Because of continued strong sales of LGM-Dairy, further revisions to the funding allocation occurred, and $16 million were eventually allocated to LGM-Dairy and $4 million to the other seven livestock insurance plans. The $16 million in underwriting capacity ran out during the sales period in March 2011 and LGM Dairy sales for the remainder of Fiscal Year 2011 ceased at that time.

As of August 8, 2011, less than $600,000 of funding remained for the other livestock insurance products for the remainder of fiscal 2011. As funding is depleted for each insurance product, sales will cease for that product until funds become available again beginning with the 2012 Fiscal Year.

Dairy Industry Advisory Committee

In response to the dairy crisis, USDA announced in August 2009 that nominations would be accepted to form a Dairy Industry Advisory Committee. The Secretary of Agriculture appointed 17 representatives from the dairy industry to serve in an advisory capacity, including producers and producer organizations, processors and processor organizations, handlers, consumers, academia, retailers, and others. The Committee's charge was "to review the issues of: (1) farm milk price volatility and (2) dairy farmer profitability." USDA very much appreciates the work of this Committee, which submitted its final report to the Secretary in March 2011.

This final report includes 23 wide-ranging recommendations. USDA is currently reviewing other recommendations and considering action as appropriate. We look forward to working with Congress to develop policies that provide the most efficient and cost-effective protection to the dairy sector.

Working Toward the Next Farm Bill

Mr. Chairman, as we move forward toward development of the next farm bill, it is important that we approach this new legislation with an eye toward truly making a difference in the future of the lives of millions of rural Americans, while at the same time using scare resources wisely. In the coming months, I look forward to providing answers to your questions and helping to better frame and push the debate toward the topics and issues that are most important to our constituents.

I am happy to respond to any questions. Thank you.

The CHAIRMAN. Thank you, Mr. Garcia.

The gentleman from California, Mr. Costa, is not a Member of the Subcommittee but has joined us today. I have consulted with the Ranking Member, and we are pleased to welcome him in the questioning of the witnesses.

Now, we will move to the testimony of Ms. Coale.

Ms. Coale, please begin when you are ready.

STATEMENT OF DANA COALE, DEPUTY ADMINISTRATOR FOR DAIRY PROGRAMS, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY LARRY SALATHE, PH.D., SENIOR ECONOMIST, OFFICE OF THE CHIEF ECONOMIST, USDA

Ms. COALE. Chairman Rooney, Ranking Member Cardoza and Members of the Subcommittee, thank you for inviting me to appear before you today to review the dairy programs administered by the Agricultural Marketing Service of the U.S. Department of Agriculture.

I will provide you with an update on the activities authorized in the 2008 Farm Bill that I hope will be helpful as you examine dairy provisions for the 2012 Farm Bill.

AMS dairy programs conduct several activities to facilitate the competitive and efficient marketing of milk and dairy products. I am going to focus my oral statement on the three areas specifically identified in the 2008 Farm Bill: Federal Milk Marketing Orders; Research and Promotion Programs; and Domestic and International Market News.

The Federal Milk Marketing Order Program has been in existence since the 1930s when it was authorized by the Agricultural Marketing Agreement Act of 1937. Currently, there are ten Orders that represent nearly 65 percent of all milk marketed in the United States. Federal Milk Marketing Orders are designed to promote orderly marketing by classifying and computing a minimum value of milk that is reflective of supply and demand conditions. The Order program ensures that processors pay producers this minimum value by verifying market utilization, delivery weights and component tests.

Through this verification process, the Federal Order program obtains and publishes extensive market information that aids producers and processors with marketing decisions. During 2010, the Federal Order program ensured minimum payments to nearly 46,000 producers, totaling approximately $20.4 billion.

Although Federal Milk Marketing Orders have been in existence for over 70 years, they are continually updated through the amendatory process. The 2008 Farm Bill made several changes to the amendatory process designed to expedite the time needed to implement changes. The new time-frames were implemented August 20, 2008. These time-frames decrease the rulemaking process from over 2 years to less than 12 months from the date a hearing is held. USDA has held one national proceeding utilizing the new process and successfully met the mandated time-frame.

Based on the 2008 Farm Bill, AMS also established a Dairy Forward Pricing Program that allows dairy farmers to enter into forward price contracts with processors for non-fluid milk uses. The milk under contract is exempt from receiving minimum Federal Order prices. Participation in the program has been minimal, approximately 300 producers of a possible 10,000 to 15,000. Low participation rates may be attributed to perceived unfavorable price relationships and a limited number of processors offering forward contracts.

Finally, the 2008 Farm Bill authorized the formation of a commission to review the Federal Milk Marketing Order program. Since this item was not funded, USDA did not appoint a commission. However, Secretary Vilsack did appoint an advisory committee that reviewed overall dairy policy, including a review of Federal Milk Marketing Orders.

AMS also has oversight responsibility for various research and promotion programs. The dairy industry has the two largest such programs, both overseen by dairy programs, one funded by producers at 15¢ per hundredweight and one funded by processors at 20¢ per hundredweight. The 2008 Farm Bill required expansion of the producer program to include a 15¢ assessment on production in Alaska, Hawaii, the District of Columbia, and the Commonwealth of Puerto Rico. This assessment became effective on April 1, 2011. In addition to the expanded producer assessment, a 7.5¢ assessment was mandated for imported dairy products. This assessment became effective August 1, 2011.

AMS provides a wealth of market information to dairy farmers through our voluntary Domestic and International Market News Program. The 2008 Farm Bill directed USDA to establish an electronic reporting system for price reporting of four dairy commodities: cheddar cheese, butter, dry whey, and nonfat dry milk. Since funding was not provided, USDA did not implement these provisions. However, the Mandatory Price Reporting Act of 2010 mandated establishment of the program. AMS issued a proposed rule on June 10, 2011, to implement this mandate. Seven comments were filed in response to the proposal. A final rule is being prepared to implement the program. In addition, software programming has begun to develop the electronic format that will accommodate the weekly reporting of these dairy commodities.

I hope this testimony and the subsequent questions and answers will prove useful to the Subcommittee as you undertake your work on the next farm bill. Thank you.

[The prepared statement of Ms. Coale follows]

PREPARED STATEMENT OF DANA COALE, DEPUTY ADMINISTRATOR FOR DAIRY PROGRAMS, AGRICULTURAL MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Rooney, Ranking Member Cardoza, and Members of the Subcommittee, thank you for inviting me to appear before you today to review the dairy programs administered by the U.S. Department of Agriculture (USDA) and to provide a comprehensive picture of the dairy activities authorized in the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). It is our hope that this examination of these dairy provisions will prove helpful as you begin work on the next farm bill.

The Commodity Title (Title I) of the 2008 Farm Bill covered a wide range of dairy issues. USDA's Agricultural Marketing Service (AMS) and the Farm Service Agency

(FSA) are the primary agencies with responsibility for implementing Title I. Mr. Garcia of FSA is here with me today to discuss their activities.

The economic vitality and quality of life in rural America, as well as the U.S. economy at large, depend on a competitive, efficient, and productive agricultural system. To increase prosperity and sustainability in our nation's agricultural system and rural communities, AMS conducts oversight activities to protect producers from unfair business practices. To assist producers in management and marketing, AMS develops and oversees national standards for the production and handling of agricultural products. AMS also supports producers by providing market information and marketing tools that serve as the eyes and ears of American agriculture to cover numerous commodities on a daily basis and provides information that impacts billions of dollars in agricultural trading each year.

Federal Milk Marketing Orders

Federal Milk Marketing Orders (FMMO) are authorized by the Agricultural Marketing Agreement Act of 1937, as amended. There are currently ten FMMO areas, impacting about 65 percent of all milk marketed in the U.S. These ten Orders are administered by eight market administrators.

The objectives of the FMMO system are to stabilize market conditions, to benefit producers and consumers by establishing and maintaining orderly marketing conditions, and to assure consumers of adequate supplies of pure and wholesome milk at all times. The FMMO program guarantees dairy farmers a minimum price for their milk while assuring that consumers have an adequate supply of milk to meet their needs throughout the year.

FMMOs are initiated and amended based on industry requests that are addressed through the formal rulemaking process. This involves hearings, briefings, recommended decisions, public comments, final decisions, farmer votes, and, ultimately, implementation by USDA. Changes in FMMOs are approved by an affirmative vote of ⅔ of the eligible dairy farmers.

The 2008 Farm Bill had three provisions related to FMMOs. The first directed USDA to establish supplemental rules to define guidelines and time-frames to improve the timeliness of the Federal Milk Marketing Order hearing process. AMS published this final rule on August 20, 2008.

Second, the 2008 Farm Bill directed AMS to establish a Dairy Forward Pricing Program to allow milk producers and cooperative associations to voluntarily enter into forward price contracts with milk handlers for milk used for non-fluid purposes. The program exempts handlers regulated under the Federal Milk Marketing Order from paying producers and cooperative associations the minimum Federal Order price for milk under forward contract. AMS published this final rule on October 31, 2008.

Third, the 2008 Farm Bill authorized the Secretary to create a Commission to conduct a comprehensive review and evaluation of the current Federal Milk Marketing Order system and the other non-Federal Milk Marketing Order systems such as California. As no funding was provided, the commission was not established. However, on January 6, 2010, USDA announced the selection of 17 members to the Dairy Industry Advisory Committee (DIAC). The activities of the DIAC will be discussed by FSA.

Research and Promotion

Authorized by Federal legislation, research and promotion programs, often referred to as "checkoffs", are designed to strengthen the position of the industry in the marketplace and to maintain and expand domestic and foreign markets. The programs are funded by industry assessments. Board members are nominated by the industry and appointed by the Secretary of Agriculture. AMS oversees the activities of the boards and approves their budgets in order to assure compliance with the legislation.

Dairy Programs oversees two dairy promotion and research programs. The Fluid Milk Promotion Act of 1990, as amended (Fluid Milk Act) (7 U.S.C. 6401 *et seq.*), authorized the establishment of a national fluid milk processor promotion program to develop and finance generic advertising programs designed to maintain and expand markets and uses for fluid milk products produced in the contiguous 48 states and the District of Columbia. The Fluid Milk Order became effective December 10, 1993. The Secretary appointed the initial National Fluid Milk Processor Promotion Board (Fluid Milk Board) on June 6, 1994. Processors administer the Fluid Milk Processor Promotion Program through the Fluid Milk Board.

Since August 2002, processors marketing more than 3 million pounds of fluid milk per month, excluding those fluid milk products delivered to the residence of a consumer, fund this program through a 20¢ per hundredweight assessment on fluid milk processed and marketed in consumer-type packages in the contiguous 48 states and the District of Columbia.

The second dairy promotion and research program, authorized by the Dairy Production Stabilization Act of 1983, is a national producer program for dairy product promotion, research, and nutrition education to increase human consumption of milk and dairy products. This self-help program was funded by a mandatory 15¢ per hundredweight assessment on all milk produced in the contiguous 48 states and marketed commercially by dairy farmers and administered by the National Dairy Promotion and Research Board (Dairy Board).

For this National Dairy Promotion and Research program, the 2008 Farm Bill required that dairy promotion and research assessments apply to all states, the District of Columbia, the Commonwealth of Puerto Rico and dairy product importers. The assessment rate was set at 15¢ per hundredweight for domestic milk and 7.5¢ per hundredweight for imported dairy products. A final rule implementing this provision was published March 18, 2011. All provisions became effective April 1, 2011, except provisions regarding dairy importer assessments which were effective August 1, 2011.

Market News

AMS' *Dairy Market News* provides dairy farmers and their cooperatives, processors, buyers and sellers of dairy products, and others with timely and accurate market information on milk and dairy products that will help them in making current buying and selling decisions and in future planning. This information is released through reports issued daily, weekly, monthly and annually. These reports are available free of charge and the information is easily accessible.

In collecting market information, reporters cover multiple markets that results in over 65 reports by constantly interviewing buyers, sellers, and brokers of fluid milk, cream, butter, cheese, condensed milk, and dried milk products. Currently, the industry voluntarily provides the information.

AMS and the National Agricultural Statistics Service (NASS) also administer a Dairy Product Mandatory Reporting Program, which requires persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of certain dairy products sold by the manufacturer. The program also requires persons storing dairy products to report information on the quantity of dairy products stored.

Currently, NASS collects information for the program and AMS provides verification and enforcement functions for dairy product price information. NASS publishes sales information for block cheddar cheese, barrel cheese, butter, dry whey, and nonfat dry milk on a weekly basis. Any manufacturer that markets less than 1 million pounds of these dairy products per year is exempt from the price reporting requirements.

The 2008 Farm Bill directed USDA to establish an electronic reporting system for price reporting of these dairy commodities. As no funding was provided, AMS did not implement this provision. However, in September 2010, Congress passed the Mandatory Price Reporting Act of 2010, mandating the establishment of this electronic reporting system (again without funding) while directing AMS to publish the information obtained for the preceding week not later than 3:00 p.m. Eastern Time on Wednesday of each week, rather than on Friday.

On June 10, 2011, USDA issued a proposed rule to implement the provisions contained in the Mandatory Price Reporting Act of 2010. Under the proposed rule, AMS would develop the electronic system and collect the data. The comment period closed August 9, 2011, and AMS is currently reviewing the seven comments received.

Other AMS Dairy Activities

AMS undertakes a number of other activities not referenced in the 2008 Farm Bill that are of great importance to the dairy industry. AMS grading services assist the dairy industry in marketing high-quality dairy products by providing buyers and sellers with an impartial appraisal of product quality and to provide the consumer confidence in buying.

AMS also provides certification services to assist in the export of dairy and related products. These certificates are issued to eligible plants which include those dairy plants listed in the Interstate Milk Shippers list (IMS list), the Food and Drug Administration maintained European Union Dairy Plant Reference list (EU list), and Dairy Plants Surveyed and Approved for USDA Grading Service (USDA Approved Plant list).

Conclusion

AMS undertakes numerous activities to facilitate the competitive and efficient marketing of U.S. agricultural products. These efforts support the overall mission of USDA, which is to protect and promote food, agriculture, natural resources and related issues. I hope that this testimony and the subsequent questions and answers will prove useful to the Subcommittee as you undertake your work on the next farm bill.

The CHAIRMAN. Thank you, Ms. Coale.

The chair would like to remind Members that they will be recognized for questioning in order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of their arrival. I appreciate Members understanding.

With that, I recognize the Ranking Member, Mr. Cardoza.

Mr. CARDOZA. Thank you.

I have questions for Mr. Garcia.

I want to thank you for your work with USDA Industry Advisory Committee. The committee recommends that USDA further study raising minimum fluid milk nutrition standards nationwide. A similar FAPRI study requested by the House Dairy Farmer Caucus showed that such a move could return several hundred million dollars to producers in just a few years, while consumers would pay only about a penny more per glass for milk, with up to a third more calcium and protein in that milk supply.

One thing that the committee identified as an issue not addressed in the FAPRI study was the potential startup costs to processors. Is there a way for the Department to study what those processor startup costs might be?

Mr. GARCIA. Thank you, Mr. Cardoza.

I may have to refer that to Ms. Coale since she has been doing some work with the advisory committee.

Mr. CARDOZA. Thank you.

Ms. Coale.

Ms. COALE. Thank you, Mr. Cardoza.

As you know, the advisory committee submitted to the Secretary 23 recommendations, one of which did look at adopting the California milk solid standards. The Secretary, of those 23 proposals, has been reviewing them. Over half of them require new or additional funding or additional legislative authority for the Secretary to take action on that.

Currently, with regards to the California milk solid standards, the Secretary has been reviewing this proposal and is aware of an industry interest in looking at the startup costs associated with that. At this time, it is still under review by the Department.

Mr. CARDOZA. I would like to encourage the Department. I see great acceptance of the standards in California. The product is more nutritious, and I am a huge fan of increased standards.

To follow up, the MILC Program is a prime example of government programs that pick between winners and losers, in my opinion. In fact, a USDA study a few years back confirmed that the program keeps farm milk prices lower than they would otherwise be. Could any of you please tell us what the total amount of money producers in each of the top five milk-producing states have received from MILC under the farm bill, along with the most recent annual milk production figure for those states?

Mr. GARCIA. Mr. Cardoza, I don't have that information readily available, but we can provide that information as far as the top five states under the MILC Program.

Mr. CARDOZA. I would very much like to have that.

Mr. GARCIA. Yes, sir, we can provide that.

[The information referred to is located on p. 971.]

Mr. CARDOZA. In 2009, Congress appropriated $350 million in emergency funds to help dairy farmers through what was then the worst economic crisis in at least a generation. This crisis was caused by significant decline in U.S. exports due to the worldwide financial crisis. Some of us thought that the entire $350 million should have gone to the purchase of cheddar cheese to donate to food banks which were having trouble keeping up with record demand in this country. In the end, only $60 million went to cheese donations.

Many have questioned the decision to purchase high-cost items, like shredded cheese, with these funds instead of the more reasonable and more widely available block cheese. Can you tell me what products were purchased and how quickly these donations were completed?

Mr. GARCIA. I am going to have to look at that, Mr. Cardoza. I think I have that information.

[The information referred to is located on p. 972.]

Mr. CARDOZA. Please get back to me on that. I think that is a very important piece of information the Committee is going to need as we move forward not to make mistakes. As everybody knows, there is a shortage of dollars available to do these kinds of programs, and money is hard to come by, and we want to make sure that we get the most bang for the buck.

Finally, for Ms. Coale, California producers have an extensive history in using a small part of their checkoff to educate consumers about how farmers care for their animals and the environment. AMS has oversight over the dairy checkoff, and I want to personally encourage you to continue to allow those activities with the intent of Congress for the dairy checkoff.

Ms. COALE. Thank you. We will take that under advisement.

Mr. CARDOZA. Thank you.

Thank you, Mr. Chairman. No further questions at this time.

The CHAIRMAN. Thank you, Mr. Cardoza.

The gentleman from Vermont, Mr. Welch, has also joined us and is also not a Member of the Committee.

I have consulted with the Ranking Member, and without objection, we are pleased to welcome him to join in the questioning of the witnesses.

Mr. WELCH. Thank you very much, Mr. Chairman.

The CHAIRMAN. With that, we will move to Mr. Conaway from Texas.

Mr. CONAWAY. Thank you, Mr. Chairman.

The existing array of programs we have available for milk from the 1930s; world distribution and world demand is different than it was then. Can you walk us through how that existing array helps and/or hurts the milk producers in this country be competitive with products they could otherwise produce and sell into the world market?

Dr. SALATHE. I will take that question.

The dairy industry has changed a lot since the 1949 Act, which supported the price of milk at parity levels and supported milk prices at parity through the late 1970s, and then we had a change in programs because our purchases became burdensome under the Price Support Program. And after that, Congress lowered the purchase price—support price for milk and started instituting payment programs to producers to counter some of the price volatility or income volatility that they faced.

Back in the 1970s and early 1980s, we were basically a net importer of dairy products. We also had import quotas on imports of dairy products, and so we were pretty well insulated from the international market. And as a result, if we increased our prices, we supported the prices to dairy producers, we didn't provide an incentive to expand world production of dairy products.

That has changed, of course, under the WTO Uruguay round agreement, our market is now pretty open to imports of dairy products. We are also now a net exporter of dairy products. We are competitive in the world price—world market. We compete every day for markets outside our borders, and so it is very important to have a dairy policy that reflects that change in the market environment that producers and processors face.

Mr. CONAWAY. The line here is that we pay producers to produce stuff that can't be sold in the world market, and if we were to adjust the incentives—and I am just parroting more than I understand really what is going on—this argument has been made that there is a disconnect between what we incent to be produced *versus* what could be sold to the world market. That is what I am trying to get at.

Dr. SALATHE. There has been an argument and continues to be an argument that the amount of nonfat dry milk we produce in this country has increased higher than it should because of the Price Support Program we have. We have a support program for nonfat dry milk, a Dairy Product Support Program for nonfat dry milk, cheddar cheese, and butter. And so there may be an incentive to produce more nonfat dry milk.

I think over time that incentive probably is being reduced, other dairy products are being produced, value-added products, whey products, more protein-concentrate products are being produced in the U.S.

Mr. CONAWAY. Okay. Well, I think I understand. Let's talk a little bit about the LGM Program, Ms. Coale, and that it looks to be oversubscribed in terms of popularity. I think in somebody's testimony or information we have, that we have about $20 million appropriated for support of that program. Demand looks like we are about $164 million a year *versus* the $20 million. Are those numbers anything you guys are familiar with? Is the LGM——

Dr. SALATHE. Yes.

Mr. CONAWAY.—popular enough that we should look at expanding it?

Dr. SALATHE. I think that is—we have a variety of tools to help dairy producers through difficult times. That is one of the tools we have right now. You are correct; it is limited in terms of budget authority at $20 million. That is all risk management products for livestock, including dairy are limited by that, and that has prevented us from expanding the dairy cattle product, Livestock Gross Margin for dairy cattle.

I think that is a difficult question. That is one that you are going to have to wrestle with. It is one of the tools in the tool bag we have to help dairy producers, and you have to look at all those tools, which ones you want to expand and which ones you want to reduce in terms of budget authority.

Mr. CONAWAY. Thank you, Mr. Chairman.

I yield back.

The CHAIRMAN. Thank you, Mr. Conaway.

The Committee would now like to recognize the Ranking Member for the full Committee on Agriculture, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. I don't know who wants to answer this, but the dairy industry now has a safety net that is based largely on price through the Price Support Program, as you mentioned, and the MILC program. As you are aware, there is significant discussion around moving towards a margin-type program as opposed to price. Can you talk about dairy farm margins in the past few years and where they are likely to head with increased feed costs, and do you believe that dairy producers would be better supported if we had a safety net that focused on margin *versus* price?

Dr. SALATHE. I will attempt to the answer that, Mr. Peterson. Thank you for that question. It is a very good question. I wish we knew where margins were going. I think if you look at 2009, margins were very low compared to history. If you look at 2010, your average, depending on how you exactly calculate feed costs, but in the $8 range. Remember, it fell to an average of $4 in 2009 and some of the months were much lower than that.

In 2010, we came pretty close to the average, and so far this year, we are pretty close to the historical average, despite the high feed costs, because we have had record high milk prices this year. Where it will go in the future is difficult to say. Obviously there is going to be some vulnerability. Over the long term, feed costs and milk prices go together, but in the very short term, milk prices may go down and feed costs may stay high.

So, as we look out, it is very difficult to say, but we are going to have periods in which the milk margin is going to be below average, no doubt about it, because we have seen these cycles, and there is no doubt they are going to continue.

Mr. PETERSON. There are some in the industry who are still asking for daily price reporting. Can you talk about how much that would cost for USDA to administer and if you believe daily price reporting for the dairy industry would provide dairy producers with better tools than they would have with electronic reporting?

Ms. COALE. Certainly. We are currently in the process of implementing weekly mandatory electronic reporting. At this particular point in time, we do not have that program implemented yet, and we only have estimated costs.

Mr. PETERSON. That is one that we asked you to do in the farm bill?

Ms. COALE. Yes, that is correct. That is the one that was also mandated in the Mandatory Reporting Act of 2010. Currently that program, the software development costs are in the neighborhood of approximately $½ million. That is being taken out of the Fiscal Year 2011 monies that AMS reprioritized to be able to implement.

Looking forward into 2012 as we actually implement that, we know that there will be costs associated with managing the program, and we are not quite certain exactly what those costs will be, although we are estimating them to be about in the neighborhood of $500,000 as well in 2012.

When you look forward to daily reporting, this is an issue that has been raised in a rulemaking process that we are currently involved with in implementing the mandatory reporting. What I can tell you is that in one of the comments filed in response to that rulemaking, one of the reporters has indicated that daily reporting would be very difficult for the reporters to implement and would actually, instead of increasing market transparency, could in fact result in more misinformation being provided as the reporters would not be able to report accurate prices on a daily basis and would be submitting significant revisions to the numbers that they submit.

Again, this is addressed in a comment that was filed and at this time the Department is reviewing.

Mr. PETERSON. You said a price reporter?

Ms. COALE. Yes.

Mr. PETERSON. Who was that?

Ms. COALE. The price reporter issuing that comment was Dairy America.

Mr. PETERSON. Was that the only comment you had?

Ms. COALE. No. We received seven comments in regards to our initial proposed rule. All of those comments are available for the public on dairy program's website.

Mr. PETERSON. When do you close the comment period and move through the process?

Ms. COALE. Yes. The comment period on the proposed rule, which in essence transfers the responsibility for mandatory reporting that is currently held by NASS to the Agricultural Marketing Service, the comment period ended the beginning—first part of August. We are in review of those comments and preparing a final rule. The Mandatory Act required we implement the program within a year, and we are on schedule to hopefully have the program up and running in the first part of 2012.

Mr. PETERSON. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. The chair thanks the Ranking Member.

We will now move to Mr. Huelskamp.

Mr. HUELSKAMP. Thank you, Mr. Chairman.

I appreciate the opportunity to ask a few questions here, and I would like the general thoughts of the witnesses in reference to a reform proposal entitled, *Foundation for the Future,* and general thoughts of you all as far as its possible effectiveness and what it might do for the dairy industry, and so if you could each respond, I would appreciate it.

Ms. COALE. First and foremost, Secretary Vilsack is on record as stating that the draft legislation that has been presented, which is based primarily off of *Foundation for the Future* is a good start and it identifies issues that need to be addressed by the dairy industry.

We recognize at the Department that there are numerous proposals under consideration, both here at Congress and by the industry itself. We look forward to working with you here and to working with the industry to provide technical assistance and any analysis that would be requested or needed to be able to examine and further determine how those programs might be implemented and what the effects of those implementations might be.

Mr. HUELSKAMP. And beyond the administrative issues, what do we expect the Administration or the Department to have a particular proposal or simply just to provide technical expertise as we talk about these changes?

Ms. COALE. At this particular point in time, the Department is more than happy to provide any technical assistance that would be needed by you as you are reviewing the farm bill proposals and the legislative options that are presented. We do not have any intentions at this point of submitting any type of legislative language.

Mr. HUELSKAMP. Okay. Are there any particular parts of the current programs that you would suggest are most effective or least effective when we are looking at proposed changes?

Mr. GARCIA. Thank you, Congressman.

What I would like to do is comment somewhat on the Milk Income Loss Contract, the MILC. After the enactment of the 2008 Farm Bill, it provided for, if I can call it, an improved safety net for producers because it included a feed cost adjuster to the $16.94 per hundredweight baseline. So if that—if that feed cost adjuster did trigger, it would essentially add that amount to the $16.94 baseline for the program, thus providing additional payments for producers that qualified for the payment. So that was an improvement with the 2008 Farm Bill that we were able to administer.

Mr. HUELSKAMP. And you think the MILC is a successful program or those that you would suggest, "Hey, these are not working as we anticipated and could be improved or replaced?"

Mr. GARCIA. Well, as far as our producers are concerned, we did pay over $940 million under the MILC Program, especially during 2009. Now, there have been some concerns regarding the 2,985,000 pound cap that is under the program. Now, we also have to recognize that as of September 1, 2012, there will be some changes in the program. The amount of cap will be reduced to 2.4 million pounds, plus other adjustments that will occur after September 1, 2012.

Mr. HUELSKAMP. I appreciate that. One last question in reference to just trying to get to the heart of how we might improve the programs. My understanding is New Zealand and other countries have been more innovative in new products and the suggestion has been perhaps our policies have not promoted that innovation. Are there any particular changes that would allow us to compete more effectively in international markets or in domestic markets with innovative products?

Dr. SALATHE. Well, there are two programs that have been pointed to as affecting what we produce here in the United States and whether they reduce the incentives to develop new products. One is the Price Support Program, which we talked about earlier in reference to nonfat dry milk and whether that program provides an incentive to produce nonfat dry milk rather than other products that would be perhaps sold abroad as well as developing new products. There is also some concern about the Federal Milk Marketing Order Program doing a similar thing.

I have not personally, despite being a dairy economist for probably 30 years, seen any quantitative assessment of those concerns, and so it is hard to say whether those are large, small, or medium effects that we should be concerned about. Nevertheless, I think those have been concerns that have been raised by a variety of people, and they are probably—for that reason, there may be legitimate concerns.

Mr. HUELSKAMP. Thank you, Mr. Chairman.

The CHAIRMAN. Next we move to Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

Let me ask the first question to you, Mr. Garcia.

I am worried that the expansion of the Livestock Gross Margin Dairy Program would be extremely limited, especially given the tight budgets we are dealing with right now here in Congress. Congress simply doesn't have the money to increase participation numbers at the current premium subsidy level. So, in your opinion, what effect would lowering the premium support level have on participation?

Dr. SALATHE. Well, under the program that was offered this past year in 2011, with the premium subsidy, we enrolled about 2.4 percent of total milk production in the U.S. Prior to that, the program was very, very small, and we enrolled $\frac{1}{10}$ of 1 percent of total milk production, in that range, and so if you reduce the premium subsidy, we would get, I would say, it is likely that you would get something in between that, between .1 and 2 percent of total milk production would be enrolled in the program, so it would still be very small.

Mr. SCOTT. So what is the current level, the bare minimum a producer or a private insurance company needs in order to participate?

Dr. SALATHE. Well, there is—the program that was offered, like I said, in 2010, when only very small numbers of producers were participating, and so it would—this is a guess on my part—that it was still possible to offer the program, even though participation was fairly low.

Mr. SCOTT. So the current level is the bare minimum?

Dr. SALATHE. The current level of participation, about 2–2.5 percent of total milk production enrolled in the program is kind of the maximum, kind of the maximum that is allowed under the current budget cap on livestock products offered by the Risk Management Agency.

Mr. SCOTT. Ms. Coale, let me ask you this with respect to the Federal Milk Marketing Orders. I think they play a crucial role in another risk management tool, and that is hedging, but because of their structure, they produce a highly variable basis where a more stable basis is needed for accurate and useful hedging.

So let me ask you what changes do you think could be made to the Federal Milk Marketing Order pricing system that would allow producers to make use of what is a valuable private sector risk management tool, hedging?

Ms. COALE. Thank you. I think there are two areas that I would like to explore in response to this question. First and foremost, with regards to the Federal Order Program, as you are looking forward, one of the areas that the Department have seen great consensus in the industry with has to do with the way the minimum prices are established under the program. Currently, the Department uses a product price formula to establish the minimum prices that are used to pay producers for the milk that is marketed and pooled within a Federal Marketing Order.

One of the other areas that the 2008 Farm Bill expanded was implementation of the Forward Contracting Program. What we have seen upon implementation of the program, that it is available to producers for all non-fluid milk that they market, but we have seen low participation rates. Primarily, while we have not completed any surveys since the pilot program was put in place back in 2004, what we believe from the information we obtained is that processors have not been offering contracts to their producers, and producers are somewhat hesitant to enter into a contract with a processor for what they perceive—and it is their perception, as it is a voluntary program—that it doesn't make economic sense for them to sign a forward contract.

One of the interesting things to note is that while the program in 2009 only had 75 participants, currently there are about 300 participants who have signed contracts. So we are seeing a slight uptick in the amount that the program is utilized.

Mr. SCOTT. Mr. Chairman, I did want to be able to ask one more.

The CHAIRMAN. Absolutely.

Mr. SCOTT. I wanted to ask you about tax liability real quickly—thank you, Mr. Chairman—because I know that producers like to reinvest their profits into their businesses in order to avoid tax liabilities. But, this can lead to an increase in supply when, in fact, demand is falling, and that is what has exasperated lag time between aligning supply and demand, and that has produced in the past a crisis as we have seen in the last few years. So if you could each very quickly—do each of you think that tax-deferred farm savings accounts are a viable method to both avoid tax liability and artificial bumps in production?

Dr. SALATHE. Farm savings account, of course, are a way to—I don't know if the word "avoid" is right—I mean, it is a short-run avoidance of tax liability. Obviously, when you take the money out, supposedly if there is no reduction in tax rate, when you take the money out, supposedly then you are going to pay tax when you take the money out. Maybe your income is lower, though, so your average tax rate would be lower on average.

I think the question becomes, how many producers and what is their demographic makeup of those farmers that actually pay taxes? We know a number of farmers don't pay taxes for the reasons you indicate. You know, they might put it into their business, which may be a great long-term decision for them. For those that do that, there are some who would not change that decision because they want to expand and want to maintain their business.

I think it is difficult at this point to say how many producers would benefit and what the response, market response, would be.

Mr. SCOTT. Well, thank you very much.

Thank you for your generosity, Mr. Chairman.

The CHAIRMAN. Okay. We will move to Mr. Ribble.

Mr. RIBBLE. Thank you, Mr. Chairman.

Mr. Garcia, good afternoon. Thanks for being here today.

I am from Wisconsin, and some of our smaller producers, actually quite a few of our small producers, participate in the Milk Income Loss Contract Program, and as Mr. Peterson's line of questioning implied, there are some proposals on the table to shift to a margin insurance component type of program. What is currently the average size of a dairy operation participating in the MILC Program, and how much do you expect the program to pay out this year?

Mr. GARCIA. If I can address your latter question, we have not issued any MILC Programs all year long since the prices have remained high. Of course, right now, the prices of milk are relatively high. Of course, it is predicted that with higher feed costs, we could see lower milk prices toward the end of this year or early next year. So there is a possibility that the MILC payments could trigger in either late December or early January.

Now, as far as the average herd size of the producers that participate in this program, it is hard to tell because, of course, this program is available to your—if you would categorize your smaller producers in the neighborhood of 300 cow dairy or your larger producers which—and I am from Texas. We have some of both. You know, we have the 160 cow dairy up to the 10,000 cow dairy. So, of course, all the producers can participate in that particular program.

Now, the issue is that with the larger producers, that they can reach their cap limit of 2.985 million pounds in a month's time, where your smaller dairies will have—will take more time to reach that cap. So it is hard to come up with an average size of dairy producers that participate.

Mr. RIBBLE. Is there statistical data available on the size of the producers that are using the program? Especially when you look back like 2009, when things were pretty rough, is there some statistical data that shows how that money was distributed by size?

Dr. SALATHE. Yes, I believe so. We have information in terms of the size of producers who got payments. All producers are eligible for the program. It is whether they hit the production limit or not, and so—but we probably do have data on the size of producers and what they received or whether they participated and got a payment or not.

[The information referred to is located on p. 972.]

Mr. RIBBLE. That would be interesting information for me, and if you could get that for me, I would appreciate it.

Going along, I understand that many stakeholders within the dairy industry support the elimination of the Dairy Product Price Support Program. I have also talked with several operators in Wisconsin about the increasing importance of export markets to their farms. I have heard repeatedly from producers that they would like to sell their products on the world markets without obstacles in the way. What in your view should we be doing to expand export opportunities?

Dr. SALATHE. I guess I will take a shot at it by default. Honestly, we want to make sure our programs are conducive to us exporting abroad, so we want to look at our programs very carefully and make sure that they do allow us to export. I think free trade agreements are very important. We need to reduce the barriers abroad to our dairy products that exist now. We need to break those barriers down. There are sanitary types of restrictions. There are quotas on imports and things of that sort. We need to address those country by country as we can. I think those are the most important.

I strongly agree and I agree with dairy farmers in Wisconsin, and I strongly think that our dairy industry is competitive and can be very competitive. There are producers in Australia we have to compete with. I think the market is big enough that we can, and we can have a significant share of the world market along with them. I think the future is very bright for the dairy industry in terms of expanding the export market. I think breaking down barriers is probably the number one thing and making our programs, being sure our programs do not interfere with us making good, quality dairy products for the export market.

Mr. RIBBLE. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman, for holding this hearing.

And actually before asking my question, I just want to take a point of personal privilege in recognizing in the back of the room Ms. Marsha Jetté, who is the Connecticut FSA Administrator. She is in town for a meeting in Washington. She has had a pretty amazing year with the record snowstorms that destroyed a lot of livestock and dairy buildings in Connecticut and, obviously, Hurricane Irene last week, which wiped out a lot of silage. And her team is doing a great job helping Connecticut farmers deal with those disasters.

I have to say, when Mr. Huelskamp asked the question about where the Administration's position was going to be on the *Foundation for the Future,* that your answer was that you are going to supply us with information, I was disappointed with that because, Secretary Vilsack when he established the Dairy Advisory Committee, I mean, that was a stroke of genius, after the agony of 2009, to get people feeling engaged in terms of the administration. And they have made a lot of recommendations. They have worked hard.

It is my understanding over 20 recommendations, a lot of which are certainly relative to Mr. Peterson's proposal, and you know, we could use a little help here. I just feel like you have gone to all that extent of soliciting input, and I would hope that the Department is going to be more of an engaged partner in terms of this Committee trying to come up with a solution for this industry. And I just wondered if you could maybe give us a little more insight about what you are doing to do with the advisory committee's suggestions.

Ms. COALE. Certainly, I will be happy to provide some more information on that.

As you mentioned, the advisory committee was formed. It consisted of 17 individuals that were highly diverse, and they represented all facets of the dairy industry. Those individuals met and did an extensive amount of work in a very short period of time to develop 23 recommendations that they presented to the Secretary last spring. The Secretary did not put any qualifiers around the recommendations that the advisory committee could come forward with. So, therefore, he did not put any indicators on budgetary constraints or legislative authorities that would need to be considered when they were developing the recommendations.

Consequently, of the 23 recommendations that were presented to the Secretary, over half of them requested either new funding or higher levels of funding, or requested or would require the Secretary to have new legislative authority in order to enact those particular recommendations.

Of the remaining recommendations that exist, the Department has been actively working on five of those or has completed five of those recommendations. The Department also has three of the recommendations that we are working closely with you up here on as they do relate to various provisions contained in the draft legislation of Congressman Peterson, as well as other legislative proposals that have been presented up here.

So we have taken what the advisory committee, the work that they have done, we have been reviewing it, analyzing it, providing information up here to help with the technical assistance that might be needed when it comes to actually determining what policy you want to implement with regards to that.

Mr. COURTNEY. Well, I appreciate that, and I would hope, at some point, the Department would also maybe talk about what policy you would like to see implemented as well. I am not trying to be a wise guy here, but the purpose of this, is to have a dialogue and collaboration to come up with—these are tough issues.

I mean, let me ask one, for example, I know Mr. Peterson's draft proposal explores expanding that crop insurance, the risk insurance program for dairy.

What I hear back home is it is too complicated. As a product, it is just too unimaginable, particularly for smaller guys, let alone cost issues, which Mr. Scott mentioned earlier. Is the Department looking at issues like that? Are they trying to see if there is a better way to design the product so that it becomes more workable, particularly for smaller farmers?

Dr. SALATHE. I guess I am a little bit confused by your question. Are you talking about the Peterson draft bill, or are you talking about LGM-Dairy?

Mr. COURTNEY. Well, obviously, the LGM-Dairy is what is out there right now.

Dr. SALATHE. Correct.

Mr. COURTNEY. To some degree, the bill sort of tries to adopt that model a little bit but doesn't necessarily incorporate that specific program, but to me, we are going to run into that same issue if the Peterson bill passed, for example.

Dr. SALATHE. I think it is safe to say that the Secretary is very interested in having a dialogue. He is not interested in putting out a very specific proposal that then competes with some other proposal. He is not interested in that. The Secretary is very interested in dairy policy. I think he wants to come to some compromise or conclusion, and he feels very strongly that the safety net needs to be improved for dairy producers.

I think, on the other hand, he recognizes that it is very difficult to get consensus in the dairy industry, and he also recognizes that we are in a very difficult budget situation. So he is interested in coming to some conclusion.

Mr. COURTNEY. Again, hopefully, he will be an active participant in that.

So I thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Courtney.

We move to Mr. DesJarlais.

Mr. DESJARLAIS. Thank you, Mr. Chairman.

And I thank the panel for being here today.

I had the opportunity to speak with some of our dairy farmers in Tennessee's Fourth District over the August recess, and they sent me armed with several specific questions, but after listening to the testimony today, I agree with Mr. Courtney. I think that maybe it is premature to ask some of those, considering where we are at in this process, but not wanting them to be left out, let me just ask a very broad general question, tapping upon your expertise.

What risk management programs do you feel are particularly successful and which ones not so much, and what do we do with those, moving forward, as we write the farm bill in Fiscal Year 2012 to keep the dairy market strong and competitive?

Dr. SALATHE. Very good question. I wish had I an answer.

I guess, risk management—I assume you are talking broadly about dairy programs in general, not about the risk management programs in particular?

Mr. DESJARLAIS. More narrowly related to risk, go ahead and take a shot at either one.

Dr. SALATHE. Okay, thank you. Thank you very much.

Basically, on dairy, we have four programs. As I see it, we have the MILC, Milk Income Loss Contract, program. It is a direct payment program. It pays when milk prices are low and feed prices are high. We have the Dairy Product Price Support Program, if you look at current price levels, milk prices would have to fall by about 50 percent before anything would kick in. I think most producers say that is too much; it doesn't provide enough of a safety net. And we have the Dairy Export Incentive Program, which nobody has addressed, which provides an export subsidy in certain instances when the world price is above the U.S. price. We haven't operated that program very often. We did operate all three of those programs in 2009.

And then you have LGM-Dairy, which has a real problem in terms of its budget. The amount of outlays or amount of money provided for that program just doesn't, at this point, provide for a whole lot of participation.

So you have—the main driver in this program, set of programs that we have, if you look at 2009, was the MILC program, which provided over $900 million in direct payments to producers. The next most important program was the Dairy Product Price Support Program, in which we purchased 276 million pounds of nonfat dry milk and about 5 million pounds of butter in late 2008 and 2009. And DEIP we operated, but the quantities were fairly small.

So that leaves, really, two programs—MILC and DPPSP. And those two programs—the National Milk's *Foundation for the Future* will eliminate those two programs and replace it with a margin insurance program.

That is kind of a nutshell. There are, of course—farmers can and should think about using the futures market to lock in prices, to provide a safety net that way. Obviously, there are private-market tools that they can use, from forward contracting to some extent, futures markets as well.

Mr. DESJARLAIS. Okay. I appreciate that.

Does anybody have anything to add specifically on the dairy programs, the DPPSP or the MILC program, as far as its success or failure, moving forward?

Dr. SALATHE. The other thing that I would point out, being a trained economist—maybe not so trained, but anyway—that any program you put in place has both positive and negative impacts. If you provide payments to producers, direct payments to offset lower returns, that may keep more producers in business and may mitigate the signal to reduce production when production should be reduced. And so, on the other hand, it does allow some producers to stay in business.

So there are these positive and negative consequences of any type of intervention, and it is very important to be cognizant of those.

Mr. DESJARLAIS. Okay. Well, thank you for that. And then maybe next time around, we will get more into the specific questions. But I appreciate your thoughts.

And I yield back.

The CHAIRMAN. Mr. Costa?

Mr. COSTA. Thank you very much, Mr. Chairman, for allowing me to sit in on the Subcommittee hearing.

My family has been involved in the dairy business for three generations, and I guess if I didn't have this job I could get a job somewhere milking cows. I do have some redeemable skills in that area.

While you are correct to say in the last 6 months the prices have gotten better within the dairy industry, we are rebounding from perhaps the most difficult period the industry has been in in decades. As a matter of fact, if you look at the cycles, in 2000, 2003, 2006, and 2009, some estimate that the period between 2008 and 2010, that the industry, nationwide, lost anywhere between $15 billion and $20 billion in equity. I am talking about the dairy producers.

And yet, part of it is obvious, why the size of the dairies continue to shrink and a growing number of large farms, large dairy farms, are still—that is the trend. What factors do you think are creating that trend?

Dr. SALATHE. Well, that is a very good question. But, the bottom line is that there is just—it is new technology for farmers.

Mr. COSTA. Marginal costs.

Dr. SALATHE. Marginal costs. Adoption of new technology allows farmers to produce milk at a lower cost. And so, if you have——

Mr. COSTA. Do you have the total number—you were taking about the MILC program to producers—how much was paid out in 2009?

Mr. Garcia?

Mr. GARCIA. It was about $940 million.

Mr. COSTA. And how many producers went out of business in 2009?

Mr. GARCIA. The information that we have, Congressman, based on statistical data from the National Agricultural Statistics Service is, between 2008 and 2009, we had around three percent of producers that went out of business.

Mr. COSTA. Obviously, the MILC, then, therefore, isn't a very effective safety net in that instance, if that is the purpose and part for what it is done.

The last time the Dairy Product Price Support Program purchased product, when was that?

Mr. GARCIA. It was in summer of 2009, August of 2009.

Mr. COSTA. How much product did it purchase?

Mr. GARCIA. It bought—really, it was one small purchase for back test purposes—well, I am sorry.

Dr. Salathe, maybe you can help me with that one.

Dr. SALATHE. Well, under the Dairy Product Price Support Program, in late 2008 and through about August 2009, we purchased 276 million pounds of nonfat dry milk and 5 million pounds of butter.

Mr. COSTA. Some of my producers think that the Price Support Program takes the U.S. out of the export market and the margins based upon per hundredweight on whether or not we are in a surplus condition or below. Do you think that is the case?

Dr. SALATHE. Well, when we are purchasing product, we are supporting the world price on nonfat dry milk. So, by doing that, we are supporting prices to producers in——

Mr. COSTA. Do you think some companies or some co-ops are producing nonfat dry milk because of the program that is in place and they have a guaranteed purchaser?

Dr. SALATHE. I think you would have to ask them. I really don't have——

Mr. COSTA. Not going to tread in that water?

Dr. SALATHE. No.

Mr. COSTA. How much powder does the government currently have in storage today?

Dr. SALATHE. I don't believe we have any nonfat dry milk in storage.

Mr. COSTA. None?

Mr. GARCIA. I don't believe so. I don't believe there is any right now.

Mr. COSTA. Ms. Coale, the AMS has been studying alternatives, and you spoke of that, toward pricing formulas. What are some of the alternatives are you considering?

Ms. COALE. We have been actively working with the industry to further develop and provide analysis on a different array of competitive pay prices that the industry is trying to establish. These are looking at primarily what cheese manufacturers are paying for their milk. And depending on the various proposals, there are different aspects that——

Mr. COSTA. Before my time expires, do you think the current four class system curtails market innovation?

Ms. COALE. I do not believe that it curtails market innovation. We have seen that there are new products continually entering into the marketplace.

Mr. COSTA. Well, Mr. Chairman, I have other questions. I will submit them in writing.

My time has expired. I appreciate your allowing me to sit on the Committee.

I think that your efforts with the Subcommittee, given the volatile nature and the cycles that I referenced—if they continue in that pattern, 2000, 2003, 2006, 2009, it will mean that the next cycle will be next year. And with all the equity that has been lost in the dairy industry in recent years, I am not so sure we can survive another cycle as we did the last one. And I hope that we will all try to work together on behalf of dairy producers in America to avoid a crash, as we have just had over the last 2 year cycle, the last bust cycle.

Thank you.

The CHAIRMAN. Thank you, Mr. Costa. You are very welcome.

Mr. Gibson?

Mr. GIBSON. Well, thanks, Mr. Chairman.

And I thank the panelists for being here today.

So, a comment and then a question, and if there is time, perhaps a second question.

The comment: I want to begin by associating myself with the remarks of Mr. Courtney. You know, both of our districts, as well as Peter Welch's district, our districts have been hit very hard by Hurricane Irene and then the remnants of Lee. And, it is clear that the insurance program, the risk management tools are just not effective for us, with too many farmers, as Mr. Courtney mentioned finding it too complicated to sort through. And for other reasons, those risk management tools are just not revalent for us.

And then there are other programs that seem to have a track record of effectiveness but yet have no money in them, like the Emergency Conservation Program, which helps with debris and other removal and replacing of fences and, certainly, trying to bring back the farm. From a conservation standpoint, in the watershed dimension of the program, helps us get into streambeds and not only remediate but also take us to a better level where we wouldn't be subject to future floods.

So I guess that is a comment and perhaps a bit of frustration. And, certainly, I am new here, and we are going to have to work on this going forward. I look to the farm bill to try to do some reforms in insurance. But I guess I would pause and see if there is any reaction to that.

Ms. COALE. If I could take a moment to comment on that.

The Secretary is very attuned to what has happened in the Northeast——

Mr. GIBSON. Yes, he is.

Ms. COALE.—with regards to Hurricane Irene. And just today, earlier this afternoon, he issued a press release on some actions that the Department has taken to help alleviate the distress that has been caused by the natural disaster.

One such action that is being taken under the Federal Milk Marketing Order program, for those dairy producers whose milk has not been able to be picked up by their cooperative due to infrastructure damage, the Secretary has determined that we will allow that milk to be associated with the Federal Order pool as if it had been delivered to the marketplace. That will aid those producers in getting the benefit of receiving the Federal Order blend price for that amount of milk that they did dump.

So the Secretary is very, very concerned about what is happening in the Northeast. And he has also outlined other programs, which he has mentioned in the press release, that are available to those producers.

Mr. GIBSON. I agree. And, I had a chance to meet with him just a few days ago, and I find him very concerned and vigilant and diligent to try to help us.

I think that there is some work on this side that we are going to need to do, going forward. And, taking up his advice, Senator Gillibrand and I have a bill we just introduced yesterday that is looking to put money into those programs, those conservation programs, which will be helpful.

But thank you for the dialogue on that.

The question: Earlier in the dialogue here with Mr. Peterson, you were giving some initial feedback on the weekly electronic reporting. I am curious—and you were raising some concerns about that, about the potential counterproductive nature of it.

I am curious—no doubt you have policy wonks down there. What is the latest thinking in the agency on how we might be able to get more dynamic price discovery in a manner that more accurately reflects supply and demand dynamics?

Ms. COALE. To make certain that the record is clear, the Department is very supportive of weekly reporting, as is currently conducted by the National Agricultural Statistics Service, as well as what will be transferred to AMS with the Mandatory Price Reporting Act.

The concerns that we have been hearing with regards to daily reporting are ones that the industry has expressed in relationship to how accurate that price information will be. And while you may be providing data out to producers, is that data really accurate and does that provide the information that they need to make marketing decisions?

It is important to note that the dairy industry does operate differently than other commodities within agriculture, in that producers are paid based off of a monthly price. So receiving a daily report of what commodities are trading at does not translate directly into a pay price for those producers.

Recognizing that the current system for determining minimum prices is based off of product price formulas that use the commodities in which we actually report on, we are very open to looking at returning to some type of a competitive pay price. And the Department did use a competitive pay price within the Federal Order system for a number of years, and it worked very effectively up until the milk that was being used to determine that competitive pay price basically disappeared.

So there are challenges with how best to return to a competitive pay price that is truly going to reflect that value for the milk used in manufacturing, and is not going to over-inflate the value but be reflective of what is needed to maintain supply and demand for the marketplace.

Mr. GIBSON. Interesting. Thank you very much for that response. I yield back.

The CHAIRMAN. Thank you, Mr. Gibson.

Mr. Welch?

Mr. WELCH. Again, thank you, Mr. Chairman.

I have a couple of questions for Mr. Garcia about the Dairy Product Price Support Program. It is quite important, obviously, to Vermont farmers as well as others.

You know, my understanding is the floor price for dairy created in the program is about $9.90 per farm—the farm gate price. And in the last 5 years, has that floor price ever been utilized as the actual floor price for dairy products? Or is it really fair to say that the floor price is just out of date and ineffective?

Mr. GARCIA. Dr. Salathe, can you help me out with that?

I am sorry, I am going to have to defer to my economist.

Mr. WELCH. All right.

Dr. SALATHE. Well, under the 2008 Farm Bill, we no longer support the price of milk. There is no longer a support price designated in the farm bill.

What is designated is minimum purchase prices for butter, cheddar cheese in barrels and blocks, and nonfat dry milk. Those can be actually reduced if purchases exceed certain levels. And there is flexibility, of course, to increase since they are minimums to increase purchase prices. But we did—like I said, we did buy nonfat dry milk in late 2008 and 2009 to the tune of 276 million pounds of nonfat dry milk and 5 million pounds of butter.

Like I said, there is no floor price on milk. There is a floor price on the products themselves.

Mr. WELCH. All right. Let me ask my next question.

In 2009, the Congressional Dairy Caucus, of which many of us are Members, asked Secretary Vilsack to raise the floor price for dairy products under the program. Secretary Vilsack responded and did raise the price, and we obviously thanked him for that action.

However, the increase in the DPPS price support didn't have any positive change on the price paid to farmers. From the perspective of a Vermont dairy farmer, does the dairy price support provide literally any protection in today's market?

Dr. SALATHE. Well, if you go back and you look at when the Secretary made those changes—he increased the nonfat dry milk purchase price by 12¢ and, I believe, cheddar cheese by 18¢. If you look at when that occurred and the immediate response, in terms of what happened in terms of wholesale prices for those products, you did see an immediate change even though no purchases were made.

So it is a little bit difficult to say that there was no effect when there was some effect, immediate effect, on wholesale prices when that announcement was made.

Mr. WELCH. All right. Let me ask my last question. I thank you.

I have heard some concerns that the DPPSP price undercuts our export abilities. For example, the industry's ability to innovate new products, such as MPCs, has been hampered by the price support system, or so some people believe.

Can you speak to that issue? Is there truth to the claim that the DPPSP price hinders our dairy exports?

Dr. SALATHE. Well, I think that we are competitive on the world market, we are competitive in terms of our dairy products. And so, when we do purchase dairy products under the Price Support Program, that does stabilize the price here as well as abroad. And I do think it probably does undercut our exports somewhat. However, I would say it was an important tool for us in 2008 and 2009 when milk prices collapsed. Like I indicated, we did purchase significant amounts of nonfat dry milk during that time.

And I will reiterate another comment I made earlier, that when you intervene in the markets, no matter how you intervene in markets, it does have positive and negative ramifications. So you have to weigh those positive and negative ramifications.

Mr. WELCH. I yield back.

The CHAIRMAN. Thank you, Mr. Welch.

I wanted to take this opportunity to thank the witnesses for their testimony and for answering the questions from our Members; and all the Members that showed up, including a couple of special guests.

I also want to thank the staff for all their hard work in preparing this hearing today on the USDA dairy program. We are going to look forward to arranging and organizing more meetings to continue to work toward solutions for this and all the other issues on the Subcommittee.

So, with that, under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material and supplementary written responses from the witnesses to any question posed by a Member.

This hearing of the Subcommittee on Livestock, Dairy, and Poultry is adjourned.

[Whereupon, at 3:35 p.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY U.S. DEPARTMENT OF AGRICULTURE

During the September 8, 2011 hearing entitled, *Agricultural Program Audit: Examination of USDA Dairy Programs,* requests for information were made to the U.S. Department of Agriculture. The following are their information submissions for the record.

Insert 1

Mr. CARDOZA. I would like to encourage the Department. I see great acceptance of the standards in California. The product is more nutritious, and I am a huge fan of increased standards.

To follow up, the MILC Program is a prime example of government programs that pick between winners and losers, in my opinion. In fact, a USDA study a few years back confirmed that the program keeps farm milk prices lower than they would otherwise be. Could any of you please tell us what the total amount of money producers in each of the top five milk-producing states have received from MILC under the farm bill, along with the most recent annual milk production figure for those states?

Mr. GARCIA. Mr. Cardoza, I don't have that information readily available, but we can provide that information as far as the top five states under the MILC Program.

Mr. CARDOZA. I would very much like to have that.

Mr. GARCIA. Yes, sir, we can provide that.

See following tables:

Milk Income Loss Contract (MILC) Program

Top Producers' Payments and Production
by State/Fiscal Year
as of 01/25/2012

Row Labels	Values Payment Totals	Paid Production Totals
California	**$104,400,571.98**	**12,480,259,870**
2009	$85,814,553.72	6,959,242,651
2010	$18,586,018.26	5,521,017,219
Idaho	**$22,351,849.09**	**2,825,504,576**
2009	$18,713,813.32	1,602,963,230
2010	$3,638,035.77	1,222,541,346
New York	**$82,550,499.76**	**7,549,547,304**
2009	$73,500,545.34	5,065,859,188
2010	$9,049,954.42	2,483,688,116
Pennsylvania	**$76,248,956.41**	**6,301,537,139**
2009	$69,319,102.01	4,476,854,732
2010	$6,929,854.40	1,824,682,407
Wisconsin	**$195,565,282.93**	**19,859,501,257**
2009	$175,742,332.01	13,671,012,480
2010	$19,822,950.92	6,188,488,177
Grand Total	**$481,117,160.17**	**49,016,350,146**

Milk Income Loss Contract (MILC) Program

Top Producers' Payments and Production
by Fiscal Year/State
as of 01/25/2012

Row Labels	Values Payment Totals	Paid Production Totals
2009	**$423,090,346.40**	**31,775,932,281**
California	$85,814,553.72	6,959,242,651
Idaho	$18,713,813.32	1,602,963,230
New York	$73,500,545.34	5,065,859,188
Pennsylvania	$69,319,102.01	4,476,854,732

Milk Income Loss Contract (MILC) Program—Continued

Top Producers' Payments and Production
by Fiscal Year/State
as of 01/25/2012

Row Labels	Values Payment Totals	Paid Production Totals
Wisconsin	$175,742,332.01	13,671,012,480
2010	**$58,026,813.77**	**17,240,417,865**
California	$18,586,018.26	5,521,017,219
Idaho	$3,638,035.77	1,222,541,346
New York	$9,049,954.42	2,483,688,116
Pennsylvania	$6,929,854.40	1,824,682,407
Wisconsin	$19,822,950.92	6,188,488,777
Grand Total	**$481,117,160.17**	**49,016,350,146**

Insert 2

Mr. CARDOZA. In 2009, Congress appropriated $350 million in emergency funds to help dairy farmers through what was then the worst economic crisis in at least a generation. This crisis was caused by significant decline in U.S. exports due to the worldwide financial crisis. Some of us thought that the entire $350 million should have gone to the purchase of cheddar cheese to donate to food banks which were having trouble keeping up with record demand in this country. In the end, only $60 million went to cheese donations.

Many have questioned the decision to purchase high-cost items, like shredded cheese, with these funds instead of the more reasonable and more widely available block cheese. Can you tell me what products were purchased and how quickly these donations were completed?

Mr. GARCIA. I am going to have to look at that, Mr. Cardoza. I think I have that information.

The Fiscal Year 2010 Agriculture Appropriations Act authorized $60 million for the purchase of cheese and other products. USDA purchased approximately 10.2 million pounds of mozzarella cheese and 17.4 million pounds of cheddar cheese, at a cost just under $60 million. USDA held back just over $200,000 to cover offshore transportation and contract administration.

Based on recipient needs, purchases were made for 10.2 million pounds of mozzarella (5.3 million pounds loaves/blocks, 4.9 million pounds shreds), and 17.4 million pounds of cheddar (8.8 million pounds loaves/blocks, 8.6 million pounds shreds).

The contract awards were made for $48 million in January 2010, as responsive bids were not received for all recipient delivery locations. Contract awards for the remaining $12 million were issued in February 2010. While there was a substantial time lag between the announcement of purchases and when donations were made, USDA schedules deliveries based on recipient needs and does not make payment to the vendor until the cheese is actually delivered, in accordance with procurement guidelines.

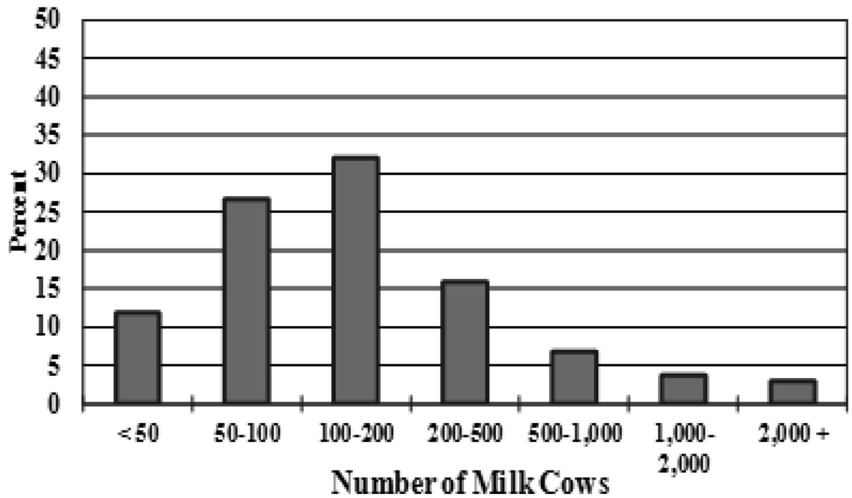
Insert 3

Mr. RIBBLE. Is there statistical data available on the size of the producers that are using the program? Especially when you look back like 2009, when things were pretty rough, is there some statistical data that shows how that money was distributed by size?

Dr. SALATHE. Yes, I believe so. We have information in terms of the size of producers who got payments. All producers are eligible for the program. It is whether they hit the production limit or not, and so—but we probably do have data on the size of producers and what they received or whether they participated and got a payment or not.

The Milk Income Loss Contract (MILC) Program is designed to provide a direct payment to producers when milk prices fall below an established level adjusted for feed costs. Information on herd size is not collected by the Farm Service Agency when operations sign contracts for the program. Milk sales information is collected only during months when there is a payment rate for the program and operations are requesting payment, thus information on operation size is not available through the data collected under this program. However, data collected annually by the National Agricultural Statistics Service (NASS) on the distribution of dairy herds by size can be used to provide an indication of the distribution of MILC payments during Fiscal Year 2009 by size of herd. Based on the herd size distribution data collected by NASS, we estimate that about 35–40 percent of FY 2009 MILC payments were paid to producers with less than 100 cows and 70–75 percent of payments were paid to producers with less than 200 cows.

Distribution of MILC Payments by Herd Size



SUBMITTED QUESTIONS

Questions Submitted by Hon. Reid J. Ribble, a Representative in Congress from Wisconsin

Response from Juan M. Garcia, Acting Deputy Administrator for Farm Programs, U.S. Department of Agriculture, Farm Service Agency

Question. Mr. Garcia, do you believe that elimination of the Dairy Export Incentive Program would significantly impact our participation in world markets?

Answer. The Dairy Export Incentive Program (DEIP) helps exporters of U.S. dairy products meet prevailing world prices for targeted dairy products and destinations. Under the program and in conformity with U.S. obligations under the World Trade Organization, the U.S. Department of Agriculture pays cash to exporters as bonuses, allowing them to sell certain U.S. dairy products at prices lower than the exporter's costs of acquiring them. The major objective of the program is to develop export markets for dairy products where U.S. products are not competitive due to the use of export subsidies by other countries.

The United States is currently competitive in world dairy markets without the need for the DEIP. At present, no nation—including the European Union (EU)—is using export subsidies for dairy products. The EU does not have significant stocks of surplus dairy products and is not expected to use export subsidies during 2011 or 2012.

The United States is projected to be a major participant in world dairy markets in FY 2011 and FY 2012. Exports from the U.S. for 2011 are forecast at over 400,000 metric tons of skim milk powder, over 200,000 metric tons of cheese and over 60,000 metric tons of butter. The value of U.S. dairy exports is estimated at a record $4.2 billion in FY 2011. For FY 2012, U.S. dairy exports are forecast to remain strong at a value of $4.0 billion.

Response from Dana Coale, Deputy Administrator for Dairy Programs, U.S. Department of Agriculture, Agricultural Marketing Service

Question 1. Ms. Coale, as you are likely aware, several proposals are on the table for modifying the Federal Milk Marketing Order system. Is it your sense that we in Congress should legislate specific reforms, or would the process best be left to USDA with some broad parameters from Congress? If the latter, what sort of consensus would you need from us? How much agreement do we need to find here in Congress before USDA could begin its work?

Answer. There are several industry proposals that are designed to make changes to the Federal Milk Marketing Order program. These proposals are focused primarily on making changes to the method utilized to establish minimum prices within the Federal Milk Marketing Order system. Typically, changes of this significance are determined utilizing the administrative formal rulemaking process, a transparent process that enhances participation by all interested persons. USDA recognizes the desire for Congress to provide specific guidance on how these minimum prices are established. We would suggest that Congress provide specific parameters on proposals that should be considered as alternatives for establishing minimum prices under Federal Milk Marketing Orders.

Question 2. Ms. Coale, I understand that the FMMO system places the highest value on fluid milk. In the Upper Midwest, most of our milk is used for cheese. Consequently, many producers have talked with me about the need to modify this disparity. If we address this as part of the dairy reform process, how, in your view, can we push forward this kind of change through broad parameters?

Answer. The Federal Milk Order program establishes minimum prices for milk based on the classification of milk according to its use and then these values are averaged together based on the individual utilization of these milk values. Milk utilized to produce Class I products receives the highest value because of the additional costs associated with servicing the fluid market. This higher price is established utilizing the highest price for manufacturing uses plus a Class I differential. These differentials vary from $1.60 per hundredweight in the Upper Midwest and Western United States to $6.00 per hundredweight in Southern Florida. A change to how these values are determined could be directed by Congress by providing direction such as was provided in the 1996 Farm Bill. In the 1996 Farm Bill, Congress authorized the Secretary to review the Class I price structure as part of the consolidation of the orders, including the consideration of utilization rates and multiple basing points for developing a pricing system.

SUBMITTED REPORT BY NATIONAL MILK PRODUCERS FEDERATION

National Milk Producers Federation

Foundation for the Future: Detailed Program Description

August 2011

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Background

The National Milk Producers Federation (NMPF) created a new roadmap for U.S. dairy policy called *Foundation for the Future.* In June 2009, NMPF Chairman Randy Mooney formed the NMPF Strategic Planning Task Force aimed at exploring different approaches to dairy policy, including options that would work to achieve more effective protection for producer margins and stabilization of dairy markets.

Task force members (*Attachment 1*) came from within the NMPF and/or Cooperatives Working Together (CWT) membership and were charged with making policy recommendations to the NMPF Board of Directors for further deliberation and subsequent action. The task force was designed to include viewpoints from all segments of the NMPF and CWT membership and the participants reflected a broad spectrum of demographics and affiliations. The task force was further broken down into three subcommittees (*Attachment 2*), each focusing on a specific aspect of dairy policy. The subcommittees carried out their specific assignments by drawing upon the best professional expertise and informational resources available to the industry from both private and public sources. Finally, in order to make certain that the demand-building programs of Dairy Management, Inc. and the U.S. Dairy Export Council were recognized in this important planning process, Tom Gallagher and Tom Suber, the respective leaders of these organizations also served as advisory members of the task force.

The overriding ***purpose*** of the task force was to build consensus across the dairy producer community by identifying the underlying factors affecting producer income and examining the ways in which the producer community could realistically work to address those factors for the betterment of the industry. The specific ***goal*** of the task force was to analyze and develop a long-term strategic plan for consideration by the NMPF Board of Directors, which would have a positive impact on the various factors influencing both supply and demand for milk and dairy products.

Through an initial round of listening sessions, the task force brought in a number of producer groups (*Attachment 3*) representing different industry segments and dairy producer constituencies all across the country to obtain widespread input and access to the best ideas circulating throughout the industry. Individual cooperatives were also invited to provide proposals to the task force for consideration. Following its meetings with the various dairy producer organizations, the task force began internal deliberations, to analyze and discuss the many proposals and options presented, and develop recommendations for the NMPF Board of Directors.

As a result of this valuable exchange with various dairy organizations, NMPF developed *Foundation for the Future.* As envisioned by NMPF, *Foundation for the Future* offers much-needed change to many aspects of current dairy programs, some of which were designed in an earlier time to operate in a relatively closed domestic market. Today's market for U.S. dairy farmers' milk, however, is influenced to a much greater degree by global demand and supply, as the record prices of 2008—and their disastrous plunge in 2009—have clearly demonstrated.

Executive Summary

This Executive Summary provides an overview of the policy changes proposed by NMPF. Detailed descriptions of each of the elements comprising the *Foundation for the Future* program are also contained in this document. *While each element of Foundation for the Future is identified separately, they were designed to work together to ensure the best possible result for U.S. dairy producers and the U.S. dairy industry, in general.* It should be emphasized that each element of *Foundation for the Future* interlinks with one or more of the other elements to obtain maximum effect. **It is therefore imperative that the entire package of *Foundation for the Future* be considered for the totality of its impact.**

Just as multiple problems contributed to an unprofitable situation for U.S. dairy farms recently, multiple solutions are required to achieve a more prosperous future. To meet this need, ***Foundation for the Future* offers a multi-faceted approach by: (1) replacing existing Federal safety net programs; (2) creating a new Dairy Producer Margin Protection Program to protect against both severe and unsustainable loss of margin; (3) reforming the Federal Milk Marketing Order system; and (4) establishing a Dairy Market Stabilization Program to help address periodic imbalances in dairy supply and demand.**

1. Replace Current Federal Safety Net Programs

***Foundation for the Future* recommends discontinuing the Dairy Product Price Support Program (DPPSP) and the Milk Income Loss Contract (MILC) program in the next Farm Bill. Instead, *Foundation for the Future* proposes to convert the budgetary savings in the Federal dairy baseline to establish the Dairy Producer Margin Protection Program, as described further in this document.**

The Dairy Product Price Support Program (DPPSP) and the Milk Income Loss Contract (MILC) program deliver inadequate protection against periodic low milk prices and destructively-low margins that occur when input costs, especially feed prices, rise rapidly. The DPPSP is ineffective as a safety net because it hinders U.S. and world markets to adjust to supply-demand signals. It also stifles product innovation. The MILC program fails to assist farmers when they need it the most, often providing payments to producers when margins were in fact, relatively good. The feed cost adjustor in MILC assists only when feed costs are very high. In 2008, when producers were severely impacted by high feed costs, these programs didn't help them until after the milk price crashed at the end of the year.

2. Dairy Producer Margin Protection Program

***Foundation for the Future* recommends establishing a new program entitled the Dairy Producer Margin Protection Program (DPMPP) which is in-**

tended to support producer margins, not prices. DPMPP is a program that is designed to address both catastrophic conditions, which can result in the severe loss of equity for dairy farmers, such as those witnessed in 2009, as well as long periods of low margins, such as those in 2002. Under this program, "margin" is simply defined as the All-Milk Price minus feed costs. Feed costs are determined using a new feed ration that has been developed to more realistically reflect those costs associated with feeding the entire dairy farm enterprise, including milking cows, heifers, *etc.* The DPMPP operates on the premise of providing a basic level of protection (*i.e.,* insurance coverage) for all producers and a voluntary supplemental coverage. The basic coverage is fully-subsidized by the Federal Government (as was the case with the DPPSP and MILC), while the supplemental coverage is voluntary and premiums are partially subsidized by the government, but in a manner in which the level of subsidization decreases as the level of coverage per hundredweight increases. Consequently, dairy farmers electing to insure their operations beyond the fully-subsidized basic level coverage would pay the non-subsidized portion of the premium associated with the supplemental coverage. The DPMPP is intended to be a Title I program operated by the Farm Service Agency (FSA). *Since DPMPP is a margin insurance program, it is proposed to have no payment limitations based on income and/or size of herd.*

In the future, the solvency of dairy farms will depend ultimately on margins (the difference between milk prices and overall costs—in particular, feed costs) rather than just the milk price alone. The economic hardship of 2009 revealed that relatively high prices do not guarantee profitability when accompanied by high input costs. A program that helps provide income insurance coverage for dairy farmers during periods when their margins are low, or even negative, is a key element of *Foundation for the Future.*

In developing the DPMPP, the following important principles were observed:

(1) Losses caused by either low milk prices or high feed costs need to be covered;

(2) A dairy farmer's cost for the basic level of protection must be subsidized by the Federal Government since the DPPSP and MILC are being replaced by the DPMPP;

(3) The level of voluntary supplemental protection should be flexible, and producers should be able to purchase additional protection to complement the nature of their operations;

(4) The program should be voluntary, national in scope, and open to all dairy farmers, regardless of size without payment limitations;

(5) The program should address both catastrophic conditions and long periods of relatively low margins, yet not provide incentives to create artificial over-production; and

(6) The program must be easily accessed by all producers through a simple application process or through the assistance of their cooperative.

3. Federal Milk Marketing Order Reform

***Foundation for the Future*'s revisions to the Federal Milk Marketing Order (FMMO) Program address the following fundamental issues associated with the current milk pricing system that are of concern to both dairy producers and processors. The proposal:**

- **Replaces end product pricing formulas with a competitive milk pricing system**
- **Incorporates a pricing system for two classes of milk: fluid (Class I) and manufacturing (formerly Class II, III and IV product uses)**
- **Maintains the "*higher of*" for establishing the fluid use (Class I) minimum base price**
- **Maintains current Class I differentials**
- **Maintains the number and basic structure and provisions of Federal Orders**

FMMOs have provided an important support system for dairy farmers and cooperatives for many years. They have worked to establish consistent pricing mechanisms for milk for all uses, provide audited data on marketed milk, and help maintain supplies for bottlers and to compensate their suppliers. In recent years, however, dairy markets have become more complex and current Federal Order provisions have experienced difficulty accommodating them. Markets have evolved—from regional, to national, and now global. Pricing has become complex and linked to markets—including unregulated areas, state marketing orders, and international, which are not under the control of FMMO regulation.

The current end-product pricing formulas set minimum milk prices for dairy farmers by fixing a maximum gross margin for manufacturers of the benchmark products. This creates winners and losers between producers and processors, and even among cooperatives, and has strained commercial relationships and distracted from other potentially constructive reform efforts. When the end-product pricing formulas require adjustment, it is done through a lengthy and, most often, divisive FMMO formal rulemaking process. The goal of NMPF's effort is to develop a pricing system that compensates producers fairly, reduces price volatility, and creates a more dynamic dairy industry. The key in doing so is to eliminate the present end-product pricing formulas that have been troublesome since their establishment. Another goal is to create a timelier and more transparent system in order to avoid distorting market signals sent both to producers and processors.

4. Dairy Market Stabilization Program

***Foundation for the Future* is recommending the establishment of a Dairy Market Stabilization Program (DMSP) in order to address extreme volatility in dairy producer margins by sending strong and timely signals to producers that temporarily reducing milk production by a small percentage will have a positive impact on their overall margins. As the U.S. dairy industry increases its global participation, exposure to greater price volatility is more likely. The DMSP is intended to absorb some of the market shocks that this volatility may cause. The DMSP is designed to act swiftly, but infrequently, to address brief imbalances in the market. The program is also designed to work in conjunction with the Dairy Producer Margin Protection Program (DPMPP).**

Key principles of the DMSP include:

(1) *Allow for production growth*—The program is intended solely to intervene in the market to address temporary imbalances between supply and demand. The program will send clear and timely economic signals to producers that there is an imbalance in the marketplace;

(2) *Reduce margin volatility*—The program's ultimate objective is to prevent acute imbalances in the marketplace that negatively impact producer margins. By encouraging producers to lower their milk marketings at appropriate times, prices should rise, thus improving margins;

(3) *Minimize government intervention*—The legislation will set the parameters that trigger the program and USDA's role will be limited to calculating the actual margin on a monthly basis using data from CME and NASS information; and

(4) *Not encourage imports or discourage exports*—Global and U.S. markets must maintain a strong correlation. Such correlation will allow domestic inventories to clear faster, encourage exports, discourage imports, and help assure that market downturns are of shorter duration.

The program will only go into effect when the actual margin (determined using the same calculations of the DPMPP) falls below a set margin trigger level for two consecutive months. Once DMSP is triggered, producers will receive payment for only a certain percentage of their base milk marketings. The percentage of milk marketings upon which payment will be based shall be determined according to the severity of the margin loss. A maximum reduction in milk marketings upon which payment will be based will also be established according to a predetermined formula. Producers whose milk marketings in a month when the program is in effect are less than the set percentage of their base milk marketings upon which payment will be based would not be subject to a reduction in payment. The program would cease once the margin trigger level has been exceeded for two consecutive months. The DMSP will cover all producers in all markets. Monies resulting from reductions in producer payments will be collected by the Agricultural Marketing Service (AMS) using the same framework used to collect the dairy promotion monies and will apply to all milk marketed with no exemptions. The USDA will announce that the DMSP is being implemented 30 days in advance of the month in which the program goes into effect. Although not effectuate through any decision-making on the part of AMS, the DMSP is intended to be a government program *administered* by that agency. The purpose of the monies collected through the DMSP is to effectively stimulate the domestic consumption of dairy products through contributions to food assistance programs.

Conclusion

All of these recommendations and proposed changes will ultimately require a new way of thinking about U.S. dairy policy, milk pricing systems, and the impact of *margin* on individual dairy operations. NMPF is not underestimating the size of the shift in attitude necessary on the part of producers and other sectors of the industry to give these proposed programs a fair evaluation. We realize it will take a great deal of education and communication as we proceed to gain industry consensus on *Foundation for the Future.* However, if there is a lesson to be learned from 2009, it is that the present safety nets are inadequate, the present pricing system is not serving the industry well, and that change is needed. ***Foundation for the Future*** **represents the timeliest opportunity for changing the direction of dairy policy for the future of our dairy farmers by assisting the entry of new generations of dairy farmers and helping the entire industry meet the challenges of a new global marketplace.**

For more detailed information on *Foundation for the Future,* including video and PowerPoint presentations, go to *www.futurefordairy.com.*

Detailed Descriptions of Individual Program Elements

1. Replace Current Federal Safety Net Programs

- **Discontinuing the Dairy Product Price Support Program (DPPSP) would allow greater flexibility to meet increased global demand and shorten periods of low prices by reducing foreign competition.**
- **Shifting resources from the DPPSP and Milk Income Loss Contract (MILC) Program towards the new Dairy Producer Margin Protection Program (DPMPP) would provide farmers with a more effective safety net.**

Discontinuing the Dairy Product Price Support Program

The DPPSP was created in 1949 as a means to help provide government support for farm-level milk prices. During most of its lifespan, the program targeted a set milk price, and then established pricing targets for key products, such as cheese, butter and non-fat milk powder, that would help support that price.

In the 2008 Farm Bill, the program was altered to support specific products, ending its focus on a singular milk price, and targeting specific product price levels. Regardless of its function, however, NMPF believes it is now time to end the DPPSP and shift resources toward a new Federal safety net. Here's why:

1. It supports dairy farmers all around the world and disadvantages U.S. dairy farmers.

The current program helps balance world supplies by encouraging the periodic global surplus of milk products to be purchased by U.S. taxpayers. As a result, dairy farmers in other countries, particularly the Oceania region, enjoy as much price protection from the DPPSP as our own U.S. farmers. Without the USDA's Commodity Credit Corporation (CCC), buying up occasional surpluses of dairy proteins in the form of nonfat dry milk, a temporarily lower world price would affect America's competitors, all of whom would be forced to adjust their production downward and ultimately hasten a global recovery in prices.

2. It reduces total demand for U.S. dairy products and dampens our ability to export, while encouraging more foreign imports into the U.S.

The price support program effectively reduces U.S. exports, by diverting some of the U.S. milk flow into government warehouses, rather than to commercial buyers in other nations. It creates a dynamic where it is more difficult for the U.S. to be a consistent supplier of many products, since sometimes the domestic industry has products to export, and at other times, the domestic industry just sells to the government.

3. It acts as a disincentive to product innovation.

The DPPSP distorts what the U.S. produces—for example, too much nonfat dry milk, and not enough protein-standardized skim milk powder, as well as specialty milk proteins, such as milk protein concentrates—that are in demand both domestically and internationally.

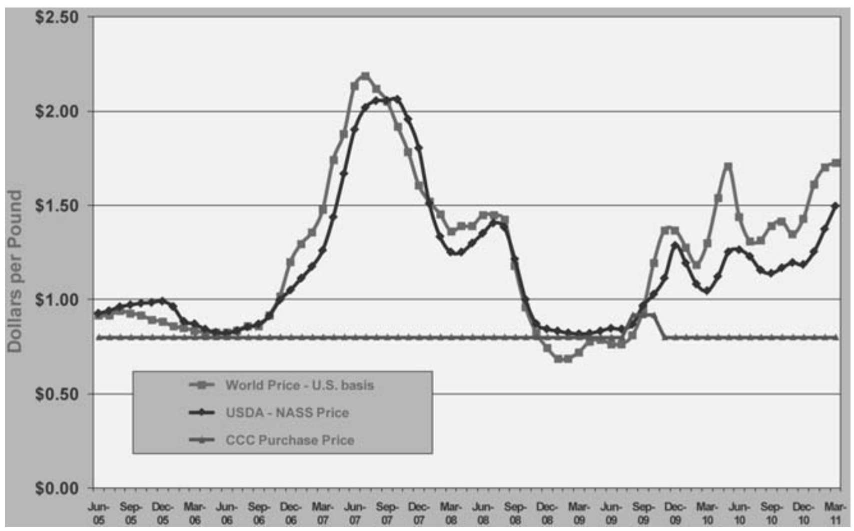
Because the price support program is a blunt instrument that will buy only nonfat dry milk and because some plants have been specifically built to produce nonfat dry milk, it puts the U.S. at a competitive disadvantage with respect to other global dairy vendors.

4. It isn't effectively managed to fulfill its objectives.

Although the DPPSP has a standing offer to purchase butter, cheese and nonfat dry milk, during the past 12 years, only the last of that trio has been sold to the USDA in any significant quantity. In essence, the product that the DPPSP really supports is nonfat dry milk. Even at times when the cheese price has sagged well beneath the price support target, cheese makers have chosen not to sell to the government for a variety of logistical and marketing-related reasons. NMPF has tried to address these problems, but the USDA shows no inclination toward facilitating greater purchases of product by recognizing the additional costs required to sell to government specifications. Once purchased, powder returning back to the market from government storage also presents challenges, dampening the recovery of prices as evidenced in **Chart 1.**

Chart 1

U.S. and World Prices—SMP/NFDM

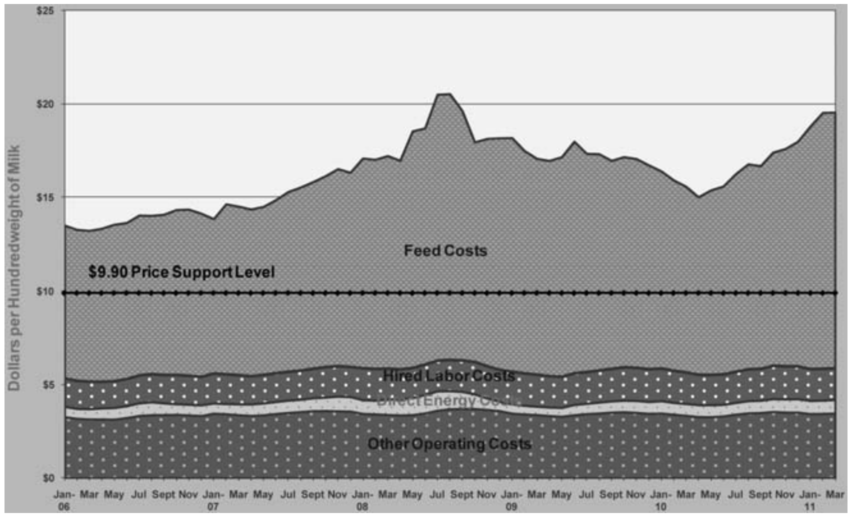


5. It seeks to achieve price levels that are no longer relevant to farmers.

Even though the $9.90 per hundredweight target was eliminated in the last Farm Bill, the individual price support targets—$1.13 per pound for block cheese, $0.85 for powder, and $1.05 for butter—will essentially return Class III and IV prices around $10 per hundredweight. In an era of higher costs of production, that minimal price isn't acceptable in any way, shape or form as the following chart so clearly demonstrates. As shown on **Chart 2,** the effective price support level has been considerably less than the cost of production for many years. The government is not at all likely to raise the support prices (which would have negative consequences both for the burgeoning Federal deficit, as well as our trade treaty limitations), and even if it did, the industry would likely experience continued delays in the recovery of prices when the program is most needed.

Chart 2

Price Support Level and Costs of Production, 2006–2011



Source: USDA Economic Research Service.

In summary, discontinuing the DPPSP would eventually result in higher milk prices for U.S. dairy farmers. By focusing on indemnifying against poor margins, rather than on a milk price target that is clearly inadequate, the industry can create a more relevant safety net that allows for quicker price adjustments, reduces imports and facilitates exports. As a result of the present DPPSP, the U.S. has, in effect, become the world's balancing plant. As time marches on, so, too, must our approach to helping U.S. dairy farmers.

Discontinuing the Milk Income Loss Contract (MILC) Program

MILC is a price-based safety net, which is as ineffective for today's dairy producers as the Dairy Product Price Support Program. In 2008 and 2009, MILC proved to be an inconsistent safety net program for dairy farmers facing very low, or even negative, operating margins. MILC, despite its feed cost adjustor, does not adequately offset high feed costs and its price target does not track national farm milk prices.

MILC payments depend on a low milk price. If milk prices are at average levels and feed costs are high, farmers can suffer substantial losses and still not receive any assistance from MILC. Although a feed cost adjustor was added in the 2008 Farm Bill, this program does not go into effect until the price of the National Agricultural Statistics Service (NASS) standard feed ration reaches $147 per ton (equivalent, for example, to $3.75 per bushel of corn, $9.50 per bushel of soybeans, and $130 per ton of alfalfa). It also only covers about 30 percent of the feed price increase above this high level. This was clearly inadequate through most of 2008, when high feed costs overwhelmed average milk prices and put most farmers into a deep hole without the help of any MILC payments. The current feed ration utilized in the MILC has not been sufficiently updated to reflect today's current dairy farm feeding practices. On the other hand, the Dairy Producer Margin Protection Program recommends utilizing a new feed ration reflective of the entire dairy feeding enterprise at the farm level.

The MILC target price is a Class I price. Class I is currently based on the "higher of" Class III or IV prices, so when the Class IV (butter powder) price or the Class III (cheese) price is high, MILC payments can be low or zero, even if producers are facing low margins. *That is why the whole premise of the **Foundation for the Future** is changing the focus of dairy farmers from price targets to margins.*

The MILC program is inequitable in its treatment of dairy farmers and, therefore, ineffective in its objective of providing economic relief to dairy farmers in time of need. Requiring producers who market more than 2.985 million pounds of milk a year to guess in which of the coming twelve months they will most need economic assistance is why it is ineffective. Limiting the level of protection to a maximum of 2.985 million pounds of milk a year provides protection for less than 30 percent of the total milk produced in the U.S. **A basic principle of *Foundation for the Future* is that all farmers should be treated equally regardless of size or region.**

As dairy farmers face growing volatility in both their feed costs and their milk prices, the milk price-based dairy producer programs are no longer adequate or efficient. As evidenced significantly in 2009, the MILC program does not provide an effective safety net for dairy producers. **It is for these reasons that *Foundation for the Future* recommends discontinuing the Dairy Product Price Support Program (DPPSP) and the Milk Income Loss Contract (MILC) program in the next Farm Bill and using the budgetary savings in the Federal dairy baseline to establish the new Dairy Producer Margin Protection Program as described next in this document.**

2. Dairy Producer Margin Protection Program

Foundation for the Future* recommends establishing a new program entitled the Dairy Producer Margin Protection Program (DPMPP), which is intended to support producer margins, not prices. DPMPP is a program that is designed to address both catastrophic conditions, which can result in the severe loss of equity for dairy farmers, such as those witnessed in 2009 as well as long periods of low margins, such as those experienced in 2002. Under this program, "margin" is simply defined as the All-Milk Price minus feed costs. Feed costs are determined using a new feed ration that has been developed to more realistically reflect those costs associated with feeding the entire dairy farm enterprise including milking cows, heifers, *etc.* The DPMPP operates on the premise of providing a basic level of protection (*i.e.,* insurance coverage) for all producers and a voluntary supplemental coverage. The basic coverage is fully-subsidized by the Federal Government (as was the case with the DPPSP and MILC), while the supplemental coverage is voluntary and premiums are partially subsidized by the government, but in a manner in which the level of subsidization decreases as the level of coverage per hundredweight increases. Consequently, dairy farmers electing to insure their operations beyond the fully-subsidized basic level coverage would pay the non-subsidized portion of the premium associated with the supplemental coverage. The DPMPP is intended to be a Title I program operated by the Farm Service Agency (FSA). In terms of U.S. obligations as a member of the World Trade Organization (WTO), the program has also been designed to fit within the permitted provisions for agricultural policies, as well as within the subsidy limits permitted for U.S. agriculture. Finally, *since DPMPP is a margin insurance program, it is proposed to have no payment limitations based on income and/or size of herd.

Background

Increased volatility in milk and feed markets has driven interest in developing a new approach to providing a Federal safety net for milk producers. Development of a new margin insurance program for milk producers will provide dairy farmers the support they need when their margins fall because of low milk prices or high feed costs. The program would enable producers to protect or insure their margin (All-Milk Price minus feed cost) by enrolling in a margin insurance/protection program. The DPMPP will help dairy farmers survive financially difficult times by paying them an insurance indemnity (payout) when catastrophic or significant losses occur in their dairy operations.

The New Measure of Feed Costs

DPMPP requires calculating the margin over feed costs on a dollar per hundredweight of milk basis. This is equal to the price received per hundredweight of milk minus the total cost of purchased feed needed to produce a hundredweight of milk. Other production cost components such as labor, energy, depreciation, capital, veterinary services, and nutritional supplements vary greatly across individual operations and will need to be addressed by producers when determining their desired level of coverage. To determine feed costs, DPMPP uses a new measure based on a daily ration for lactating cows shown in **Table 1.** The new feed ration was developed by NMPF with the support of a number of experts and prominent animal nutritionists (*Attachment 4*) from all across the country. This ration, which is for a cow producing the national average of 68.85 pounds of milk per day, uses the four feed ingredients shown in that table to capture the changes in dairy farmers' feed costs that result from volatile prices in the feed commodities markets.

Table 1—Daily Quantities of Feed Ingredients for a Lactating Cow

Ingredient	Quantity of Dry Ingredient (lbs/day)	Moisture Content	Quantity of Commercial Ingredient (lbs/day)	Quantity in Commercial Units (units/day)
Shelled Corn	15.4	14%	17.9	0.319803 bushels
Corn Silage	16.0	65%	45.7	0.02286 tons
Soybean Meal	5.7	12%	6.5	0.003238 tons
Alfalfa Hay	10.0	15%	11.8	0.00588 tons

The DPMPP feed cost measure also includes daily rations for all milk cows and replacement heifers on a model dairy farm enterprise that are not producing milk sold on a given day, but are necessary for the milk production enterprise. These include hospital cows, dry cows, and replacement calves and heifers of all ages, as shown in **Table 2.** The specific rations for these animals are also based on the same four feed ingredients, as shown in that table.

Table 2—Daily Quantities of Feed Ingredients for the Entire Herd

Cow Type	Proportion of Herd	Dry Matter Consumed (lbs/day)	Quantity in Commercial Units (units/day)			
			Shelled Corn (bu/day)	Corn Silage (tons/day)	Soybean Meal (tons/day)	Alfalfa Hay (tons/day)
Milking Cows	52.49%	47.1	0.3198	0.0229	0.0032	0.0059
Hospital Cows	1.05%	47.1	0.3198	0.0229	0.0032	0.0059
Dry Cows	8.82%	24.0	0.0249	0.0172	0.0020	0.0042
Replacements Heifers:						
Calving within 1 year	18.53%	23.0	0.0239	0.0164	0.0020	0.0041
500 lbs. and over	9.55%	15.0	0.0311	0.0107	0.0013	0.0022
Less than 500 lbs.	9.55%	7.0	0.0363	0.0045	0.0006	0.0006

The total cost of feed per hundredweight of milk is determined by adding the total daily cost of purchasing the four feed ingredients used in the amounts shown in Table 2 and dividing the result by the daily volume of milk marketed, which is 0.6885 hundredweights for each milking cow. Because this feed cost measure is on a per hundredweight of milk basis, its calculated value for any set of prices for the four ingredients is the same regardless of the actual number of animals that make up the model dairy farm enterprise, as long as the animals of the various categories are in the proportions shown in **Table 2.** And because the feed cost used in the DPMPP margin calculation captures the total cost of feed purchased, it uses a shrink factor of 10 percent between the volumes of all feed ingredients purchased and the volumes of those ingredients actually consumed by animals.

Although the new feed cost measure is derived from an analysis of daily feed rations, it has the same calculated value for any set of prices for the four ingredients regardless of the period of time used. For administering the DPMPP, this calculation will be done monthly using monthly prices for the four basic feed ingredients. The DPMPP feed cost for corn for a particular month will be calculated using the Chicago Mercantile Exchange (CME) average daily settlement price for every trading day during that month for the corn futures contract closest to expiration. The feed cost for soybean meal will be computed using the same methodology. The monthly price paid for alfalfa hay, per ton, will be the monthly price received by farmers in the U.S. reported by USDA's National Agricultural Statistics Service (NASS). The monthly price paid for corn silage, per ton, is determined using the monthly price paid for corn, as described above, by the formula:

Price of corn silage, per ton = 10.1 × Price of corn, per bushel.

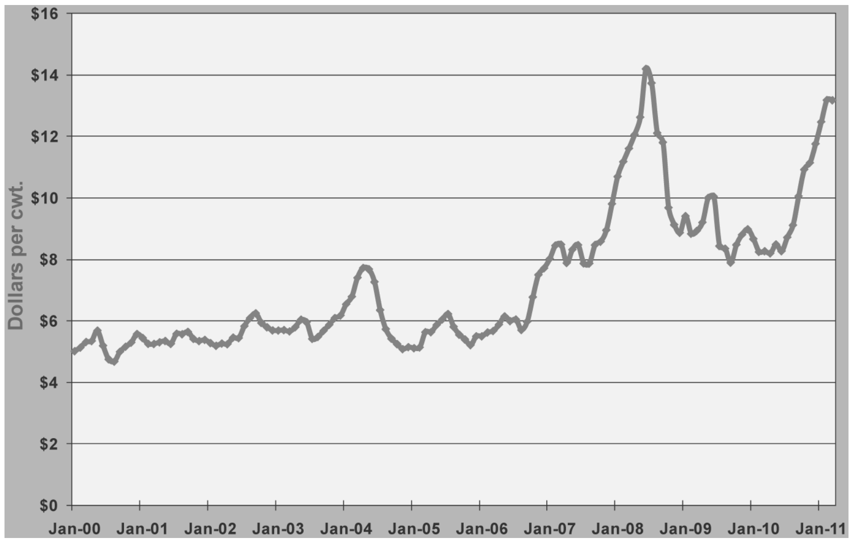
The DPMPP feed cost measure can therefore be calculated using just three prices, for corn, soybean meal and alfalfa hay. The formula for this calculation is:

Feed cost per cwt. of milk = 1.192 × Price of corn, per bushel + 0.00817 × Price of soybean meal, per ton + 0.0152 × Price of alfalfa hay, per ton.

Historical monthly feed costs since 2000 are shown in **Chart 3** below.

Chart 3

Feed Costs Per Cwt, 2000–2011

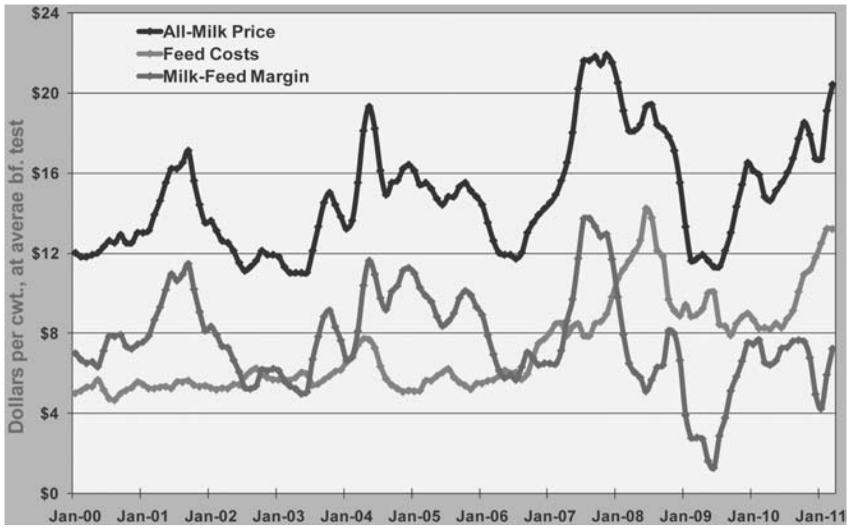


The role that feed costs play in the DPMPP is to capture the volatility of feed costs paid by dairy farmers, relative to an average or expected level. For this purpose, it is important that the measure used to calculate feed costs is adequately sensitive to the volatility or variability in the markets for feed components, as opposed to the actual level of these costs. For the period since 2000, the new DPMPP feed cost shows exactly the same level of variability as does the cost of feed to produce milk reported by USDA's Economic Research Service based on periodic farm survey data.

The DPMPP milk-feed margin is then determined for each month as the difference between the monthly price received by farmers for all milk sold in the U.S., the All-Milk Price, reported by USDA/NASS minus the monthly feed cost, as determined above. The resulting monthly margins are shown in **Chart 4** below for the period since 2000, together with the monthly All-Milk Price and the feed costs used to determine them.

Chart 4

Milk Price, Feed Costs, and Margins, 2000–2011



Operation of the DPMPP

The DPMPP will provide two levels of coverage: a **Basic** Plan and a **Supplemental** Plan (both described below). The DPMPP has been created to protect producers from catastrophic or significant losses due to low margins, *not* to set milk prices. **Since it is an insurance program, the DPMPP is designed to cover all producers regardless of size or region.** The DPMPP is intended to be a Federal Farm Program run by local Farm Services Agencies (FSA), not by private insurance companies. The DPMPP will ***not*** encourage or provide support for expanded production. Support will only be provided based on the producer's historical milk production, except for new entrants.

Under the program, USDA will use historical data to project future margins (defined as All-Milk Price minus feed costs). The levels of protection under the program will be $4.00 for the Basic Plan and the maximum level of coverage under the Supplemental Plan will be the lesser of USDA's projected margin or $8.00.

Producers will sign up for the Basic Plan at no cost. In addition, they will have an option to purchase Supplemental margin protection by paying a premium that is inversely subsidized as the level of requested level margin coverage increases. In other words, as the level of requested coverage increases, the percentage of the premium subsidized by the Federal Government decreases. The margin guarantees will be fixed for the duration of the Farm Bill once the producer has signed up.

USDA will calculate, on a monthly basis, the margin (*i.e.,* the actual All-Milk Price for that month minus the feed costs) by using: (1) the current formula for determining the All-Milk Price, and (2) the feed costs calculated on the basis of the new NMPF ration described on p. 16 [*sic*] in this document. USDA will calculate the average margin for each consecutive two month period and compare it to the Basic margin which will be set at $4.00 by the authorizing legislation at the start of the program, as well as the Supplemental margins for each individual producer (determined at the time the producer signed up) and calculate whether an insurance payment is necessary to the individual producer.

The Basic Plan

The Basic Plan is voluntary and is intended to address catastrophic losses only. It is, therefore, expected to be triggered rarely. As proposed, the Basic Plan margin guarantee will be $4.00 per hundredweight for 75 percent of their historic production. Producers will have the ability to sign up for the Basic Plan throughout the first year of implementation of the next Farm Bill.

The Supplemental Plan

The Supplemental Plan is also voluntary and is intended to provide additional margin protection beyond the Basic Plan's margin guarantee. However, producers will only be able to sign up for additional coverage up to an additional $4.00 per hundredweight unless USDA projects the average margin for the duration of the Farm Bill less than $8.00. Unlike the Basic Plan, producers will be able to cover up to 90 percent of their production history under this Supplemental Margin Protection Plan. The cost of this optional coverage for an individual producer will depend on the level of margin guarantee per hundredweight selected by the producer and the volume of milk production to be protected.

Since this is a new concept, the producer will have a choice under the Supplemental Plan to purchase additional coverage throughout the first year. The producer will pay a prorated premium for the first year based on the date on which the producer purchases the coverage. Once the producer signs up, the terms of coverage, the level of additional coverage per hundredweight, and the percentage of the production history, will be fixed for the duration of the Farm Bill.

As mentioned previously, the level of subsidy available to help pay for the premium under the Supplemental Plan will depend on the level of coverage per hundredweight selected by the producer. The higher the margin guarantee selected (*i.e.,* the closer to the maximum level allowed), the lower the subsidized rate for the coverage.

Under the Supplemental Plan, a producer will be able to guarantee a margin above the Basic Plan (minimum), but only up to the lesser of the $8.00 margin level or USDA's projected margin for the duration of the Farm Bill. As an *example,* **Table 3** describes the premium rate per hundredweight above the margin guarantee under the Basic Plan (at $4.00) up to the maximum level of protection of $8.00 per hundredweight.

Table 3—Premium Rates for Supplemental Coverage

Additional Supplemental Protection Per Cwt.	Premium Per Cwt.	Additional Supplemental Protection Per Cwt.	Premium Per Cwt.
$0.50	$0.015	$2.50	$0.230
$1.00	$0.036	$3.00	$0.434
$1.50	$0.081	$3.50	$0.590
$2.00	$0.155	$4.00	$0.922

Table 4 is an example of how the premiums for supplemental coverage would be calculated using examples of *projected* margins, feed costs, and milk prices. In *Example A* below, a producer with 200 cows and a production history of 4.115 million pounds purchased an additional $2.00 of supplemental coverage on 90 percent of his/her production history. Under the Basic Plan with a margin guarantee of $4.00, the producer would have received "no-cost" coverage at a margin of $4.00 on up to 75 percent of the amount of milk produced.

The premium for supplemental coverage in this example is $0.155 per hundredweight and results in an annual premium of $5,760.00 each year for the life of the Farm Bill.

Table 4—Premium Calculator (Example A)

Farm Data:

- 200 cow dairy
- 20,576 lbs./cow
- 4.129 million lb. production history
- Wants $2/cwt supplemental on 90% of production history
- Annual Premium Rate 15.5¢/cwt
- Annual Premium $5,760 per year

2009 DPMPP Payout:

- Basic Protection = $27,357
- Net Supplemental Protection = $47,136
- Total Net Payout = $74,492 or Average $1.81/cwt. for the year

Based on actual market conditions for 2009, the producer in this example would have received a payment of $27,357.00 from the Basic Plan. In addition, since the producer purchased $2.00 of supplemental coverage on 90 percent of his/her production history, the producer would have received an additional net payment of $47,136.00 in supplemental coverage and his/her total net payment for 2009 would have been $74,492.00 or $1.81 per hundredweight. The *annual* premium payment for this producer would have been only $5,760.00.

Table 5 is an example of the same farm, but in this situation, the producer purchased additional margin protection under the Supplemental Plan at a $4.00 per hundredweight on 90 percent of his/her production history). This example would have a premium of $0.922 per hundredweight. and resulted in an annual premium of $34,022.00 each year for the life of the Farm Bill.

Table 5—Premium Calculator (Example B)

Farm Data:

- 200 cow dairy
- 20,576 lbs./cow
- 4.115 million lb. production history
- Wants $4.00/cwt supplemental on 90% of production history
- Annual Premium Rate 92.2¢/cwt
- Annual Premium $34,265 per year

2009 DPMPP Payout:

- Basic Protection = $27,357
- Net Supplemental Protection = $80,571
- Total Net Payout = $107,928 or $2.62/cwt. for the year

The Dairy Producer Margin Protection Calculator available at *www.futurefordairy.com* can help farmers calculate base and supplemental coverage options on his/her own dairy operations, based on their annual milk production.

Other Important DPMPP Specifics

- **Dairy Producer Production History**

The DPMPP will not support new production. Under the DPMPP, farmers will be able to insure a percentage of their milk production history. Each producer signing up for the program will have a production history, which is defined as the year of highest milk production from among the 3 years preceding implementation of DPMPP. Any producer without at least one year of production history will be allowed to use the latest monthly data, extrapolated to a full 12 months prior to the implementation of the program.

The production history is transferable solely with the farm or stays with the farmer. If the farm (installation) is sold, the production history will be transferable with the farm to the new owner. In special situations, where the farmer is moving his entire operation, the farmer will be able to keep the production history (with the old facility no longer having a production history). Additional parameters must be in place to avoid abuses of the "farm sale/move" option. The production history will be updated every new Farm Bill or 5 years, whichever comes first.

- **Penalties (for Supplemental Buyers)**

Penalties must be severe to prevent farmers from opting out of the program if it is economically convenient to do so. Farmers not complying with their obligations will not be eligible to join the program again and will be required to pay back any payment received during the previous years. Exemptions will include farmer's death or full retirement (out of business for at least 7 years).

- **New Farmers (Entries)**

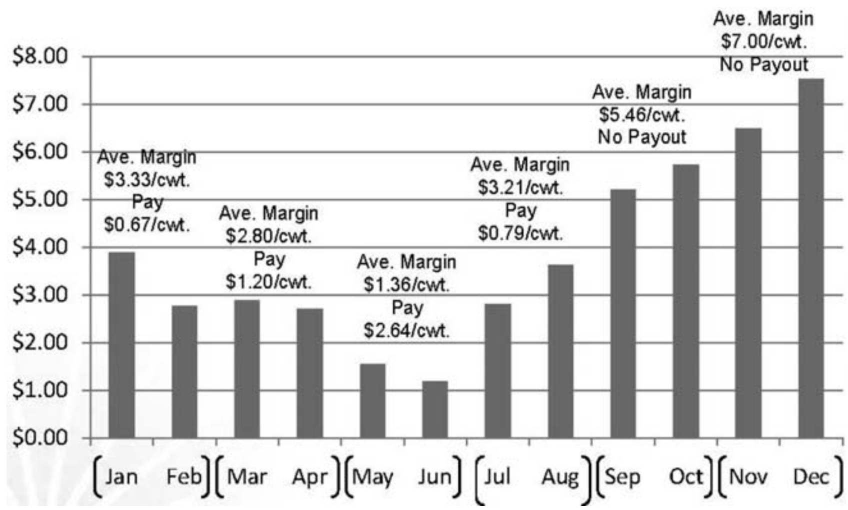
Farmers will be allowed to enter the DPMPP only if they have no ownership interest in other dairy farms. USDA will use a Tax ID system (similar to other government programs) to verify this requirement. New entries will have to apply for coverage within 6 months after establishing the farm. New farms will be eligible to receive coverage under both the Basic Plan and the Supplemental Plan option.

Economic Analysis of the Dairy Producer Margin Protection Program

Two separate analyses of the impact the DPMPP program would have had on dairy farmer income in 2009—one by Dr. Peter Vitaliano, NMPF Vice President of Economic Policy and Market Research, and the other by Dr. Scott Brown of the University of Missouri and the Food and Agriculture Policy Research Institute (FAPRI)—yielded very similar results. **Chart 5** below clearly shows the positive impact the DPMPP Basic Plan would have had on dairy farmer revenue had it been in place in 2009.

Chart 5

2009 DPMPP Basic Coverage Payments on 90% of Production History



Prepared by: National Milk Producers Federation.

3. Federal Milk Marketing Order Reform

Based upon extensive deliberation and analysis during the past 12 months, a proposal for Federal Milk Marketing Order (FMMO) reform has been developed for inclusion in *Foundation for the Future.* This proposal addresses the fundamental issues associated with the current milk pricing system that are of concern to both dairy producers and processors. The proposal:

- Replaces end-product pricing formulas with a competitive milk pricing system.
- Incorporates a pricing system for two classes of milk: fluid (Class I) and manufacturing (formerly Class II, III and IV product uses).
- Maintains the *higher of* for establishing the fluid use (Class I) minimum base price.
- Maintains current Class I differentials.
- Maintains the number and basic structure and provisions of Federal Orders.

The proposed reform program is focused on basic pricing and changes in pooling that follow from the suggested revisions to the pricing system and recommends the consideration of additional and reformed balancing programs. The basic framework of FMMOs—including marketing areas, Class I differentials, producer location differentials and plant and producer pooling qualifications—are left intact by the proposal. That is, it does not propose to review or revise the myriad of Federal Order details that have been designed to serve many specific and regional needs.

Introduction

The Federal Milk Marketing Order system provides substantial benefits to producers. These include the equitable pooling of minimum Class I revenues, the dissemination of important market information, and the third-party audit of milk use in plants.

Unfortunately, the current end-product pricing formulas used to calculate minimum manufacturing milk prices have had some unintended consequences since they replaced competitive milk price surveys in 2000. The make allowances and yield factors built into these formulas have become a source of conflict within the industry and have created winners and losers. Producers believe that make allowances unfairly guarantee a profit to processors and processors insist that the formulas don't allow them to capture a fair return on their investment. There is also concern that the make allowances negatively impact the Dairy Product Price Support Program and put Federal Order processors at a competitive disadvantage with unregulated areas and state milk marketing orders.

In addition, the inflexibility of minimum prices based on specific product prices can create risk for processors who produce other products, when the government requires them to pay a price that doesn't match the value of their products.

There is also concern by both producers and processors that the Federal Orders don't adequately address the difficulty and expense of balancing fluid milk supplies.

Consequently, the primary objectives of the *Foundation for the Future* Federal Order Reform proposal, are to:

(1) Address the inequities and the inadequacies of end-product pricing formulas;

(2) Encourage manufacturers to produce new products resulting in higher returns both to themselves and dairy producers; and

(3) Provide more equitable rewards producers and handlers for balancing milk supplies.

The resulting proposal focuses on adopting competitive pricing for manufacturing milk, while maintaining minimum price protection for fluid milk, and pursuing new balancing programs in markets where needed. Many other elements of the Federal Orders developed over the years for many specific reasons, are left as they are, including Class I differentials, marketing areas, pool plant definitions, and producer pooling qualifications.

The proposed reform program is more market-oriented while preserving the most valuable elements of Federal Orders. The use of a competitive pay price as the fundamental basis for pricing milk will enhance price discovery and facilitate the ability to export offering greater opportunities for U.S. dairy products in the global marketplace.

Two Classes

This Federal Order reform proposal will improve price discovery and the transparency of milk pricing. The key element of the proposal is the elimination of the end-product pricing formulas for manufacturing milk, including make allowances. All milk used in manufactured dairy products will be competitively priced. Consequently, there will be no minimum prices manufacturers are required to pay for milk used to produce these products.

There will, in effect, be two classes of milk use:

- ***Class I—Fluid milk products.*** Milk used to produce fluid milk products will be subject to minimum pricing, plus market-based premiums.
- ***Class II—Manufactured products.*** Milk used for manufacturing (under the current system Class II, III and IV products) will be competitively priced in the market.

Fluid milk (Class I) Price

Each month, USDA's Agricultural Marketing Service will carry out a survey of the competitive price paid by proprietary cheese plants to cooperatives and individual producers for milk used to make cheese. Proprietary plants (including those with 50 percent cooperative ownership or less and managed by the proprietary partner) producing all types of cheese will be surveyed if they process a daily average of at least 250,000 pounds of milk and are not subject to minimum pricing for that milk (under a state order, for instance).

The data collected by USDA in the survey will include pounds of milk and pounds of butterfat, all premiums, component values, hauling subsidies, and lab and field service costs where applicable. Forward contracted milk would not be included.

USDA will publish the results of this survey for each of the five regions. These regions will correspond to, and expand upon, the current Federal Order markets, but are defined for reporting purposes only. There will be fewer reporting regions than Federal Order markets to ensure that each region has a sufficient volume of manufacturing milk use to result in a robust competitive pay price. California would be excluded from the survey so long as it continues to set a minimum price for cheese milk.

The basic price determinant or "price mover" for fluid milk (Class I) nationally will be the higher of the national weighted average competitive cheese milk price survey, or the current Class IV formula butter powder milk value. The price mover will be announced in advance. For example, the Class I mover for April would be the higher of: (1) February's national average cheese milk competitive price, adjusted with weighted average NASS block and barrel cheese prices for the first 2 weeks of March; ***or*** (2) an advanced Class IV price as currently calculated. The April Class I price mover would be announced by the 23rd of March. The minimum price for Class I milk would be this national mover plus the current Class I differential at the plant.

Manufacturing Milk Price

The price producers are paid for milk in manufactured dairy product uses (as currently defined for Class II, III and IV) will be a competitive price. There will be no minimum price for manufacturing milk.

Each region's competitive price for milk used to produce cheese, in addition to being used in establishing the Class I base price, as described above, will be used to determine the butter powder plant pool credit and the lowest of the regional competitive cheese milk prices will enter into the calculation of the Class I pool contribution. (See **Pooling** below.)

Pooling

In order to stabilize pooled values and eliminate most plant de-pooling, the Federal Order pool would be a modified pooling of differentials, resulting in a producer price differential. That is, instead of pooling four class prices, relatively stable price differentials and balancing credits would be paid into and out of a differential pool, as follows:

- Since the concept of a "blend price" will no longer apply, individual handlers of Class I milk would contribute to the pool the lagged difference between their Class I price and the lowest regional competitive price. Both the Class I price and the lowest regional competitive price would be announced in advance and lagged in the same way. The Class I pool contribution would be consistently positive from month to month, because it would not depend on a pooling of old and new prices, but would only depend on the fixed Class I differential and a consistently positive difference between the national mover and the lowest regional cheese milk price. In fact, the full contribution to the pool per hundredweight of Class I milk would be known by the 23rd of the month before.
- Handlers of a subclass of perishable manufacturing milk (generally products now in Class II) would contribute a fixed differential of $0.30 per hundredweight in the pool.
- Handlers of milk used to make cheese would have no contribution or draw.
- Handlers of milk used to produce butter and milk powders would receive a payment from the pool when the national value of milk used to make powder and butter as calculated using the current Class IV formula adjusted for energy costs is less than the regional competitive cheese milk price. When the Class IV formula is higher than the regional competitive cheese price, the Class IV handler shall pay the difference into the pool. The payment to those who manufacture butter and milk powders will not exceed the funds available in the pool. The blended result after the distribution would be a producer price differential for all pooled producer milk that would be paid directly from the Market Administrator to producers and producer cooperatives.

Balancing and Transportation Credits Addendum

USDA will be required to hold hearings, either at the national level or for individual orders, when requested for the purpose of considering and implementing proposals to compensate handlers that truly perform balancing services for the Class I market. These hearings are to include but not be limited to:

- ***A plant balancing credit*** to manufacturing plants that provide balancing services to the market.
- ***Intramarket transportation credits*** for markets in which balancing is based on long shipments of milk from within the marketing area.

How Foundation for the Future's Federal Order Reform Works

Class I Price Mover and Minimum Price

The Class I price mover for any given month is the higher of the weighted average national competitive cheese milk price from two months prior (the base month), or the advance Class IV formula price per hundredweight. The competitive cheese milk price will be updated using the change in the NASS cheddar cheese price from the first two weeks in the base month compared to the price for the first two weeks of the month immediately prior to the month for which the Class I price mover would be effective. The advance Class IV price is calculated using the current formula and the NASS butter and nonfat powder prices for the first two weeks of the month immediately prior to the month for which the Class I price mover would be effective.

For example, the Class I price mover for June 2011 would be calculated as follows:

April competitive cheese price = $17.57

NASS Cheddar Price

- First two weeks April = $1.6768
- First two weeks May = $1.6413

NASS Butter Price

- First two weeks April = $1.9869
- First two weeks May = $2.0460

NASS Dry Whey Price

- First two weeks April = $0.4775
- First two weeks May = $0.4915

NASS NFDM Price

- First two weeks May = $1.6065

Adjusted April competitive cheese milk price = $17.57 − $0.23 = $17.34

Advanced Class IV Formula Price = $20.32

June 2011 Class I Price mover (higher of) = $20.32

Class I handlers must pay their producers a minimum price equal to the lowest regional competitive cheese milk pay price in the country, adjusted as the mover is above and pay the difference between Class I price and the lowest regional competitive cheese milk price into the pool. The producer price differential (PPD) will be paid directly to producers and cooperatives by the Market Administrator.

Class II Product Processor Milk Price and Pool Contribution

Processors of products formerly categorized as Class II will pay their producers a competitive price. That is, it is what the processor must pay producers to secure a milk supply. There is no minimum price. However, the processors of these products shall pay $0.30 per hundredweight of milk processed into the Federal Order pool with which they are associated. Plant pooling and producer qualification requirements are unchanged.

Cheese and Butter Powder Processors

Class III and Class IV product processors price to their producers will be a competitive price. That is, it is what the processor must pay producers to secure a milk supply. There is no minimum price. Plant pooling and producer qualification requirements are unchanged. These plants make no pool contribution.

Distribution of the Pool

The funds in each order's pool shall consist of:

- From Class I handlers:
    - The applicable Class I differential.
    - The difference between the Class I price mover and the lowest regional competitive advanced Class III survey price adjusted as described above.
- From soft dairy product (Class II in the current system) pool handlers/processors:
    - The $0.30 differential.
- From butter powder milk pool handlers:
    - Any amount that the butter powder (Class IV in the current system) formula price (adjusted for energy costs of processing) is above the region's competitive cheese milk price.

If the butter/powder formula price is below the region's competitive cheese milk price, the first distribution from an order's pool will be to handlers of butter powder milk up to a maximum of the total funds available in the pool.

The remaining pool balance is paid to producers in the Producer Price Differential (PPD), subject to location adjustments and other pool balancing adjustments, as of today. So that the PPD cannot be negative, the draw for butter powder pool handlers cannot exceed the available pool balance. The PPD is paid directly to producers and to producer cooperative associations, to keep it separate from the competitive prices paid to producers by handlers/manufacturers.

NMPF Five Year Analysis Summary

The table shows the impact of the proposed Federal Order reforms as described above on the producer price differential in each order using actual pooled volumes and underlying market values.

Table 6—Producer Price Differentials, 2006–2010

		Current	FFTF	Difference
Northeast	**1**	$1.75	$2.01	+$0.26
Appalachian	**5**	$2.62	$2.94	+$0.32
Florida	**6**	$4.32	$4.72	+$0.40
Southeast	**7**	$2.72	$3.03	+$0.31
Upper Midwest	**30**	$0.29	$0.40	+$0.11
Central	**32**	$0.48	$0.71	+$0.24
Mid-east	**33**	$0.80	$1.09	+$0.29
Pacific Northwest	**124**	$0.33	$0.74	+$0.41
Southwest	**126**	$1.41	$1.87	+$0.47
Arizona	**131**	$0.78	$1.01	+$0.23

Based on pooling Class IV, snubbed to total value in the pool.

In Summary

Foundation for the Future's proposal to revise Federal Milk Marketing Orders will provide a number benefits:

- Discover a true market price for milk used in manufactured products rather than a price generated by a formula using thinly-traded product values and contentious make allowances.
- Reduce price volatility—analysis shows that a competitive pricing system results in less volatility than product price-driven formulas.
- Encourage product innovation by not locking manufacturers into a minimum price based on the value of a dissimilar product.
- Provide more equitable compensation to the cooperatives and other handlers who do the hard work of balancing fluid markets.
- Maintain the core framework of Federal Milk Marketing Orders.

Federal Orders provide an important support system for processors, dairy farmers, and cooperatives through pooling of Class I values, providing third-party audits to verify market pricing, and helping to maintain supplies for fluid processors by compensating their suppliers. Without reform, Federal Orders will be strained to the point that their existence comes into question, to the producer's loss.

The reforms proposed as part of *Foundation for the Future* will accommodate the growing complexity of U.S. and international dairy markets while maintaining the basic framework of the FMMO system and preserving the elements of the orders that are most important to producers and processors. These reforms will promote a milk pricing system that compensates producers fairly, reduces price volatility, and creates a more dynamic dairy industry.

4. Dairy Market Stabilization Program

➢ ***Foundation for the Future* is recommending the establishment of a Dairy Market Stabilization Program (DMSP) to address and prevent extreme margin volatility for dairy producers by sending strong and timely signals to producers that a small percentage of additional milk production may have significant consequences on their overall margins. The DMSP is intended to absorb some of the market shocks that this volatility may cause. The DMSP has been designed to act swiftly, but infrequently, to address brief imbalances in the market. The program will work in conjunction with the Dairy Producer Margin Protection Program (DPMPP). DMSP is compatible with the United State's WTO obligations.**

The U.S. dairy industry has been actively increasing its global participation. This increased interaction with global markets, will likely create more exposure to greater price volatility. Some of the key principles that guided the development of the DMSP include:

- *Allow for production growth.* The program is intended solely to intervene in the market to address temporary imbalances between supply and demand. The program will send clear economic signals to producers that there is an imbalance in the marketplace.

- *Reduce margin volatility.* The program's ultimate objective is to restore balance between supply and demand in the marketplace for milk. By encouraging producers to lower their milk marketings at appropriate times, prices should rise, thus improving margins.
- *Keep government intervention at a minimum.* The legislation establishing the program will set the parameters that put it into effect. USDA's role will be limited to determine the actual monthly margin and to collect potential farmers' contributions. It does not require a producer advisory board to determine when the program would "trigger in" and to what extent.
- *Not encourage imports or discourage exports.* Global and U.S. markets must maintain a strong correlation. Such correlation will allow domestic inventories to clear faster, encourage exports, discourage imports, and help ensure that market downturns are of shorter duration.

Margin as the Trigger Mechanism for DMSP

As in the case of the DPMPP, the DMSP will be based on margin (All-Milk Price minus feed costs). After extensive analysis and review of state, regional and national data, it has been determined that the All-Milk Price is the most appropriate and accurate measure for use in development of the margin. The new feed cost ration developed for the DPMPP will also be used in the feed cost formula for this program; hence the actual margin will be determined each month using the same methodology as the Dairy Producer Margin Protection Program.

Program Operation

USDA will calculate the *monthly* margin for both the DPMPP and the DMSP using identical methodology. The margin trigger levels for the DMSP will be set as follows:

- When the actual national margin is $6.00 or less for 2 consecutive months, producers will be paid the higher of 98 percent of their base milk marketings (definition follows) or 94 percent of their current milk marketing (definition follows);
- When the actual national margin is $5.00 or less for 2 consecutive months, producers will be paid the higher of 97 percent of their base milk marketings or 93 percent of their current milk marketing;
- When the actual national margin is $4.00 or less in a single month, producers will be paid the higher of 96 percent of their base milk marketings or 92 percent of their current milk marketing.

As noted above, the DMSP would only take effect when the actual margin is equal to or below the margin trigger level for 2 consecutive months, except that the program would go into effect if the national margin is equal to or below $4.00 per hundredweight in a single month. Conversely, when the DMSP is in effect, if the actual national margin exceeds the $6.00 trigger level margin for 2 consecutive months, the DMSP will be suspended.

Producers whose milk marketings in a given month are less than the required percentage of their base milk marketings serving as the basis of payment when the program is in effect would not be subject to a reduction in payment. (See examples below.)

Bases to be Used in the DMSP

The specified percentage of base milk marketings which will serve as the basis of payment when the program is in effect will be calculated off the producer's base. The producer's base is defined as *the 3 month average* of the most recent of milk marketings prior to the notification from USDA that the margin trigger level has been reached. An example of a 3 month average would include the average of marketings for January, February, and March for a program to be implemented in May. This base would remain fixed at that level until the margin exceeds the $6.00 trigger level for 2 consecutive months. **To address any conditions specific to individual operations (*e.g.,* seasonality or grazing), a producer will have the option of choosing *the same month in the previous year* as his/her base for each month the DMSP is in effect, making the selection annually.**

Preventing an Influx of Dairy Product Imports

When domestic prices are significantly higher than world prices, conditions are ripe for an influx of imported dairy products. Therefore, if either of the U.S. prices for cheddar cheese or skim milk powder (SMP) is 20 percent higher than the world price for the applicable commodity, DMSP will be discontinued unless the national average margin is below $4.00. In this case, conditions would be such that even if the world prices for cheddar cheese or SMP are 20 percent below the U.S. price, the implementation of the DMSP would continue.

The following examples explain how the program is intended to work:

Scenario—The average margin for 2 months, February and March, is below the set margin trigger level of $6.00. As a result of the margin falling below $6.00 for 2 consecutive months, producers will be notified in early April that beginning with the milk marketings for the month of May, they will receive payment for the greater of 98 percent of their base milk marketings (in this example the average of their January through March monthly marketings) or 94 percent of their milk marketings for May. For purposes of this example, it is assumed the pay price for the month of May is $14.00 per hundredweight.

- Producer A whose 3 month average base milk marketings is 1,000,000 pounds and markets 1,010,000 pounds in May will be paid for 980,000 pounds of milk (1,000,000 pounds × 98 percent). The DMSP deduction from his/her milk check for May is 30,000 pounds (1,010,000 pounds minus 980,000 pounds) × $14.00 per hundredweight = $4,200.00.
- Producer B whose 3 month average base milk marketings is 1,000,000 pounds and markets 1,200,000 pounds of milk in May. In this example, 98 percent of his/her base is 980,000 pounds. However, 94 percent of his/her current (May) milk marketings is 1,128,000 pounds. Therefore, the quantity of milk Producer B is not paid for is 1,200,000 pounds − 1,128,000 = 72,000 pounds. The deduction from his/her milk check would be 72,000 pounds × $14.00 per hundredweight = $10,080.00.
- Producer C also has a 3 month average base of 1,000,000 pounds and his/her milk marketings are 979,000 pounds in May. This producer would have nothing deducted from his/her milk check since milk production in May is below the required 98 percent of his/her base (980,000 pounds), serving as the basis of payment. However, if this producer's June marketings were to increase to 989,000 pounds, he/she would incur a reduction in his/her milk check of $1260.00 (9000 pounds × $14.00 per hundredweight), since his/her June marketings exceeded the 98 percent of base serving as the basis of payment.
- Producer D chooses the option of the same month in the previous year. His/her base milk marketings were 1,000,000 pounds in May of the previous year and 1,010,000 pounds were marketed in May of the current year. He/she will be paid for 980,000 pounds of milk (1,000,000 pounds × 98 percent). The DMSP deduction from his/her milk check for May is 30,000 pounds (1,010,000 pounds − 980,000 pounds) × $14.00 per hundredweight = $4,200.00.

Administration of the Program

The DMSP will cover all producers in all markets and is intended to be a government program administered by the Agricultural Marketing Service (AMS) of USDA. Monies will be collected by the AMS using the same framework as the dairy promotion checkoff monies and will apply to all milk marketed *with no exceptions.* The USDA will announce that the DMSP is being implemented 30 days in advance of the month in which the reduction in milk payments goes into effect. The trigger mechanism will be statutorily mandated to go into effect without USDA sanction when certain pre-determined economic conditions occur.

How the Monies will be Collected and Managed

The purpose of the monies collected via milk check deductions under the DMSP is to effectively stimulate the consumption of dairy products domestically. *Foundation for the Future proposes that a DMSP board be established* to oversee and direct the utilization of these producer monies into programs that will effectively work to increase the consumption of U.S. dairy products.

The DMSP board shall be appointed by the USDA Secretary. It will consist of 24 directors representing the diverse dairy producer community throughout the U.S. All board decisions will require a ⅔ affirmative vote.

Utilizing the funds collected through the program, the DMSP board will have the authority to direct the purchase of dairy products for donations to food banks and other feeding or food aid programs.

The board will conduct performance reviews of DMSP every two years and make recommendations to USDA Secretary for possible consideration by the Congress.

The programs funded by the DMSP should be compatible with, but not duplicative of, the programs established by the dairy checkoff program. They should adhere to the principle of expanding consumption without cannibalizing existing sales. The

DMSP board would have the authority to contract with a managing entity for execution and implementation of its objectives.

Economic Analysis of the Impact of the Dairy Market Stabilization Program

Dr. Scott Brown (FAPRI) also conducted an independent analysis of the DMSP. The full analysis is available online (*http://www.fapri.missouri.edu/outreach/publications/2011/FAPRI__MU__Report__04__11.pdf*).

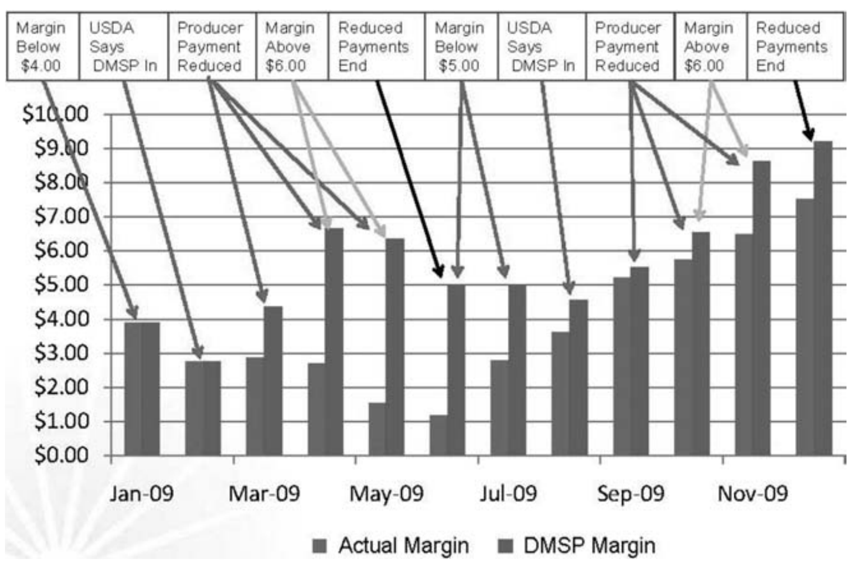
While the DMSP program does have a cost element to it for dairy farmers, the FAPRI analysis clearly demonstrates that the return on investment is ten-fold. The analysis assumes that when DMSP is in effect, half of the milk produced over the production base will be marketed. It also assumes that all producers select the same month in the previous year as their base.

Chart 6 shows the impact the DMSP program would have had on dairy farmer margins in 2009. The blue bars represent the actual margins and the red bars indicate what the margins would have been with the DMSP in effect.

Chart 7 quantifies the impact DMSP would have had on dairy farmer revenue in 2009. It demonstrates that the program would have yielded an increase in the average All-Milk Price in 2009 of $1.84 per hundredweight. By coupling this program with the DPMPP Basic Plan payment (that would have added another $0.10 per hundredweight), it is clear that the loss of equity at the farm level would have been significantly less severe during that period.

Chart 6

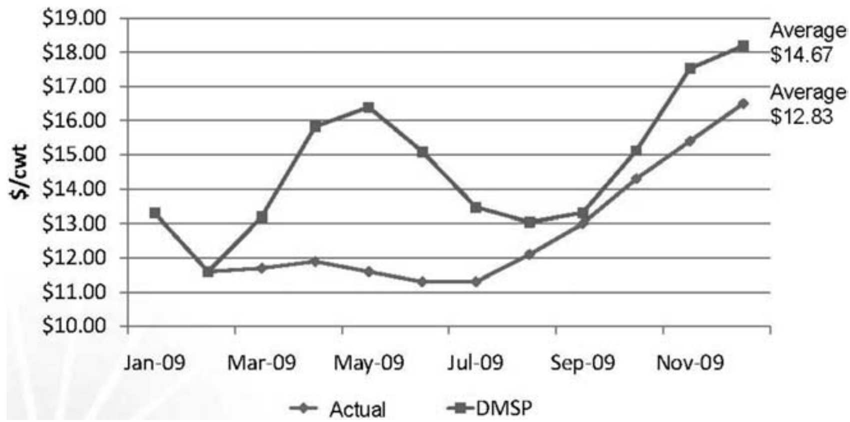
2009 Margins With/Without DMSP



Prepared by: National Milk Producers Federation.

Chart 7

DMSP Would Have Raised the Average All-Milk Price $1.84/cwt. in 2009



Prepared by: National Milk Producers Federation.

How Margin Protection and Market Stabilization Work Together

Foundation for the Future is a package of programs designed to work together. This is evident when looking at the impact the combination of the market stabilization program and the margin production program would have had on producers in 2009.

This review uses the dairy operation in the example under the Dairy Producer Margin Protection Program section of this paper: a 200 cow dairy; 20,576 pounds per cow; 4,100,000 pounds production history; and $2.00 per hundredweight supplemental on 90 percent of production history. For this analysis, the producer selects the same month in the previous year as his/her production history.

As seen in **Chart 7** above, the DMSP program increases revenue. Chart 6 above shows that the DMSP program's impact on the margin level reduces the duration of the margin protection program and the length of time it would have been in effect.

The following examples using the 200 cow dairy described above. In the first, the producer does not reduce production when the DMSP program triggers in; in the second, the producer does make the reduction.

Example—Producer 1: Does Not Reduce Production When DMSP Activates

2009 DMSP Milk Check Reductions:

- March–May = $7,010
- September–November = $3,174
- Total Taken Off Milk Checks = $10,184

Impact on Farm Revenue:

- Net Increase in milk revenues = +$66,880
- Net Revenue Increase per Hundredweight = $1.63 average for the year

Example—Producer 2: Reduces Production When DMSP Activates

2009 DMSP Milk Check Reductions:

- March–May = $0.00
- September–November = $0.00
- Total Taken Off Milk Checks = $0.00

Impact on Farm Revenue:

- Net Increase in milk revenues = +$77,064
- Net Revenue Increase per Hundredweight = $1.87 average for the year

Example: Impact on Total Revenue

2009 DPMMP Payout:

- $2.00/cwt supplemental on 90% of production history
- Supplemental Premium $5,760 per year
- Basic Protection Payment = $3,458
- Net Supplemental Protection Payment = $19,490
- Total DPMPP Net Payment = $22,951, $0.56/cwt.
- Producer 1—No Reduction: DMSP $1.63 + DPMPP $0.56 = Ave. +$2.19/cwt.
- Producer 2—Reduced Output: DMSP $1.87 + DPMPP $0.56 = Ave. +$2.43/cwt.

Conclusion

Working together, the programs of *Foundation for the Future* **protect** dairy farmer equity, create **stability** by reducing price and margin volatility, and minimize **growth** restrictions in milk production that are needed to provide U.S. dairy products to a growing global market. All dairy producers need to do is **Rethink What's Possible.**

ATTACHMENT 1

2009 NMPF Strategic Planning Task Force

Chairman: Randy Mooney*

Jim Baird, Lone Star Milk Producers
Adrian Boer, Northwest Dairy Association
Jay Bryant, MD & VA Milk Producers Coop Assn., Inc.
Richard Cotta,** California Dairies, Inc.
Rod DeJong,* Northwest Dairy Association
Clint Fall, First District Association
Dave Fuhrmann,* Foremost Farms USA
Thomas Gallagher, Dairy Management, Inc.
Bobby Hall, Upstate Niagara Cooperative, Inc.
Pete Kappelman, Land O'Lakes, Inc.
Cornell Kasbergen,* Land O'Lakes, Inc.
Mike McCloskey,* Select Milk Producers, Inc.
Ralph McNall, St. Albans Cooperative Creamery, Inc.
Keith Murfield, United Dairymen of Arizona
David Newhouse, Farmers Cooperative Creamery
Ken Nobis,* Michigan Milk Producers Association
Doug Nuttelman, Dairy Farmers of America, Inc.
Wayne Palla, Dairy Farmers of America, Inc.
Neal Rea, Agri-Mark
Clyde Rutherford,* Dairylea Cooperative, Inc.
Tom Suber, U.S. Dairy Export Council
Paul Toft,* Associated Milk Producers, Inc.
John Wilson, Dairy Farmers of America, Inc.
Joe Wright, Southeast Milk

ATTACHMENT 2

Foundation for the Future Subcommittees

Dairy Market Stabilization—Chairman Wayne Palla, DFA

Adrian Boer, Northwest Dairy Association
Jay Bryant, MD & VA Milk Producers Coop
Richard Cotta, California Dairies, Inc.
Cornell Kasbergen, Land O'Lakes, Inc.
Gene Paul, National Farmers Organization
Neal Rea, Agri-Mark
David Scheevel, Foremost Farms USA
Tom Suber, U.S. Dairy Export Council

Dairy Producer Margin Protection—Chairman Ken Nobis, Michigan Milk Producers Association

Clint Fall First District
Ed Gallagher Dairylea Cooperative, Inc.
Pete Kappelman Land O'Lakes, Inc.
Doug Nuttelman Dairy Farmers of America, Inc.
Tom Thompson United Dairymen of Arizona
Joe Wright Southeast Milk
Consultant: Bruce Babcock—Iowa State University

* Denotes NMPF Officers.
** CWT Coop Member Only.

FMMO—Chairman Dave Fuhrmann, Foremost Farms

Jim Baird, Lone Star Milk Producers
Neil Gulden, Associated Milk Producers, Inc.
Mike McCloskey, Select Milk Producers
Keith Murfield, United Dairymen of Arizona
Jim Sleper, Land O'Lakes, Inc.
Rich Stammer, Agri-Mark
Jim Wegner, Northwest Dairy Association
Greg Wickham, Dairylea Cooperative, Inc.
John Wilson, Dairy Farmers of America, Inc.

ATTACHMENT 3

Groups Presenting Proposals/Policy Statements at the NMPF Strategic Planning Task Force on July 20–21, 2009 Meeting

American Farm Bureau Federation
Dairy Farmers Working Together
Holstein Association
Milk Producers Council
National Farmers Organization
National Farmers Union
Western United Dairymen

ATTACHMENT 4

List of Industry Feed Ration Experts and Nutritionists

Development Team:

Steve Watrin, Land O'Lakes, Inc.
Ed Gallagher, Dairylea Cooperative, Inc.
Dr. Gordie Jones, Veterinarian, Farmer, Nutritionist

Reviewed by:

Dr. Mary Beth Hall, Ph.D., USDA Forage Center
Dr. Terry Howard, Ph.D., University of Wisconsin (retired)
Dr. Mike Hutjens, Ph.D., University of Illinois
Dr. Randy Shaver, Ph.D., University Of Wisconsin

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HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—FARM SERVICE AGENCY

1. Program Name

Dairy Export Incentive Program (DEIP).

2. Subprograms/Department Initiatives

None.

3. Brief History

Authorized by Congress under Sec. 153 of the Food Security Act of 1985, the program provides a bonus or subsidy on a bid basis to exporters of eligible dairy products (butterfat, nonfat dry milk, whole milk powder and various cheeses). The payments may be made in cash or in commodities held by the Commodity Credit Corporation (CCC). Initially, the program provided the bonuses "in-kind" from surplus stocks of dairy products held by CCC. This, 'in-kind' payment was replaced by the issuance of "generic certificates" redeemable for any inventory held by the CCC. As inventories diminished, the program evolved into the sole use of cash payments for the subsidy. As this program provides an export subsidy, it is subject to the subsidy reduction commitments of the United States under the Uruguay Round Agreements of the World Trade Organization (WTO). The program is therefore subject to both budget and quantity limits in accordance with those reduction commitments.

4. Purpose/Goals

By providing a subsidy on exports of eligible dairy products, an amount intended to bridge the gap between world market prices and the U.S. domestic price, DEIP enables exporters to meet the lower world market prices, often influenced by the application of subsidies by other exporting countries—primarily the European Union (EU).

5. Success in Meeting Programmatic Purpose/Goals

The program has been very successful in meeting the needs of exporters and expanding markets for U.S. dairy products when world prices are depressed due to the application of subsidies by other countries. This was most evident leading up to and during the implementation period of the Uruguay Round subsidy reduction commitments. At that time, the EU was aggressively subsidizing dairy exports. Almost 250,000 metric tons of dairy products were exported under DEIP in Fiscal Year 1995 and $162 million in bonus payments were committed under DEIP in Fiscal Year 1993.

6. Annual Budget Authority (FY 2002–FY 2011)

This is a mandatory program with spending capped by our commitments under the WTO Uruguay Round Agreements. These are product specific and follow:

Dairy Product	Budgetary Cap ($Mil)	Quantity Cap (MT)
Nonfat dry milk	$82.46	68,201
Butterfat	$30.49	21,097
Cheese	$3.63	3,030
Other (whole milk powder)	$0.021	34
Total	$116.601	N/A

7. Annual Outlays (FY 2002–FY 2011)

Fiscal Year	Subsidy Awarded ($Mil)	Quantity (MT)
2002	$54.62	86,473
2003	$32.52	86,155
2004	$2.68	48,498
2005	$0	0
2006	$0	0
2007	$0	0
2008	$0	0
2009	$18.89	50,886
2010	$2.37	4,811
2011	$0	0

The budget authority is restricted to the budgetary limits of our subsidy reduction commitments under the Uruguay Round Agreements. DEIP is designed to meet, not set, world market prices. Years where there has been limited use of DEIP reflect the United States' competitiveness in the world market without the need for a subsidy. This condition exists today.

8. Annual Delivery Cost (FY 2002–FY 2011)

Delivery costs are a function of collateral duty when the program is operating. When not operating, program delivery costs are estimated at 0.10 FTE—largely a function of closing outstanding performance issues. When operational, USDA estimates that no more than two FTE equivalents are utilized to operate the program. In fiscal 2010, the program operated for 1 month and estimated delivery costs were under $40,000. In 2011, estimated delivery costs are under $10,000. The software costs for the program are under $1,000 per year.

9. Eligibility Criteria

All potential exporters of U.S. dairy products can participate provided they have an agent in the United States and they are not suspended, debarred or otherwise prohibited from participation in U.S. Government programs.

10. Utilization (Participation) Data

To date, 115 exporters of dairy products have participated in DEIP since inception.

The following is a list of the number of participants for the period 2002–2011:

Fiscal Year	Participants
2002	17
2003	12
2004	4
2005	0
2006	0
2007	0
2008	0
2009	17
2010	12
2011	0

11. Duplication or Overlap with Other Programs

None.

12. Waste, Fraud and Abuse

USDA is proactive in reviewing this program and its participants. Payments are not made until the exporters provide appropriate export documentation that is reviewed for compliance with program requirements. Where there is any indication of waste, fraud and abuse, the Department is aggressive in investigating those incidents. At this time we have no confirmed evidence of waste, fraud or abuse under DEIP.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Milk Income Loss Contract (MILC) Program.

2. Subprograms/Department Initiatives

Subprogram—The 2010 Agricultural Appropriations Bill authorized $290 million for loss assistance payments under the Dairy Economic Loss Assistance Payment (DELAP) Program for eligible producers to receive a one-time payment based on the amount of milk both produced and commercially marketed by their operation during the months of February through July 2009.

3. Brief History

The National Dairy Market Loss Program, later named the Milk Income Loss Contract Program, was initially authorized by Section 1502 of the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill). The MILC program supports the dairy industry by providing direct countercyclical style payments to milk producers on a monthly basis when the Boston Federal Milk Marketing Order Class I price for fluid milk falls below the benchmark of $16.94 per hundredweight (cwt.). For production marketed during the authorized period, milk producers in eligible dairy operations received a payment equal to 45 percent of the difference between the benchmark and the Class I price, if this difference was positive. This rate was decreased by the Deficit Reduction Act of 2005 to 34 percent of the difference between $16.94 and the Boston Class I Federal Milk Marketing Order price for October 1, 2005 through August 31, 2007. The MILC program was amended further by the Agriculture Reconciliation Act of 2005 to extend the program through September 30, 2007, consistent with other farm bill programs ending September 30, 2007. The MILC program was last authorized by the 2008 Farm Bill through September 30, 2012, and also introduced a feed cost adjustment to the monthly payment rate calculation. Under the MILC program, a dairy operation's monthly payment is based on the quantity of milk sold in a month in which a payment rate is in effect, up to a maximum of 2.985 million pounds per dairy operation, per fiscal year for the period beginning October 1, 2008 and ending August 31, 2012. Before October 1, 2008 the maximum eligible production had been 2.4 million pounds.

The MILC program replaces previous Dairy Market Loss Assistance programs that provided payments to dairy producers from 1997 through 2000. MILC was implemented soon after authority for the Northeast Dairy Compact expired.

4. Purpose/Goals

The purpose and goal of the MILC program is to stabilize milk producer revenue by compensating dairy producers when domestic milk prices fall below a specified level.

5. Success in Meeting Programmatic Purpose/Goals

The MILC program has paid out approximately $2.5 billion to dairy operations over the first 5 initial years of program administration. Annual expenditures when the program was re-authorized for 2006 and 2007 totaled over $510 million. Expenditures during the period authorized by the 2008 Farm Bill, to date, total $938 million. Due to the countercyclical nature of the program, the direct payments provide a safety net to dairy producers at times when they may struggle most as a result of low milk prices. The payments have reduced the financial stress on U.S. dairy operations during periods of low milk prices helping to sustain the domestic milk supply resulting in consumers being able to buy dairy products at lower prices than if the program was not operating.

6. Annual Budget Authority (FY 2007–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Milk Income Loss Contracts	$0	$1,795,452	$221,126	$9,124	$351,586	$156.598	$2,153	$756,889	$181,527	$173,000

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Milk Income Loss Contracts	$0	$1,796,452	$221,126	$9,124	$351,586	$156.598	$2,153	$756,889	$181,527	$173,000

8. Annual Delivery Cost (FY 2002–FY 2011)

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873

8. Annual Delivery Cost (FY 2002–FY 2011)—Continued

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	*8,905*	*8,620*	*9,529*	*8,355*	*8,140*

9. Eligibility Criteria

To be eligible for payments, dairy producers must have produced cow milk in the U.S., and commercially marketed the milk produced anytime during the authorized period. Dairy producers must also be in compliance with Highly Erodible Land and Wetland conservation provisions and Adjusted Gross Income limitations. Signup for the program under the 2008 Farm Bill began December 22, 2008, and extends through the conclusion of the program on September 30, 2012. Payments are issued based on a start month selection by the producers in the dairy operation and are subject to a maximum eligible production limit of 2.985 million pounds per dairy operation per fiscal year. Payment start month selections must be made on form CCC–580 and submitted to an FSA Service Center on or before the 14th of the month before the month the dairy operation wants to begin payments. Production evidence for each applicable payment month must be provided to FSA before a MILC payment can be issued.

10. Utilization (Participation) Data

51,975 dairy producers have participated in the MILC program from 2008 to present, as authorized under the 2008 Act.

11. Duplication or Overlap with Other Programs

No duplication or overlap with other programs.

12. Waste, Fraud and Abuse

There has been minimal to no waste, fraud, or abuse in the MILC program because verifiable production evidence must be provided by the producers in an eligible dairy operation to qualify for program benefits. During the FY 2010 CORP review for improper payments for MILC program, it was determined that MILC improper payment error rates increased because of the lack of proper supporting documentation, such as eligibility forms, before disbursing a MILC payment. FSA continues to make eliminating improper payments a top priority and has incorporated the priority into strategic planning and performance measures.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Dairy Indemnity Payment Program (DIPP).

2. Subprograms/Department Initiatives

Subprogram—none.
Department Initiatives—none.

3. Brief History

The Dairy Indemnity Payment Program was originally authorized by Public Law 90–484, the Act of August 13, 1968 (7 U.S.C. 4501), and has been extended numerous times. The Food, Conservation, and Energy Act of 2008, Public Law 110–246, extended the program through 2012. Most recently, funds were appropriated for DIPP by the Department of Defense and Full-Year Continuing Appropriations Act of 2011, Public Law 112–10.

DIPP is available to dairy farmers for milk, or cows producing milk, and manufacturers of dairy products who, through no fault of their own, have been directed to remove their milk or dairy products from commercial markets because of the presence of certain chemical or toxic residue in the products. Under DIPP, payments are made to dairy producers when a regulatory agency directs them to remove their raw milk from the commercial market because it has been contaminated by pesticides, nuclear radiation, or fallout, or toxic substances and chemical residues other than pesticides. Payments are made to manufacturers of dairy products only for products removed from the market because of pesticide contamination. Dairy producers and manufacturers are eligible for indemnification from the date the milk was officially removed from the market by a public regulatory Agency through the date the milk is officially reinstated to the market by a public regulatory Agency, based on the fair market value determined for the milk. To apply for DIPP benefits, affected producers and manufacturers must meet all eligibility requirements and submit a completed FSA–373 to their USDA Service Center or FSA Office no later than December 31 following the fiscal year in which the loss occurred.

4. Purpose/Goals

The purpose and goal of DIPP is to indemnify dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses with respect to milk or milk products removed from commercial markets because such milk or milk products contain certain harmful residues.

5. Success in Meeting Programmatic Purpose/Goals

DIPP has successfully allowed dairy producers and manufacturers, to recover financial losses suffered from being directed by a public regulatory agency to remove their production from the commercial market, when removal has been through no fault of their own. This financial compensation allows producers to maintain business operations and slows the exit of U.S. dairy operations from the dairy business. This program also ensures a healthy milk supply for U.S. consumers.

6. Annual Budget Authority (FY 2007–FY 2011)

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Dairy Indemnity Payments	$100	$100	$100	$100	$100	$100	$100	$876	$876	$100

7. Annual Outlays (FY 2002–FY 2011)

FY 2002 Through FY 2011 Budget Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Dairy Indemnity Payments	$124	$393	$601	$349	$132	$181	$144	$651	$162	$200

8. Annual Delivery Cost (FY 2002–FY 2011)

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Income Support and Disaster Assistance					
Price Support and Marketing Assistance Loans	11,286,100	9,509,047	8,290,909	6,313,263	6,095,604
Loan Deficiency Payments	173,751	6,036	148,553	191,647	36,565
Direct Payments	3,957,175	4,821,206	4,176,795	4,898,085	4,950,410
Countercyclical Payments	3,158,554	359,064	1,213,300	902,584	131,848
ACRE Payments	0	0	0	0	446,633
Milk Income Loss Contract Payments	157,850	2,153	769,900	181,527	173,000
Tobacco Payments	955,495	954,817	1,130,095	954,091	960,000
Other Direct Payments	25,695	29,768	84,375	103,432	80,504
NAP Payments	126,951	73,989	40,700	98,745	116,873

8. Annual Delivery Cost (FY 2002–FY 2011)—Continued

	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Crop Disaster Assistance	58,591	1,281	114,828	−109	0
Livestock Indemnity Program	198	2	1,716	91,825	77,000
Emergency Livestock Assistance	664	25	1,926	−403	0
Emergency Conservation Program	149,727	128,456	0	92,459	39,719
Biomass Crop Assistance		0	0	248,202	199,000
Emergency Forest Restoration Program		0	0	0	18,000
Tree Assistance Program	1,973	1,010	68	90	0
CCC Interest Expenditures	648,627	140,936	2,856	10,426	16,635
Dairy Indemnity Program	181	144	651	162	200
Emergency Forestry Conservation Program	6,302	12,717	7,854	8,297	9,291
USDA Supplemental Assistance, appropriated	0	0	83,814	295,600	295,600
FSA Disaster Assistance, appropriated	0	2,541,733	0	0	0
Reforestation Pilot Program	0	794	794	800	800
Agricultural Disaster Relief Trust Fund	0	0	6,000	1,573,278	1,926,134
Aquaculture Grants (123317)	0	0	48,500	39,942	0
Farm Storage Facility Loans	548	0	12,500	0	0
Administrative costs (direct)	776,465	683,795	694,980	744,303	753,934
Indirect costs	47,548	234,633	226,905	242,967	246,299
Total Costs	**21,532,395**	**19,501,606**	**17,058,019**	**16,991,214**	**16,574,049**
FTEs	*8,905*	*8,620*	*9,529*	*8,355*	*8,140*

9. Eligibility Criteria

To be eligible to receive DIPP payments, the producer must have produced whole milk that was removed from the commercial market pursuant to the direction of a public regulatory agency, not have been responsible for the milk contamination, or not have been indemnified for the same loss from another source.

In addition, the producer must certify to the compliance with Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) provisions and submit a complete application to the county Farm Service Agency office no later than December 31 following the end of the fiscal year in which the loss occurred.

10. Utilization (Participation) Data

Participation in DIPP varies from one fiscal year to another. Since 2008, weather conditions in various regions within the United States prompted regulatory agencies to remove dairy producers from marketing milk because of aflatoxin found in their milk. Below are the number of applications and total dollars paid for DIPP from FY 2008 through FY 2011.

- FY 2008—14 applicants—$144,388
- FY 2009—22 applicants—$650,788
- FY 2010—18 applicants—$158,951
- FY 2011—22 applicants—$261,256

11. Duplication or Overlap with Other Programs

No duplication or overlap with other programs.

12. Waste, Fraud and Abuse

Minimal to no waste, fraud, or abuse in the DIPP program because of the many eligibility factors that require verifiable evidence from official sources that must be provided by the producers in an eligible dairy operation to qualify for program benefits. Applications for benefits are verified by the County Committee, State Committee, and National Office before payment is authorized to a producer.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Dairy Product Price Support Program (DPPSP).

2. Subprograms/Department Initiatives

Dairy Economic Loss Assistance Program (DELAP). The 2010 Agriculture Appropriations bill authorized the purchase of cheese worth $60 million for donation to feeding programs.

2009 expansion of feeding programs—On March 26, 2009 Secretary Vilsack announced a disposition plan for inventories of nonfat dry milk (NDM) that totaled 232.9 million pounds, which had been purchased by the CCC at the NDM support price. The plan was intended to help support both low-income families, domestically and internationally, as well as dairy farmers challenged by high feed and low dairy prices. Through this initiative, CCC donated 30 million lbs of NDM to states for further processing to acquire fortified fat-free fluid milk and macaroni and cheese for use in the National School Lunch Program (NSLP); 40 million lbs was fortified and instantized, placed into consumer-sized packages and made available in domestic feeding programs; 60 million lbs was bartered for 1% ultra high temperature (UTH) milk for use in the Emergency Food Assistance Program (TEFAP); 50 million lbs were bartered for reduced fat and lite cheese for use in the NSLP and TEFAP; and 20 million were bartered for ready-to-eat, milk-based soups for use in TEFAP. In addition, 1 million lbs was offered for sale on a competitive basis for the production of casein and 1.5 million lbs were used to meet food assistance needs overseas.

3. Brief History

DPPSP, established by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), is the latest iteration of the milk price support program (MPSP) established by the Agricultural Act of 1949 (1949 Act). The DPPSP requires the CCC to offer to purchase unlimited quantities, at fixed announced prices, of cheddar cheese, butter, and nonfat dry milk. Since most wholesale milk is priced based on the price of these three dairy products, providing a floor on these products provides a floor for the farm milk price. Many versions of the support to dairy have been tried since 1949 as the Federal Government has tried to balance the need for a stable milk supply with the cost of the support program. Some programs have tried to tie milk itself to a particular price through the use of secondary purchases. Sometimes the prices have been tied to parity or purchase levels. Other programs have included voluntary supply control schemes—milk diversion programs or herd buyouts. Still other programs to address dairy matters have included milk assessments; and many surplus dairy product disposal schemes.

For a long time, dairy support was controlled by the basic provisions of the Agricultural Act of 1949, as amended, which required that the price of milk paid to producers be supported at a level between 75 and 90 percent parity to assure an adequate supply of milk, reflect changes in the cost of production, and assure a level of farm income to maintain productive capacity sufficient to meet future needs. However, after October 21, 1981, the support price was established by Congress either at specific price levels or by a formula related to expected surplus, rather than parity levels. The 2008 legislation takes a different approach and does not set a support price for milk, but rather sets purchases prices for products.

The 1996 Federal Agriculture Improvement and Reform Act authorized the Milk Price Support Program (MPSP) through December 31, 1999. Due to low prices and concerns from the dairy industry, Congress extended the MPSP into 2000, 2001, and until May 31, 2002 through the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Acts of 2000 and 2001. After June 1, 2002, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) was passed authorizing the MPSP program through December 31, 2007 at a rate of $9.90 per hundredweight (cwt) for manufacturing milk. Under the old program, milk prices were supported through purchases by the government of dairy products. The Secretary could adjust the price of NDM or butter twice within the calendar year. The DPPSP minimum purchase prices in the 2008 Farm Bill were the dairy product prices USDA had established under the 2002 Farm Bill. Under the DPPSP, the minimum purchase prices can be lowered if CCC removals exceed certain levels.

4. Purpose/Goals

The goal of the DPPSP is to support dairy products by providing a support price for those products. That support has beneficial effects for milk producers.

5. Success in Meeting Programmatic Purpose/Goals

The DPPSP has been successful in providing economic support to dairy producers when economic conditions have been challenging. This program has kept some producers operating through times that would otherwise force them out of business thus making industry transition less dramatic. However, the industry does continue to adjust, with many small operations going out of business and their milk production being replaced by fewer and larger operations. Recently, significantly increasing feed costs have become a challenge for dairy producers. Dairy farm viability is determined by the margin between milk prices and feed costs, the dairy farms most significant variable cost. Since the DPPSP supports the price of products, and not the milk margin, producers have increased their participation in the dairy gross margin insurance program as a complement to the DPPSP.

6. Annual Budget Authority (FY 2002–FY 2011)

Budget outlays are made the same year that budget authority is granted.

FY 2002 Through FY 2011 Budget Authority
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Price Support Related	$597,405	$650,102	$308,662	$29,315	$60,307	$2,389	$ – 2,211	$236,188	$153,011	$124,915

7. Annual Outlays (FY 2002–FY 2011)

Annual outlays averaged $216 million over the FY 2002–FY 2011 period, and included average outlays exceeding $600 million during FY 2002–03. Outlays for the DPPSP totaled $236.2 million in FY 2009 and $153 million in FY 2010. No purchases have been made in FY 2011.

FY 2002 Through FY 2011 Budget Outlays
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Price Support Related	$597,405	$650,102	$308,662	$29,315	$60,307	$2,389	$ – 2,211	$236,188	$153,011	$124,915

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery cost is reported consistent with the President's 2012 Budget and USDA's Strategic Plan:

Department Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating and economically thriving.

Program / Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Commodity Operations					
Cotton User Marketing Payments	9,518	0	0	0	0
ELS Cotton Competiveness Payments	1,103	29,839	9,630	27,866	0
Upland Cotton Economic Adjustment Assistance	0	0	74,661	75,635	65,504
Commodity Purchases and Sales	726,938	1,116,157	1,027,768	853,110	1,626,852
Storage, Handling, Transportation, Processing, and Packaging	133,213	36,329	67,740	73,100	77,475
CCC Interest Expenditures	70,070	15,660	3,173	791	2,226
Dairy Price Support	101	319	226,894	40,597	17,250
Administrative costs (direct)	33,724	21,340	39,728	24,087	24,364
Indirect costs	2,153	49,458	33,697	18,728	18,943
Total Costs	**976,820**	**1,269,102**	**1,483,291**	**1,113,914**	**1,832,614**
FTEs	*458*	*254*	*263*	*256*	*256*

9. Eligibility Criteria

All cheddar cheese, butter, and nonfat dry milk made of cow's milk produced in the United States and which is located in the United States when offered and not previously owned by the CCC is eligible if it meets the standards for product quality and packaging as listed in the Dairy Product Price Support Program Purchase Announcement Dairy 7[1] (Dairy 7). Further, the dairy product must be manufactured in dairy plants in which USDA inspection and grading services are performed under 7 CFR Part 58—Grading and Inspection, General Specifications for Approved Plants and Standards for Grades of Dairy Products.

10. Utilization (Participation) Data

During FY 2004, the CCC purchased a total of 2.911 billion pounds of NDM, at costs totaling $2.7 billion or an annual average $536 million. Stocks exceeded 1 billion pounds for most of 2002 and 2003. In 2008 and 2009, net removals totaled 359 million pounds of NDM, 3 million pounds of cheese, and 30 million pounds of butter.

11. Duplication or Overlap with Other Programs

DPPSP supports prices received by dairy farmers through the purchase of unlimited quantities, at fixed announced prices, of cheddar cheese, butter, and nonfat dry milk. No other program supports the price of milk in this manner. The MILC program provides countercyclical support to dairy producers when the margin (difference between price and feed costs) falls below specified levels.

12. Waste, Fraud and Abuse

There has been no waste, fraud, or abuse in the DPPSP that USDA is aware of. The Farm Service Agency reviews applicant eligibility when offers are made, and the Agriculture Marketing Service inspects all products offered under DPPSP to ensure that grade and other requirements of Dairy 7 are met before products are purchased.

13. Effect of Administrative PAYGO

There has been no impact from Administrative PAYGO on the operation of DPPSP.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—
AGRICULTURAL MARKETING SERVICE

1. Program Name

Dairy Product Mandatory Reporting.

2. Subprograms/Department Initiatives

AMS Dairy Program.

3. Brief History

The Dairy Product Mandatory Reporting Program was established on August 2, 2007, on an interim final basis, with final implementation effective June 22, 2008. The program: (1) requires persons engaged in manufacturing dairy products to provide to USDA certain information including the price, quantity, and moisture content, where applicable, for cheddar cheese, butter, dry whey, and nonfat dry milk (NFDM) sold by a manufacturer on a weekly basis; and (2) requires manufacturers and other persons storing dairy products to report to USDA information on the quantity of dairy products stored. Any manufacturer that processes and markets less than 1 million pounds of the applicable dairy products per calendar year is exempt from these reporting requirements.

For the first requirement, the National Agricultural Statistics Service (NASS) currently collects and publishes information for the program. AMS provides verification and enforcement functions to ensure accuracy of the price information reported to NASS. The second requirement is solely a function of NASS. Prior to implementation of the Dairy Product Mandatory Reporting Program information was collected on a voluntary basis. NASS began publishing cheddar cheese sales information in 1997 and began publishing butter, NFDM, and dry whey sales information in 1998.

AMS has established a verification program to verify that sales transactions match information reported to NASS and applicable sales transactions are not ex-

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[1] The Dairy 7, issued November 17, 2010, provides specific contracting information for CCC price support purchases. This announcement along with the Dairy Invitations provides the information needed to offer and comply with the regulations. This includes eligibility, submissions, provisions, product specifications, instructions and compliance data.

cluded. AMS currently visits larger entities accounting for 80 percent of yearly reported product volume of specified dairy products at least once annually. AMS visits ½ of the entities accounting for the remaining 20 percent at least once every other year. During each visit, AMS reviews applicable sales transaction records for at least the 4 most recent weeks. In some cases, AMS may review sales records for periods of up to 2 years. AMS also conducts additional verification procedures on an as-needed basis when price information may be questioned.

The 2008 Farm Bill requires that an electronic system be employed to collect information for the Dairy Product Mandatory Reporting Program on a more frequent basis subject to the availability of funds. The farm bill also requires quarterly audits of program information. Funds have not been made available for an electronic reporting system, more frequent collection of data, or quarterly audits.

The Mandatory Price Reporting Act of 2010 requires that the Secretary establish an electronic reporting system for manufacturers of dairy products to report certain market information for the mandatory dairy product reporting program. The amendment further states that the Secretary shall publish the information obtained under this section for the preceding week not later than 3 p.m. Eastern Time on Wednesday of each week.

4. Purpose/Goals

The purpose of the program is to provide accurate and timely market information for dairy industry participants. Widely available market information provides transparency to assist markets in operating competitively and fairly. Data collected through the program is used as the price discovery mechanism to establish minimum prices for the Federal Order system.

The program will continue reporting dairy commodity sales information that is accurate but released a day and a half earlier. The electronic system will be designed to minimize the burden on reporting entities.

5. Success in Meeting Programmatic Purpose/Goals

As required in the 2008 Farm Bill, AMS has successfully implemented a verification and enforcement program to ensure the accuracy of information provided to NASS for the required dairy product prices. Due to continual outreach and education, a significant decline has occurred in reporting errors. In 2007, 35 discrepancies were discovered by AMS on audit while to-date in 2011 only four discrepancies have been discovered by AMS. Since inception of the verification program, a total of 91 discrepancies have been found.

A proposed rule was published on June 10, 2011, which included regulatory changes for implementing the provisions of the Mandatory Price Reporting Act of 2010 and for transferring data collection responsibilities from NASS to AMS. Seven comments were received by August 9, 2011, and a final rule is being prepared. Following beta-testing, mandatory electronic collection of dairy product prices is expected to begin January 1, 2012.

6. Annual Budget Authority (FY 2002–FY 2011) ($ in Millions)

Additional budget authority has not been authorized for this activity within the Dairy Marketing Agreements & Orders (MA&O) program. AMS prioritized the available resource for MA&O in order to allow for dairy price verification from 2007–2011. Additional one-time funding within current resources was provided in FY 2011 to modify the Agency's existing Livestock Mandatory Price Reporting System to accommodate selected dairy products. The following legislative timeline identifies the evolution of dairy mandatory reporting:

Fiscal Year	Legislative Reference
2000–2001	Dairy Enhancement Act of 2000 (P.L. 106–532)—established mandatory reporting for dairy products
2002–2007	2002 Farm Bill (P.L. 107–171)—amended above Act to modify the definition of products
2008–2010	2008 Farm Bill (P.L. 110–246)—develop a system and conduct quarterly audits
2011	2010 Mandatory Price Reporting Act (P.L. 111–239)—required electronic reporting system and established a publication schedule

7. Annual Outlays (FY 2002–FY 2011)

Annual Outlays
FY 2002 Through FY 2011
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Outlays	$0	$0	$0	$0	$0	$300	$300	$300	$300	$858

(This includes verification expenses 2007–2011 plus 1x IT expense in 2011 to modify the LMR System for DY reporting.)

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual Delivery Costs
FY 2002 Through FY 2011
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Annual Delivery Costs	$0	$0	$0	$0	$0	$300	$300	$300	$300	$858

(This includes verification expenses 2007–2011 plus 1x IT expense in 2011 to modify the LMR System for DY reporting.)

9. Eligibility Criteria

As required by law, dairy manufacturers producing and selling 1 million pounds or more of specific dairy products (cheddar cheese, butter, nonfat dry milk and/or dry whey) per calendar year, are required to participate in the weekly surveys.

10. Utilization (Participation) Data

In 2010, there were 88 dairy product plants that were subject to mandatory reporting of sales data for one or more products. Fifty-two entities reported data for one or more plants.

11. Duplication or Overlap with Other Programs

A final rule will implement the provisions of the Mandatory Price Reporting Act of 2010 transfer applicable data collection responsibilities from NASS to AMS. During voluntary software beta testing NASS and AMS will run parallel programs for about 2 months to ensure system is fully operation before eliminating NASS's responsibilities.

12. Waste, Fraud and Abuse

Not applicable.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Dairy Import Assessment.

2. Subprograms/Department Initiatives

AMS Dairy Program.

3. Brief History

The U.S. Department of Agriculture has announced a Final Rule that amends the Dairy Promotion and Research Order (Dairy Order) and implements a dairy import assessment program as required by the Dairy Production Stabilization Act of 1983, as amended. The program implements the equivalent of 7.5¢ per hundredweight of milk assessment on imported dairy products; adds two importer members to the National Dairy Promotion and Research board; amends the term "United States" to mean all states (adding Alaska and Hawaii), the District of Columbia and the Commonwealth of Puerto Rico; and extends the mandatory 15¢ per hundredweight of milk assessment to dairy farmers in Alaska, Hawaii, and the Commonwealth of Puerto Rico.

4. Purpose/Goals

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) mandates that the Dairy Order be amended to implement an assessment on imported dairy products to fund promotion and research. The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) specifies a mandatory assessment rate of 7.5¢ per hundredweight of milk, or equivalent thereof, on dairy products imported into the United States.

5. Success in Meeting Programmatic Purpose/Goals

All provisions were effective April 1, 2011, with the exception of those regarding importer assessments. Importer assessment provisions became effective on August 1, 2011. Importer payments are made directly to the U.S. Customs and Border Patrol and are forwarded to the Dairy Promotion and Research Board.

6. Annual Budget Authority (FY 2002–FY 2011)

Not applicable.

7. Annual Outlays (FY 2002–FY 2011)

Not applicable.

8. Annual Delivery Cost (FY 2002–FY 2011)

Not applicable.

9. Eligibility Criteria

An applicant must be an importer of dairy products into the United States as a principle or as an agent, broker, or consignee of any person who produces or handles dairy products outside of the United States, and who is listed as the importer of record for such dairy products. A producer is defined as any person engaged in the production of milk for commercial use.

10. Utilization (Participation) Data

There are an estimated 2,600 dairy importers that are affected by the dairy import assessment and an estimated 350 producers in the added areas of Alaska, Hawaii, the District of Columbia and the Commonwealth of Puerto Rico.

11. Duplication or Overlap with Other Programs

Not applicable.

12. Waste, Fraud and Abuse

Not applicable.

13. Effect of Administrative PAYGO

Not applicable.

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1. Program Name

Federal Milk Marketing Orders including Forward Contracting and the Formal Rulemaking Process.

2. Subprograms/Department Initiatives

AMS Dairy Program.

3. Brief History

Federal milk marketing orders (FMMO) are authorized by the Agricultural Marketing Agreement Act of 1937, as amended. There are currently 10 FMMO areas, impacting about 65 percent of all milk marketed in the U.S. These 10 orders are administered by 8 market administrators.

FMMOs are initiated and amended through industry requests that are addressed through the formal rulemaking process. This includes hearings, briefings, recommended decisions, public comments, final decisions, farmer votes, and, ultimately, implementation by USDA. Changes in FMMOs are approved by an affirmative vote of ⅔ of the eligible dairy farmers.

The 2008 Farm Bill directed USDA to establish supplemental rules to define guidelines and timeframes to improve the timeliness of the Federal Milk Order hearing process. AMS published this final rule on August 20, 2008 (73 FR 49085).

The 2008 Farm Bill also directed AMS to establish a Dairy Forward Pricing Program to allow milk producers and cooperative associations to voluntarily enter into forward price contracts with milk handlers for milk used for non-fluid purposes. The program exempts handlers regulated under the Federal Milk Order program from paying producers and cooperative associations the minimum Federal Order price for milk under a forward contract. AMS published this final rule on October 31, 2008 (73 FR 64868).

4. Purpose/Goals

The objectives of the FMMO system are to stabilize market conditions, to benefit producers and consumers by establishing and maintaining orderly marketing conditions, and to assure consumers of adequate supplies of pure and wholesome milk at all times. The FMMO program assures dairy farmers a minimum price for their milk while assuring that consumers have an adequate supply of milk to meet their needs throughout the year.

5. Success in Meeting Programmatic Purpose/Goals

Forward Contracting—Handlers that enter into forward contracts with producers are required under 7 CFR Part 1145 to file a copy of the contract with a Market Administrator's office. Less than 100 dairy farmers have utilized the forward contracting program since 2008.

Rulemaking Process—Only one hearing has been initiated and completed under the new timeframes outlined in the supplemental rules of practice for Milk Marketing Orders (see 7 CFR §§ 900.20 through 900.33). In June 2011, USDA received a request for a hearing to consider changes to the Mideast Marketing Area. USDA subsequently held a hearing on October 4–5, 2011, in Cincinnati, OH, to consider and take evidence on proposed changes to that order (76 FR 55608). The deadline for filling corrections to the transcript is October 31, 2011 and the deadline for filing post-hearing briefs is November 30, 2011.

6. Annual Budget Authority (FY 2002–FY 2011)

Annual Budget Authority
FY 2002 Through FY 2011
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Budget Authority	$5,132	$5,528	$5,434	$5,541	$5,736	$6,076	$6,131	$6,301	$6,965	$6,814

7. Annual Outlays (FY 2002–FY 2011)

Annual Outlays
FY 2002 Through FY 2011
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Outlays	$4,716	$4,663	$4,660	$5,204	$5,428	$5,546	$5,477	$5,837	$6,846	$6,400

Explanation: The budget authority may be different from outlays due to timing of payments and the accounting process.

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual Delivery Costs
FY 2002 Through FY 2011
(Dollars in thousands)

	FY 2002 Actual	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Actual	FY 2011 Est.
Direct Costs	$4,275	$4,165	$4,454	$4,797	$4,699	$4,962	$5,202	$5,299	$5,799	$5,703
Indirect Costs	$483	$453	$474	$474	$516	$527	$584	$599	$710	$697
Total Costs	$4,758	$4,618	$4,928	$5,271	$5,215	$5,489	$5,786	$5,898	$6,509	$6,400

There have been no additional delivery costs in implementation of the expedited rulemaking process.
The costs associated with the forward contracting program are minimal due to the low participation rate.

9. Eligibility Criteria

During 2010, nearly 127 billion pounds of milk was pooled from 45,918 producers on Federal Milk Marketing Orders. This represents about 65 percent of all milk produced in the United States.

10. Utilization (Participation) Data

Fewer than 100 farmers have utilized the forward contracting program.

11. Duplication or Overlap with Other Programs

Not applicable.

12. Waste, Fraud and Abuse

Not applicable.

13. Effect of Administrative PAYGO

Not applicable.

AGRICULTURAL PROGRAM AUDIT
(EXAMINATION OF USDA RURAL DEVELOPMENT PROGRAMS)

TUESDAY, SEPTEMBER 13, 2011

SUBCOMMITTEE ON RURAL DEVELOPMENT,
RESEARCH, BIOTECHNOLOGY, AND FOREIGN
AGRICULTURE,
HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Subcommittee met, pursuant to call, at 10:03 a.m., in Room 1300 of the Longworth House Office Building, Hon. Timothy V. Johnson [Chairman of the Subcommittee] presiding.

Members present: Representatives Johnson, Thompson, Stutzman, Scott, Hartzler, Lucas (*ex officio*), Costa, Welch, Sewell, Kissell, and Peterson (*ex officio*).

Staff present: Mike Dunlap, Tamara Hinton, DaNita Murray, Mary Nowak, Lauren Sturgeon, Suzanne Watson, Andy Baker, Liz Friedlander, John Konya, and Jamie Mitchell.

OPENING STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS

The CHAIRMAN. The Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture hearing, entitled *Agricultural Program Audit: Examination of USDA Rural Development Programs,* will come to order.

Let us see. We have a quorum, so we are prepared to proceed.

Welcome to this audit hearing of the USDA's Rural Development Programs. This is the third such hearing by this Subcommittee and the eleventh overall that the Agriculture Committee Subcommittees have held to closely review all the programs under our jurisdiction. The continuing discussions in Congress on spending, and the budget, will add impetus to what we will be discussing today. Through this series of hearings, we are assessing how USDA is utilizing the authorities provided through this Committee and where scarce resources are being allocated. As we approach the next farm bill, it is important that we have a clear idea of how programs are being implemented as we look for opportunities to streamline and improve those programs.

Rural communities rely on a variety of industries, including mining, fishing, forestry, manufacturing, and of course farming. The programs we will be discussing today are designed to spur innovation and investment and, through the provision of farm credits, advancement. The goal of these programs is greater economic opportunity to help our rural communities to compete in the global market.

Of particular interest to this Subcommittee is the Broadband Loan Program. Reauthorized in the 2008 Farm Bill, this program is intended to reach those rural areas without access to the economic, education, and healthcare opportunities which broadband access can bring rural America. Unfortunately, it was only this summer—nearly 3 years after the farm bill was signed into law—that USDA finally began accepting applications for loans. I hope that the Rural Utilities Service has an update for us on how the applications are progressing and what we might hope to learn from the program before we begin writing the next farm bill.

The current farm bill also requires USDA to report on the various definitions of *rural* and how those definitions have impacted their programs. This report was due 2 years after the enactment of the farm bill, and yet we still haven't received the report. In February of this year, Deputy Under Secretary for Rural Development, Cheryl Cook assured the Committee that we would have a finished report in June of 2011, over 3 months ago. I hope the USDA can provide an explanation this morning as to why this report is not finished, and how long it is expected to be delayed.

Almost a year ago, USDA was required to allocate all the remaining funds received through the stimulus bill. We hope the analysis provided by the testimony today will have a clear picture of how those funds have been disbursed. The stimulus bill was an imperfect approach to economic policy, which resulted in a mass expansion of government spending. I hope that in spite of the rush to spend taxpayer dollars, USDA can demonstrate that the benefits to rural communities have exceeded the cost.

With tight budgets, it is incumbent upon our agencies to reduce costs and provide the maximum impact possible with limited dollars. This morning, we hope to hear how the agencies are already streamlining their mission areas and where we can work together to streamline our process.

With us this morning are the Administrators of the USDA's three rural development agencies: Jonathan Adelstein with the Rural Utilities Service, Judith Canales with the Rural Business-Cooperative Service, and Tammye Treviño from the Rural Housing Service. I would like to thank each one of you for being here this morning. We look forward to your testimony.

[The prepared statement of Mr. Johnson follows:]

PREPARED STATEMENT OF HON. TIMOTHY V. JOHNSON, A REPRESENTATIVE IN CONGRESS FROM ILLINOIS

Good morning and welcome to this hearing to audit USDA's rural development programs. This is the third such hearing by this Subcommittee, and the eleventh overall that the Agriculture Committee has held to closely review all the programs under our jurisdiction.

The continuing discussions in Congress on spending and the budget have added impetus to what we will be talking about today. Through this series of hearings we are assessing how USDA is utilizing the authorities provided through this Committee, and where scarce funds are being allocated. As we approach the next farm bill, it is important that we have a clear idea of how programs are being implemented as we look for opportunities to streamline and improve them.

Rural communities rely on a variety of industries, including mining, fishing, forestry, manufacturing, and of course, farming. The programs we will be discussing today are designed to spur innovation and investment. Through the provision of credit and financing, the goal of these programs is greater economic opportunity and to help our rural communities compete in a global market.

Of particular interest to this Subcommittee is the broadband loan program. Reauthorized in the 2008 Farm Bill, this program was intended to reach those rural areas without access to the economic, education, and healthcare opportunities which broadband access can bring to rural America. Unfortunately, it was only this summer, nearly 3 years after the farm bill was signed into law, that USDA finally began accepting applications for rural broadband loans. I hope that the Rural Utilities Service has an update for us on how the applications are progressing and what we might hope to learn from the program before we begin writing the next farm bill.

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With tight budgets, it is incumbent upon our agencies to reduce costs and provide the maximum impact possible with the funds provided. This morning we hope to hear how the agencies are already accomplishing this mission, and where we can work together to streamline our programs.

With us this morning are the Administrators from USDA's three Rural Development agencies: Jonathan Adelstein with the Rural Utilities Service, Judith Canales with the Rural Business-Cooperative Service, and Tammye Treviño from the Rural Housing Service. I would like to thank each of you for being here this morning, and we look forward to your testimony.

The CHAIRMAN. I would turn the floor over to the distinguished Ranking Member, the gentleman from California, Mr. Costa.

OPENING STATEMENT OF HON. JIM COSTA, A REPRESENTATIVE IN CONGRESS FROM CALIFORNIA

Mr. COSTA. Thank you, Mr. Chairman, for calling this hearing today. It is the third and final hearing of the audits that this Subcommittee is doing to review the U.S. Department of Agriculture and setting the stage for the reauthorization of the 2012 Farm Bill. The audit hearings are an important opportunity for Members of the Subcommittee to reexamine what has worked to our satisfaction and, more importantly, what we think could be improved or hasn't worked, as we look at tight budgets and a farm bill that will be less than the 2008 bill.

Today's topic, as you noted, is dealing with the Title VI of the farm bill. In one form or another, there has been a partnership between Washington and rural families and communities going back to the Great Depression for various purposes. Over the course of those 80 years, the landscape of rural America has dramatically changed. We have gone from, at the turn of the 19th, 20th century, more of an agrarian society to much more of an urbanized and suburbanized society. Yet, our rural areas are still, I believe, a vital component of America. Manufacturing and service sectors have replaced agriculture in many areas as the dominant economic force. As we look towards the 21st century with approximately 6.4 billion people on the planet and an estimation of over nine billion by the middle of this century, we want to maintain our ability to produce the food and fiber not only to serve our own domestic needs but also to be able to continue to be competitive—which we are—in agricultural markets.

But as we keep those goals in mind, it is important to note that in fact there are changes that have occurred. Most of you probably think from a person that represents part of California that you think of Silicon Valley, you think of Hollywood, you think of aerospace, and all of those things are part and parcel of California's economy along with tourism. But, for 54 years, we have been the number one agricultural state in the nation, over $38 billion a year at the farm gate.

And I have the great honor to serve, along with four of my other colleagues, the San Joaquin Valley, which is among the richest and most productive agricultural regions in the country. The number one agricultural county and number three are in my district: Fresno County and Kern County. And while by any plain evidence—and I hope to have colleagues of the Subcommittee there in my district—you would see it as rural. We don't qualify under a lot of our programs in Washington under the various *rural* definitions because we have larger urban cities within those Valley counties—the City of Fresno, City of Bakersfield, City of Modesto. If you go 45 minutes outside of Fresno it is very rural, services are very limited, and it is the land of many contrasts. There is a lot of poverty that exists in those communities.

I think that all of our districts, whether you are in the Midwest, whether you are in the Northeast, whether you are in the South, have similar stories to tell. You have wonderful rural areas where Americans do their very best to work hard and to contribute, whether it is the agricultural community or whether it is other rural industries. But oftentimes, they are the part of America that is not well understood or taken into account with regards to some of these programs that are no longer applicable.

I think that it is important that we consider, Mr. Chairman, as we look at the 2012 Farm Bill the definitions of *rural* and how they are applied to communities through all corners of the nation. I think everyone here, and our United States Department of Agriculture witnesses included, would be hard-pressed to come up with a singular definition that accurately portrays what rural is in each state. We think we know but we have the practical experience of living in our communities and having the honor to represent those communities.

Recent farm bills have tweaked the definitions of *rural,* and so I look forward to hearing our witnesses' thoughts on whether or not further reforms should be considered in the next farm bill. We have looked at some notions as to whether or not we look at an application as opposed to counties' Census tracks so that it would take into account those of you who represent multiple counties. I know some of you represent 10, 20, and 30 counties in your respective districts. I represent parts of two and one entire county. Our counties are different sizes and shapes throughout the country. But maybe we ought to consider thinking outside the box as we look toward the application of rural definitions. Would they be better served with a different set of criteria, different regionally based approach as it relates to some things we ought to consider, Mr. Chairman, in this Subcommittee for next year's farm bill? I would be interested in hearing that testimony.

So I look forward to hearing our witnesses today from the Rural Development agencies, the different benefits that they provide, whether we are talking about housing, whether we are talking about outreach for rural development, whether we are talking about the other challenges that we face with regards to infrastructure.

So with that, I thank you for my opportunity and look forward to hearing the witnesses testify this morning.

The CHAIRMAN. Thank you, Congressman Costa. With that, we will proceed with the first witness.

STATEMENT OF HON. JONATHAN S. ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. ADELSTEIN. Thank you, Mr. Chairman, Ranking Member Costa, and Members of the Committee for the opportunity to testify this morning.

USDA's Rural Utilities Service has a long-proven history of financing electric, water, and telecom infrastructure in rural America dating back to 75 years ago, when the RUS began. We have been a model of public-private partnerships, we have succeeding in bringing modern utilities to some of America's most remote and hard-to-serve areas. We have done so prudently while creating jobs and improving the rural quality of life. Meeting today's needs, a successful rural electrification model is working to provide access to 21st century broadband, telemedicine, distance learning, smart grid, renewable energy, and safe, clean water to areas that would otherwise be left being.

The RUS programs represent true investments. Our limited grant dollars target those areas most in need, but most of what we do are loans, and the capital provided for loans are repaid by our borrowers. So a very small amount of budget authority leverages much greater lending authority to meet the massive unmet needs of rural America. For example, $1 budget authority could be stretched to $16 of loan investment or even more. Our U.S. loan programs have a repayment rate that any private banker would envy. Our U.S. portfolio is over $56 billion and the current delinquency rate is .21 percent.

Our agency has achieved record levels of investment over the last couple of years. We have successfully obligated the Broadband and Water Projects under the Recovery Act, and at the same time, we have set consecutive records of investments in rural electric infrastructure. In March, the RUS published new regulations for the farm bill broadband program. Mr. Chairman, as you noted, the new regs streamline the application process and target funding toward the most rural areas. This marks the first time, under the current Administration, the program is open to new applications. We wanted to wait and make sure that we had it right. We learned the lessons from the Recovery Act program. The new regulations, along with additional steps we have taken, fully address concerns raised by USDA's Inspector General about the previous administration of the program.

The traditional Telecommunications Loan Program, which originates back from 1949, has achieved enormous success in connecting rural America. While much has changed in telecommunications technology in the last 60 years, the need for a public-private partnership to spur investment in rural areas has not. The tremendous number of applications we received for the Recovery Act is a real testament to the hunger out there for bandwidth in rural areas. We are just as excited by the rapid technological change in the electric sector. We are working on renewable energy, smart grid technologies, energy conservation, as well as generating, transmitting, and distributing clean, reliable, affordable power. It makes our electric program every bit as relevant to America today as it was in the 1930s.

With affordable financing from RUS, America's rural communities are at the forefront of the renewable energy movement. Renewable power is a new crop for rural America which can help feed the nation's need for clean, affordable, homegrown electricity. Due to the strong performance of our electric program, no budget authority or taxpayer dollars are necessary to deliver about $6 billion in funding annually. As a matter of fact, we generate for the taxpayers $100 million.

The 2008 Farm Bill provided new authority for energy efficiency programs, renewable energy and direct lending authority for loans that we are now implementing. RUS set a goal to finance $250 million for grid modernization during this fiscal year. Smart grid technologies give consumers greater control to keep their electric bills low and help utilities better manage the grid to improve efficiencies.

When it comes to rural quality of life, few things are as fundamental as water. Since 2009, RUS's Water and Waste Disposal Program has invested nearly $6 billion in 4,500 water and wastewater infrastructure loans and grants to safeguard the health of nearly nine million rural residents. These funds build upon the $11.5 billion portfolio of investments that we have made over the years to help rural communities replace aging infrastructure, make necessary repairs, and extend service to areas without access to public water and waste services.

RUS's water program maintains a delinquency rate of .24 percent. Facilitating reliable and affordable access to water is necessary for business development. It creates jobs and builds the economy. Our water program is the only one exclusively focused on rural needs. It safeguards the health of rural residents and the environment while ensuring that rural water systems can meet growing demands. Projects funding during FY 2010 will result in a 28 percent reduction in rural residents' exposure to water-borne illnesses.

The RUS portfolio remains very strong. Thank you for your support. I thank the Committee today for the opportunity to testify, and I look forward to any questions or comments that you have.

[The prepared statement of Mr. Adelstein follows:]

PREPARED STATEMENT OF HON. JONATHAN S. ADELSTEIN, ADMINISTRATOR, RURAL UTILITIES SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, thank you for the opportunity to provide to you a review and accomplishments of the Rural Development's (RD) Rural Utilities Service (RUS) authorized through the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill).

Overview

The Department of Agriculture's RUS is the only Federal agency that funds electric, telecommunications, and water and wastewater infrastructure for rural areas. Because of RUS investments, many rural communities nationwide have reliable, affordable electric power, safe water and wastewater facilities, essential telecommunications, and broadband capability.

RUS investments provide more than basic infrastructure services. RUS is one of three RD agencies with a mission to facilitate rural economic development, foster sustainable job creation, and revitalize rural areas.

RUS achieves its goals by funding projects to help rebuild America's infrastructure which is essential to stronger American economic growth. Beginning with the creation of the Rural Electrification Administration in 1935, RUS has and continues to be a prominent lender for rural utility investment.

Today's RUS portfolio includes Federal financing for electric, telecommunications, broadband, and water and wastewater projects. These investments enhance community resources, including health care and education, and increase the need for skilled labor to meet the needs of growing and emerging industries in rural areas. We use the term "investment" because the capital provided for loans is repaid and delivers additional returns in the form of jobs and the types of services with the capability of delivering more jobs in our nation's rural communities.

The RUS portfolio is over $56 billion and the current delinquency rate is 0.21 percent. We are very proud of our customers' repayment history.

Broadband and Telecommunications Programs

The broadband program, created under the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) and revised by the 2008 Farm Bill, has provided more than $1 billion in financing to improve telecommunications by delivering broadband services to rural areas for nearly a decade.

Broadband availability allows business owners to increase distribution channels and enables a new generation of entrepreneurs to thrive in rural areas. Broadband helps America's farmers and ranchers monitor prices, obtain weather forecasts, and find new markets for their produce and livestock.

New regulations published in March 2011 streamlined the application process and allowed the program to focus investment to reach rural areas with three or fewer broadband service providers. These new regulations, along with additional steps RUS has taken, fully address USDA's Office of Inspector General findings previously raised about the program. The Telecommunications Infrastructure Loan Program is authorized under the Rural Electrification Act of 1936, as amended (REA), and is the only Federal program that has funded telecommunications services for over 60 years. This program funds improvements to existing and new broadband infrastructure for rural telecommunications service providers or REA Title II borrowers.

RUS Telecommunications Programs also administers the Community Connect Grant Program, which provides funding to establish broadband service in rural communities that currently do not have service. Awards of $13.4 million in available funding are expected to be announced by the end of FY 2011.

RUS' Distance Learning and Telemedicine Program fund equipment to enhance educational and health care services in rural areas. RUS has $24.9 million available and expects to announce awards by the end of FY2011.

Electric Programs

America's rural communities are on the forefront of the renewable energy movement. By increasing the supply of home-grown renewable energy, we can meet the growing demands for renewable sources of both fuel and power.

The RUS Electric Program portfolio has over 650 borrowers with an outstanding balance of over $41 billion. The Rural Electrification Direct and Guaranteed Loan and High Energy Cost Grant Programs are authorized under the Rural Electrification Act of 1936; however, the 2008 Farm Bill provided new program authority, including authorization for energy efficiency programs, renewable energy, and direct lending authority for loans.

RUS loan funds may be used to finance generating, transmission, and distribution facilities. RUS also finances environmental upgrades, energy efficiency, smart grid, demand management and energy conservation programs. In FY 2010, RUS approved over $313.3 million in loan guarantees for new projects for renewable electric generation.

RUS has a goal to finance $250 million for grid modernization during FY2012. Smart grid technologies give consumers greater control over their electric costs and help utilities better manage the electric grid to improve operational efficiencies. These investments help rural utilities improve their delivery and storage of renewable energy to generate electricity and help ensure sustainable economic growth in rural communities. For example, in North Carolina and Tennessee, French Broad Electric Membership Corporation received a loan guarantee of $20 million, of which more than $2.4 million is to be used for advanced meter infrastructure upgrades that can help utility providers better control the use and production of electric energy.

The demand for electricity in rural areas is growing at two percent annually, according to the Energy Information Administration in the Department of Energy. During FY 2010, RUS funded $7.1 billion for electric system improvements for over nine million rural residents. The electric program serves 667 active rural borrowers and grantees in 46 states, Puerto Rico, American Samoa, and the Republic of the Marshall Islands. No other agency funds rural electric infrastructure projects.

Meeting the growth in demand for electric power generation is capital intensive and takes significant time from concept to completion. RUS will continue to work to ensure that our projects are good for the environment, good for the economy, and good for electric consumers.

Water and Wastewater Funding

Since 2009, over $6.7 billion invested by the Obama Administration in 4,565 water and waste water community infrastructure loans and grants has helped safeguard the health of nearly nine million rural residents through access to a safe water supply and sanitary sewer system. The loans and grants are also expected to create or save 143,507 jobs in the communities where projects are underway. Almost 4.8 million customers are being helped through new or improved systems that will deliver safe, clean drinking water, or will clean up existing waste removal environmental hazards

These funds will build upon the $11.5 billion portfolio of investments that help rural communities replace aging infrastructure, make necessary repairs and extend service to areas without access to public water and waste service.

Facilitating reliable and affordable access to water is necessary for business development which in turn creates jobs and builds the economy. Lack of adequate water and wastewater facilities kept Turrell, Arkansas, from competing for a large retail distribution facility that would have brought jobs to the rural community. RUS is now working with Turrell to build a water and waste plant. Lack of jobs has caused their population to drop from 1,000 in 2,000 to 615 today.

Reliable access to water is essential for rural communities to prosper. RUS water programs—the only program exclusively focused on rural needs—which safeguard the health of rural residents and the environment and ensure that rural water systems meet growing demands. Projects funded during FY 2010 will result in a nearly 28 percent reduction in rural residents' exposure to water-borne illness. RUS-funded circuit riders responded to over 111,000 requests to assist rural water systems during FY 2010.

Conclusion

The RUS loan portfolio remains very strong. We constantly strive to improve program delivery, working with local leaders to deliver funds to address critical infrastructure needs which are fundamental to the quality of life and economic future of rural America. In closing, I would like to thank the Committee for the opportunity to appear before you today and look forward to responding to your questions.

The CHAIRMAN. Thank you. Now, we turn to Judith Canales.

STATEMENT OF JUDITH A. CANALES, ADMINISTRATOR, RURAL BUSINESS-COOPERATIVE SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. CANALES. Thank you, Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee for the opportunity to discuss the success of Rural Development's Rural Business-Cooperative Service programs impacted by the 2008 Farm Bill.

As you are well aware, the American people are facing challenging economic times. However, in the midst of these troubling conditions, since 2009, the programs and services of the Rural Business-Cooperative Service have or will create and save nearly 250,000 jobs, thus directly improving the economic climate of rural America.

The mission of Rural Development's Rural Business-Cooperative Service programs is to improve rural economies by providing financial and technical assistance to rural businesses and cooperatives. Through our national office, and our network of 47 state offices, and through our local offices located in the heartland of rural America, we have established strategic alliances and partnerships that leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity.

The Rural Business-Cooperative Service mission is unique in the Federal Government. There is no other Federal agency that focuses solely on rural businesses. The people who staff our 47 state offices as well as our local offices live in these rural communities. This makes them uniquely qualified to support the most rural communities in America providing access to capital and credit in areas otherwise ignored.

Rural Business-Cooperative Service is responsible for five Title VI programs that are designed to assist people in rural communities in addition to our four Title IX energy programs that have provided over $700 million in support since 2009. For example, in late 2010, southern Illinois Coal Belt received a Rural Microentrepreneur Assistance Program loan of $500,000. Since March of this year, they have made loans totaling $306,000 assisting seven microenterprises and creating 21 new jobs. Six of these seven businesses are startup businesses.

The Guaranteed Business and Industry Loan Program is our flagship program. The B&I Program provides credit support to establish, expand, or modernize rural businesses. Since 2009, the B&I Program has provided $5.5 billion in loan guarantees to community banks at a cost of $3,000 per job and supporting over 3,000 businesses.

Rural Business Opportunity Grant Program was authorized under Title VI of the farm bill. This program provides training and technical assistance for business development, entrepreneurs, and assists with economic development planning. The Rural Microentrepreneur Assistance Program provides capital access and funding for business-based training and technical assistance to local micro-development organizations to support very small businesses with less than ten employees. The Value-Added Producer Grant Program, the lead source in rural development for promoting local foods in rural America, provides funding for planning activities and working capital, for marketing value-added agriculture products, and for farm-based renewable energy. We look forward to announcing awards very soon of $37 million.

The Rural Development Cooperative Development Grant Program and the Small and Socially Disadvantaged Producer Grant Program provides funding to centers and cooperatives to develop new or improve existing cooperatives. These business cooperatives in turn grow and expand their operations in rural America.

Mr. Chairman and Members of the Subcommittee, thank you for your time. The Rural Business-Cooperative Service is committed and, with your help, will continue to promote economic prosperity in rural America. Thank you.

[The prepared statement of Ms. Canales follows:]

PREPARED STATEMENT OF JUDITH A. CANALES, RURAL BUSINESS-COOPERATIVE SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Johnson, Ranking Member Costa, and Members of the Subcommittee, thank you for the opportunity to provide a review and highlight the accomplishments of Rural Development's (RD) Rural Business-Cooperative Service (RBS) programs authorized through Title VI of the 2008 Farm Bill. We are still in challenging economic times but the programs and services of RBS, in partnership with other public and private sector funding, are improving the economic climate of rural areas. I appreciate the opportunity to discuss the successes of the business programs today.

Overview

The mission of RBS programs is to create economic opportunities for rural Americans by supporting the creation and growth of viable businesses, including cooperatives, that can compete and prosper in the global marketplace.

We meet these goals by investing financial resources and providing technical assistance to businesses and cooperatives located in rural communities, and establishing strategic alliances and partnerships that leverage public, private, and cooperative resources to create jobs and stimulate rural economic activity.

RBS currently operates five programs authorized under the Consolidated Farm and Rural Development Act (CONACT) or the Agricultural Risk Protection Act of 2000 (ARPA) which were either added or amended by Title VI of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). These programs include: the new Rural Microentrepreneur Assistance Program (RMAP), Rural Business Opportunity Grants (RBOG), the Value-Added Producer Grant (VAPG) Program, the Rural Cooperative Development Grant (RCDG) Program, and the Small Socially-Disadvantaged Producer Grant (SSDPG) Program. These programs are designed to assist people in rural communities and increase economic opportunities by improving community infrastructure, environmental health, and the sustainability of agricultural production.

RBS also implements numerous other programs which provide job training and business development opportunities for rural residents, including cooperative business development, community economic development and strategic community planning and faith-based and self-help initiatives. While these programs were not amended by the 2008 Farm Bill they will be included in this testimony to provide the Committee a complete picture of the scope of RBS investment in the economic opportunities in rural America.

The RBS mission is unique in the Federal Government. There is no other Federal agency that focuses only on promoting rural communities and businesses. Our field offices reach out to rural America, including the poorest, most rural counties in America, providing Federal support to businesses that find it impossible to receive financial aid from any other source.

Administration Priorities

Secretary Vilsack has directed RBS to expand our reach in rural communities. USDA will continue to engage public and private partners to revitalize rural communities by expanding economic opportunities and creating jobs for rural residents. Administration priorities include: capital markets, local and regional food systems, and regional innovation.

Capital Markets

To increase economic prosperity in rural communities, capital is needed to spur business expansion and promote new businesses. RBS administers several loan and grant programs that can be used to attract investment capital, including loan guarantee programs such as Business and Industry loans.

Our employees are also key tools in creating capital markets, providing the skills and expertise to review business plans, identify tax incentives, and put together viable loan and grant combinations that can be used to spur capital investment in rural areas.

Local and Regional Food Systems

RBS actively promotes local- and regionally-produced agricultural food products through existing authorities and programs. We have worked to elevate the visibility of local foods, identifying and utilizing 2008 Farm Bill authority that can be used to support this important initiative through local and regional food projects, such as the five percent reserve in the Business and Industry Guaranteed Loan program for projects that support local and regional food systems. We have provided approximately $200 million of support for local and regional food projects in 2010.

Regional Innovation

The key to creating economic growth for many communities is to encourage better collaboration on a regional scale. RBS looks for opportunities to assist rural communities in breaking down the barriers in accessing multi-jurisdictional opportunities and to cut across the bureaucratic silos that prevent investment in good ideas. This approach increases the prosperity of rural communities by supporting locally-led, regional economic strategies. The focus creates strong local and regional economies in emerging opportunities such as food systems, renewable energy, broadband-based economies, rural recreation, and the creation and preservation of wealth in rural America.

Business Programs

Business development and job creation are at the foundation of our agency mission. This foundation, along with the targeted programmatic approach of the Administration's Priorities, makes RBS programs an essential tool for rural America.

In 2010, we invested about $3 billion to ensure America's rural businesses maintain a competitive edge in today's global marketplace. The vast majority of this funding was provided through guaranteed loans. These guarantees leverage funding provided by the commercial lending community along with other private sector funding.

The remaining text discusses our RBS programs and how they impact rural America.

Guaranteed Business and Industry Loans (B&I)

The B&I program, authorized under section 310B of the CONACT, is the largest of the RBS programs and provides protection against loan losses so that lenders are willing to extend credit to establish, expand, or modernize rural businesses.

Capital is the lifeline of rural businesses to maintain and create rural jobs. The President's Fiscal Year (FY) 2012 Budget requests $53 million in budget authority to support $823 million in loan guarantees for B&I. We will fund $1.387 billion in guarantees this fiscal year; we have already obligated $995.36 million though 373 loans. In FY 2010, we obligated 1,030 loans totaling over $2.9 billion.

This program has had proven results and supports a holistic economic approach. For example, in 2010 the Brattleboro Food Co-op received a $4.2 million guarantee from the RBS B&I program. This cooperative has grown from a warehouse storefront in 1979 with a volunteer staff into a $17 million operation with 100 employees. The cooperative now supplies local and organic food choices to its 5,000 members located throughout southeastern Vermont.

To support its long term viability and expand choices for its growing consumer membership, the cooperative embarked upon an expansion plan. The cost of doubling its space in its downtown location would cost $8.8 million. The cooperative raised more than $1 million from its members and leveraged those funds with a $4.2 million B&I guaranteed loan from Peoples United Bank. The remaining financing came from nonprofit, private, and borrower equity. As a result, the cooperative is expanding from 17,200 square foot building into an energy efficient 33,847 square foot building serving as an anchor business in downtown Brattleboro.

The expanded store will add market capacity for the 146 local farmers and 46 food producers that it currently supports. Additionally, the project will develop 24 units of affordable housing that will be owned and operated by the Windham Housing Trust and Housing Vermont. The cutting edge, environmentally-friendly building will even recycle the grocery store's waste heat from its refrigeration and reuse it to heat water for the entire facility.

Rural Business Opportunity Grant (RBOG)

Authorized under the CONACT, the 2008 Farm Bill extended the RBOG program through FY 2012. The RBOG program promotes sustainable economic development in rural communities with exceptional needs through provision of training and technical assistance for business development, entrepreneurs, and economic development officials and to assist with economic development planning. In FY 2010, the RBOG program provided funding to seven regions to develop plans focused on supporting local food systems, renewable energy, and the utilization of natural resources to promote economic development through regional planning among Federal, state, local, and private entities. By creating a regional focus and increasing collaboration with other Federal agencies, and other partners, our resources will have a larger impact, enabling greater wealth creation, quality of life improvements, and sustainability.

Leveraging is an essential tool of the RBOG program. For example, Ecotrust in Oregon, was awarded a $249,340 grant in FY 2010. Using the RBOG funds along with over $1 million in leveraged funds, Ecotrust will be able to increase recruitment of producers and buyers in rural communities throughout the Pacific Northwest and provide the training and assistance necessary to ensure FoodHub, a project of Ecotrust, supports their business, procurement, and marketing goals.

FoodHub (*http://food-hub.org/*) is an on-line directory and marketplace designed to help wholesale food buyers and sellers find each other, connect, and do business. FoodHub will help agri-producers tap into the consumer demand for local food, help forge more direct connections between food buyers and producers, and shorten the supply chain between producers and wholesalers. FoodHub has 550 members signed up as of June 2010, and schools, bakeries, restaurants, processed product manufacturers, hospitals, grocers and wholesalers have already reported success in finding new regional suppliers through FoodHub. We were pleased to see that Fast Company's included EcoTrust' FoodHub on their top ten list of innovative food companies.

Rural Microentrepreneur Assistance Program (RMAP)

Newly created in the 2008 Farm Bill, RMAP is authorized under the CONACT. RMAP provides capital access, business-based training and technical assistance to the smallest of small businesses, employing less than ten people. The RMAP purpose is to support the development and ongoing success of rural microentrepreneurs and microenterprises. Direct loans and grants are made to approved Microenterprise Development Organizations (MDO's). The 2008 Farm Bill provided mandatory funding of $4 million per year for FY 2009–2011 and $3 million for FY 2012. In addition, the 2008 Farm Bill authorized further discretionary appropriations of up to $40 million per year for FY 2009–2012.

In FY 2010, RBS utilized the mandatory funding available for FY 2009–10 to provided 73 grants totaling $6.6 million for technical assistance. Additionally, 63 rural microloans were made totaling $24.9 million. In FY 2011 the $4 million in mandatory funding provided by the 2008 Farm Bill is expected to support 160 businesses through $10.7 million in grants and loans. To further support this important program, the President's FY 2012 Budget requests $5.7 million in discretionary funds. This funding request is in addition to the $3.0 million in mandatory funds that was provided by the 2008 Farm Bill.

Though new, this program is already showing results. The Valley Small Business Development Corporation located in Fresno, California, is preparing to close on their first RMAP loan. The recipient of the $50,000 loan will be a custom farm operator in Hanford, California. Loan funds will be used to purchase farm equipment and expand this micro business.

Those eligible to apply are MDO's that are located in any area outside the boundaries of a city or town with a population of 50,000, or more, and the urbanized area contiguous and adjacent to such city or town.

Value-Added Producer Grant (VAPG) Program

Authorized under ARPA, the VAPG program provides grants for planning activities and for working capital for marketing value-added agricultural products and for farm-based renewable energy. The program encourages farmers and ranchers to add value to the commodities and products they produce allowing them to capture a greater percentage of the consumer's dollar. Eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures. The grants can be used for two purposes. The first is for planning activities such as conducting feasibility studies and developing business plans. Or, grants can be used to establish working capital accounts to pay salaries, utilities and other operating costs; to finance inventories; and to purchase office equipment, computers, and supplies. The value-added program is highly successful and has contributed to the creation of more jobs and business opportunities in rural America. The President's FY 2012 Budget requests funding VAPG at $20.4 million. This level of funding allows RBS to maintain this important program to encourage producers to refine or enhance their products thereby increasing their value and their returns to producers. During the last funding cycle, awards were made to 45 states and Puerto Rico, the broadest distribution of awards in the history of this nationally competitive program. On June, 28, 2011, $37 million in funds were announced through a Notice of Funding Availability which is scheduled to close on August 29, 2011. We estimate that this funding will support 350 businesses.

On February 23, 2011, a final rule was published in the *Federal Register* incorporating changes made by the 2008 Farm Bill and expanding the types of eligible applicants. The programmatic changes associated with the regulation provide additional opportunities to beginning and socially disadvantaged producers by helping owners of small and medium-sized family farms sell their products in local and regional markets and reserving ten percent of the total funds available for projects to benefit beginning and socially disadvantaged farmers and mid-tier value chains.

Those eligible to apply are independent agricultural producers, producer groups, agriculture cooperatives, or majority-controlled producer-based business ventures. The revised regulatory language reserves ten percent of funds for beginning and socially disadvantaged farmers and ten percent for projects that support the use of a mid-tier value chain. The eligible area is within the United States.

Rural Cooperatives

Cooperatives are an important form of business model that is the cornerstone for business development in some rural communities. Cooperatives provide rural residents with new job opportunities, enhanced educational and healthcare services, and products that enable them to compete with their urban and suburban counterparts. Opportunities are created locally and revenues are maintained and re-circulated locally. The RBS cooperative services staff conducts basic research on the cooperative form of business, collect statistics and financial data pertaining to cooperatives, and provides technical assistance to farmer groups interested in starting a cooperative or improve existing cooperatives. In addition, the cooperative services staff manage a number of RBS grant programs.

Rural Cooperative Development Grant (RCDG) Program

The RCDG program assists nonprofit organizations and institutions of higher education to establish and operate cooperative development centers to start and establish cooperatives who improve the economic condition of rural areas. This program provides support to centers to develop new cooperatives and improve existing cooperatives. This program complements our national and state office technical assistance efforts by increasing outreach and developing feasibility studies and business plans for new cooperatives and assisting existing cooperatives in meeting the demands of today's ever-changing global economy. Those eligible to apply are nonprofit corporations or institutions of higher learning. The eligible area is rural areas of 50,000 or less in the United States.

Small Socially-Disadvantaged Producer Grant (SSDPG) Program

The SSDPG program supports cooperatives or associations of cooperatives whose primary focus is to provide assistance to small, minority producers and whose governing board and/or membership is comprised of at least 75 percent small, socially disadvantaged producers. In 2010, awards were made to groups representing African American, Asian, Hispanic, Hmong, Native American, Native Hawaiian, Pacific Islander, and women producers.

For example, the Hillside Farmers Co-op of Northfield, Minnesota, assists Latino farmers by partnering with established farmers who, together, are committed to producing sustainable foods and building healthier communities. The cooperative pairs immigrant families with established farmers in the area who rent out their land for gardening and poultry production. The SSDPG grant awarded in 2010 is helping the cooperative conduct a feasibility study, develop a business plan, provide training, and help pay for other related expenses in developing a coordinated network of local businesses in the free-range poultry industry.

Those eligible to apply for the SSDPG are minority cooperatives or minority associations of cooperatives. Eligible areas include areas outside towns having a population greater than 50,000 and any adjacent urbanized area, or an urbanized area that is nevertheless rural in character.

Other RBS Programs

In addition to the programs described above, RBS has a number of other programs that are not authorized under Title VI of the 2008 Farm Bill but are essential programs in the RBS portfolio. These programs include: the Intermediary Relending Program, the Rural Business Enterprise Grant Program, the Rural Economic Development Loan and Grant program, the Biorefinery Assistance program, the Repowering Assistance Program, the Advanced Biofuel Payment Program, and the Rural Energy for America Program.

Backlog

Our RD programs are oversubscribed and in high demand. The B&I guaranteed loan program currently has 255 eligible pending applications/preapplications totaling $983 million that would receive funding if it were available.

The RMAP program has currently received 78 eligible loan and grant applications totaling $12.4 million in funding requests but was only provided $4 million for FY 2011, which will support 160 businesses through $10.7 million in grants and loans.

The Rural Business Opportunity Grant program had 424 eligible applications totaling $60 million apply in 2010. Only 27 awards could be funded totaling $2.6 million.

The last time funding for the Value-Added Grant Program was announced, there were 300 eligible applicants requesting $32.7 million, but only 196 projects totaling $22.7 million were awarded.

Uniqueness

All of the RBS programs are unique by virtue of their singular focus on rural America. Though some of the goals of these programs may be similar to SBA, the implementation, technical support, and outreach for the programs, eligibility requirements, loan limitations, and project expansion are tailored to support rural businesses and residents to expand their local economies. In Government Accountability Office comparisons of RD programs to the programs of other Federal agencies, they found that while similarities exist, RD is the only Federal agency with a broad experience base for implementing rural programs.

Unfunded Programs

There were numerous programs included under Title VI of the 2008 Farm Bill which no longer receive funding or never received funding. These programs include: the Appropriate Technology Transfer for Rural Areas program, the Rural Business Investment Program, the Rural Collaborative Investment Program, Grants for the Expansion of Employment Opportunities for Individuals with Disabilities in Rural Areas, and the Agriculture Innovation Center Demonstration Program.

Councils

In addition to the RBS programs, we also work as liaisons along with the Rural Utilities Service and Rural Housing Service to support businesses in the following communities: Rural Economic Area partnership zones, Delta Regional Authority, and the Northern Great Plains Regional Authority.

Conclusion

RBS is committed to promoting economic prosperity in rural communities through our grant, loan, and loan guarantee programs. In partnership with other public and private sector businesses, RBS continues to improve the economic climate of rural areas through the creation or preservation of sustainable business opportunities and jobs and by helping to close the gap in opportunity for the underserved rural areas and populations. With your help, we will continue working to bridge the opportunity gap between rural and urban areas. In closing, I would like to thank the Subcommittee for the opportunity to appear before you today and look forward to responding to your questions.

The CHAIRMAN. Thank you for your comments.

And last on the panel, we have Tammye Treviño of the Rural Housing Service. You can go ahead and proceed.

STATEMENT OF TAMMYE H. TREVIÑO, ADMINISTRATOR, RURAL HOUSING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Ms. TREVIÑO. Good morning, Mr. Chairman, Ranking Member Costa, and Members of the Committee, it is a privilege to provide a brief overview of the United States Department of Agriculture's Rural Development Rural Housing Service activities.

For over 60 years, the Rural Housing Service, part of the Department of Agriculture's Rural Development mission area, along with

Rural Utilities Service and the Rural Business-Cooperative Service has been working to help rural America thrive by supporting the housing needs of these communities. Rural Development is a collaborative agency. Our programs build upon one another ultimately creating efficiencies for the taxpayer and the communities that we serve. As part of the Rural Development mission area, Rural Housing Service provides Single-Family Homeownership Programs, Multi-Family Housing Programs, housing loans and grants for repair and rehabilitation, and community programs. All are integrated into a more holistic approach at rural community and economic development.

We have exceptional staff in local offices across the rural landscape working closely with dedicated partners in the for-profit and nonprofit sectors. This same staff delivers programs for all three agencies across the mission area. By being located in rural communities, we are able to cultivate important relationship with lenders, realtors, community-based organizations, redevelopment authorities, and others. Our efficiency is noted in the strategic centralization of a significant portion of core operations while leveraging the community knowledge of our field structure across all programs. For example, staff delivering Rural Housing Services Community Facilities Programs to eligible municipalities, tribes, and nonprofit organizations also work with these same partners on the Rural Utilities Service's Water and Waste Disposal Program. The importance of our local staffers cannot be overemphasized. They know the needs of their neighbors and their rural communities and provide critical support both effectively and efficiently.

In the wake of natural disasters Rural Development programs have worked in concert to build communities from the ground up. No other department in the Federal family offers rural communities the range of financial services available from USDA Rural Development and the staff nearby to provide the technical assistance.

At the Rural Housing Service, our mission is to help families, individuals, and businesses in rural communities thrive by ensuring access to capital for housing and community facilities. Utilizing a total budget authority of $1.03 billion, the Rural Housing Service leveraged a program level of approximately $26.3 billion in loans, loan guarantees, grants, and technical assistance in Fiscal Year 2010. Our programs are provided through the Housing Act of 1949 in combination with the consolidated Farm and Rural Development Act.

Rural Housing Service is a big part of Rural Development's overall success and effective program operations. Despite doubling our borrowers' numbers over the last 2 years, Rural Housing Service's direct and guaranteed loan portfolios continue to perform well thanks in large part to our state-of-the-art call center, the Centralized Servicing Center in St. Louis, Missouri. Rural Housing Service also provides funding for essential community facilities. Since the Rural Community Programs were authorized by the CONACT in 1972, more than $12.7 billion has been invested in facilities equipment for healthcare, education, public safety, and other services essential to the healthy economic and civic environment in rural America.

For Fiscal Year 2012, the CF Direct Loan Program has a negative subsidy rate that enabled Rural Development to request zero budget authority for a program level of $1 billion, more than triple our current level. In the essence of saving time, information about delinquencies and accomplishments in the Rural Housing Service Program has been provided in written form. As stated in the CONACT, rural America has complex needs, and at Rural Development, we share an important commitment with you to meet those needs. We believe that the mission and delivery of programs that Rural Development affords us the flexibility to respond to current and changing needs across the rural landscape; and lead other public sector and private sector, for-profit and nonprofit partners to invest strategically in rural people and rural places, particularly those who are traditionally underserved by conventional financial models and at times where the private sector is unable to step in. Rural communities have a unique set of challenges that Rural Development is well-suited to address.

Thank you for the opportunity to appear before you today, and I welcome any questions or comments.

[The prepared statement of Ms. Treviño follows:]

PREPARED STATEMENT OF TAMMYE H. TREVIÑO, ADMINISTRATOR, RURAL HOUSING SERVICE, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Johnson, Ranking Member Costa, and Members of the Committee, it is my privilege today to provide to you a review of the United States Department of Agriculture (USDA) Rural Development's (RD) Rural Housing Service (RHS) programs and activities. The core mission of RHS is to create vibrant, thriving rural communities, a strong housing stock, access to safe, decent and affordable rental housing and access to high quality essential community infrastructure. RHS accomplishes its mission through a number of housing programs authorized under the Housing Act of 1949 and the Community Facilities (CF) programs authorized under the Consolidated Farm and Rural Development Act (CONACT) and amended through farm bill legislation. In addition, through the Rural Community Development Initiative (RCDI) RD provides technical assistance and training funds to qualified intermediary organizations to develop their capacity to undertake housing, community facilities, and community and economic development projects in rural areas.

Overview

The RHS programs are a systematic part of RD's community and economic development structure which works to improve the quality of life in rural America. We work to improve infrastructure, sustain and create jobs, and create economic wealth in rural communities. RD programs are locally-led and they work together in a cohesive manner to provide all of the necessary services and activities to have sustainable and prosperous communities. Housing, community development, and technical assistance are at the foundation of our agency's mission. This foundation, along with the targeted programmatic approach, makes RHS programs an essential tool for rural America.

In Fiscal Year (FY) 2010, utilizing budget authority of about $1 billion, RHS supported a program level of approximately $26.3 billion in loans, loan guarantees, grants, and technical assistance. The budget targeted resources to programs that are most needed and most effective in rural communities. RHS programs continually assist USDA's efforts to help rural America out-build, out-educate, and out-innovate our global competitors while making the tough choices necessary to address responsibly the nation's budget deficit. In 2010, RHS assisted nearly 161,000 rural American families to buy or repair their homes, provided safe, decent affordable rental housing to 460,000 individuals, and provided financing to assist over 1,000 small communities develop essential community buildings and equipment. The remaining text discusses our RHS programs, and how they impact rural America.

CF Program

The CF program was authorized in 1972 under the CONACT to provide funding necessary for the installation or improvement of essential community facilities in rural America. Since that time, the CF program has provided over $12.7 billion in funding for health care, educational, public safety, and other essential community facilities and more than 40 percent of the CF program investments have been made in rural health care facilities. The local hospital, school system, or public safety district is often the largest employer in a rural community or region. By providing low-interest loan and grant funding for these organizations through the CF program, we directly support economic development and job creation.

The current CF program portfolio consists of about $5.2 billion in outstanding loans and grants that have been made to 11,197 facilities that received either individually, or in combination, a direct loan, guaranteed loan, or grant. Since FY 2009, the CF programs have invested over $3.1 billion in 4,207 essential community facilities, estimated to directly create 9,996 jobs and save 22,384 jobs. Of that amount, over $1.66 billion was invested in 464 rural health care facilities and is estimated to create 4,124 jobs and save 10,319 jobs.

CF Loan Programs

RHS offers both guaranteed and direct CF loan programs. Direct loans are available to those who are unable to obtain commercial financing. The maximum term for all loans is limited to the lesser of the useful life of the facility, any state law limitation on loan terms, or 40 years. Interest rates for direct loans are based on current market yields for municipal obligations, although loans for facilities impacting prime or unique farmland may require a slightly higher rate. Certain other direct loans may qualify for a lower interest rate, depending upon the median household income of the residents of the community to be served. Guaranteed loans are made and serviced by commercial lenders such as banks, savings and loans, mortgage companies which are part of bank holding companies, the Farm Credit System, or insurance companies. CF programs may guarantee up to 90 percent of any loss of interest or principal on the loan. The entities eligible to apply for loans are public bodies, nonprofits, and federally-recognized Indian tribes. The eligible area for both direct and guaranteed loans is rural communities with a population up to 20,000.

The President's FY 2012 Budget proposes to fund the CF direct loan program at $1 billion, more than triple the historic funding level. In addition, the budget proposes to eliminate funding for the CF guaranteed loan program. The CF guaranteed loan program originated as an inexpensive alternative to the direct loan program, designed to stimulate additional assistance to moderate income communities in rural areas. However, the defaults in the CF guaranteed program have been much higher than originally projected, making it more expensive than the direct loan program. The CF direct loan program has a negative subsidy rate in FY 2012. This means that the $1 billion in CF direct loan assistance can be provided without the need to request subsidy budget authority. The proposed increase in the CF direct loan program will mitigate any effects of ending the guaranteed loan program. This is a win-win for taxpayers and rural residents working to strengthen their rural communities.

CF Grant Program

The entities eligible to apply for grants are public bodies, nonprofits, and federally-recognized Indian tribes. The eligible area for the program is rural communities with a population up to 20,000. The amount of grant assistance depends upon the median household income and the population in the community where the project is located. Grant assistance may be available for up to 75 percent of project costs.

Housing Programs

Title V of the Housing Act of 1949 authorizes loans and grants to assist rural families in becoming homeowners and to provide safe, decent and affordable rental housing. The major housing programs under this legislation are single family housing (Section 502), single family housing repair and rehabilitation (Section 504), rural rental housing (Section 515), and self-help technical assistance grants (Section 523),. These programs were carried out by the Farmers Home Administration prior to reorganization of the Department in 1994 and creation of the Rural Housing Service.

In 1968, an amendment to Title V of the Housing Act of 1949 established the interest-credit housing loan program. It enabled some low-income families to pay as little as one percent interest and provided for subsidized loans to developers of low-priced rental housing for low-income families and senior citizens. New programs also were enacted in 1968 for rural homesite development loans and for grants toward support of "self-help" homebuilding group projects. Grants of up to 90 percent, as well as loans, were authorized for farm labor housing projects.

Single-Family Housing Programs

The Single-Family Housing (SFH) programs provide homeownership opportunities for rural Americans with very low-to moderate incomes to purchase and improve homes through several loan, grant, and loan guarantee programs. The programs also make funding available to individuals to finance vital improvements necessary to make their homes decent, safe, and sanitary. Thus far in FY 2011, USDA through the RHS Single Family Housing programs has provided $11.7 billion in direct and guaranteed loans to assist 92,786 families to purchase or refinance a home, strengthening our rural communities and neighborhoods and helping families build equity in their future. In FY 2010, the SFH programs provided $18.9 billion to 150,693 families to purchase or refinance a home, helping boost rural economies and creating thousands of new jobs in rural communities.

The 2012 budget proposed a $24 billion program level for the SFH Section 502 loan guarantees which is anticipated to fully meet demand. For FY 2011 and FY 2012, the program has a negative subsidy rate because of a low and stable default rate coupled with increased program fees. The 2012 fee structure will be a two percent up-front fee and an annual fee of 0.3 percent. Single-family housing direct loans and housing repair grants are both funded at reduced levels for 2012, reflecting the efforts of this Administration to "tighten our belts". The shift from direct loans and grants to guaranteed loans allows us to significantly increase our investment in rural America while simultaneously decreasing the burden on taxpayers. The $24 billion guaranteed loan level allows RHS to provide the highest level of assistance for single family housing in rural areas that has ever been provided—and without needing to request subsidy budget authority.

The collapse in the housing market caused a reduction in lender confidence, which has increased demand for the SFH guaranteed program. Currently, approximately 2,000 lenders participate in the program. The low home mortgage interest rate environment has enabled the guaranteed rural housing program to serve low-income families who may have previously looked to our SFH direct loan program for assistance. However, recognizing that an unserved need may continue to exist for very low-income families, the single-family direct loan program's reduced funding level will be $211 million and will be targeted to very low-income applicants.

Multi-Family Housing Programs

The Multi-Family Housing (MFH) budget continues RD's commitment to providing affordable housing options to the poorest of the poor in rural America. Our existing portfolio provides decent, safe, sanitary, and affordable residences for the 460,000 tenant households. The MFH Program offers Rural Rental Housing Loans to provide affordable multi-family rental housing for very low-, low-, and moderate-income families; the elderly; and persons with disabilities. This is primarily a direct mortgage program, but funds may also be used to buy and improve land and to provide necessary facilities such as water and waste disposal systems. In addition, rental assistance is available to eligible families.

The total program level request for MFH programs is $1.06 billion of which $907 million is allotted for the MFH Rental Assistance contract renewals. The requested rental assistance is sufficient to accommodate the renewal of 204,503 expiring rental assistance contracts. While the FY 2012 budget request proposes to terminate funding for the MFH Revitalization Demonstration Program, it proposes to increase the MFH direct loan program from a program level of $69.5 million to $95 million, ensuring that more affordable rental housing opportunities are created for the very-low income tenant base in rural America. The direct loan program can be used for repair and rehabilitation as well as new construction. So the increase in funding should allow property owners to continue to finance revitalization efforts even without the demonstration program.

The FY 2012 budget request proposes $16 million for the Rural Housing Voucher Program. The voucher funding will be used to offset some of the reductions in rental assistance. If a MFH property offering rental assistance leaves the portfolio, vouchers will be offered to all low-income tenants that presently receive rental assistance.

The FY 2012 budget request for MFH Section 514/516 Farm Labor Housing is approximately $37.2 million in program level funding.

Farm Labor Housing

Funding was not proposed for FY 2012 for the Farm Labor Housing program. The program provides loans and grants to build affordable rental housing and related facilities for both migrant and year-round farm workers. Units may be off-farm housing available to eligible farm workers of any farming operation or on-farm housing for farm employees. Funds for this program may also be used for repairs of existing program units.

Housing Loans and Grants for Rehabilitation and Repair

The FY 2012 budget limits or eliminates funding to some very small loan and grant programs to allow the agency to focus on the programs that most effectively achieve USDA's housing goals through higher loan volumes. USDA will provide approximately 2,000 grants to very-low income, elderly, rural homeowners in order to make essential repairs to their homes to make them safe and to remove health hazards through the SFH Housing Repair grant program. This program is designed to help the most vulnerable residents in rural America.

Smaller and more labor intensive programs that are not proposed for funding include housing repair loans, self-help housing grants, housing assistance grants, and loans to deal with inventory property referred to as "credit sales." This shift in the focus of program delivery will make USDA leaner, more efficient and will help the agency streamline operations and deliver results at a lower cost for the American people.

Technical Assistance

The RCDI provides technical assistance and training funds to qualified intermediary organizations to develop their capacity to undertake housing, community facilities, and community and economic development projects in rural areas.

Technical assistance promotes partnerships at the local, regional, and state levels to assist communities in advancing their strategic or economic development plans. It also encourages coordinated planning among RD programs to address specific projects within the context of a community or regional strategic plan.

The entities eligible to apply for RCDI funds are public bodies, for profits, private nonprofits and Indian Tribes. Eligible areas include outside the boundaries of a city with a population of 50,000 or more and its immediately adjacent urbanized area.

Conclusion

RHS implements rural housing and CF programs to assist rural communities to create a healthy, safe, and prosperous place in which to live and work. Rural housing direct and guaranteed loans and grants assist rural families in becoming homeowners and provide safe, decent and affordable rental housing. CF direct and guaranteed loans and grants create jobs in rural America through the development of essential community facilities such as hospitals, libraries, day-care facilities, fire halls, community centers, and more. In closing, I would like to thank the Subcommittee for the opportunity to appear before you today and look forward to responding to your questions.

The CHAIRMAN. Thanks to the three of you for your direct remarks. They are gratefully received by the Members of the Committee.

Let me start with this question for all three of you. The existing farm bill, which we are in the course of actively working on a new version, required USDA to report on the various definitions of *rural* and how those definitions impact our programs. Obviously, as Ranking Member Costa alluded to in his opening remarks, and as I can tell you and Members of the Committee on both sides can tell you, this is a critical determination in terms of your services and the services to the agricultural sector. The report was due 2 years after the enactment of the farm bill, and we still haven't received the report. I believe in the second or third month of this year, Deputy Under Secretary Cook assured the Committee that we would have the finished report by June of 2011, over 3 months ago. We still haven't received it. Why not?

Ms. CANALES. Mr. Chairman and Ranking Member Costa, both of you have a strong interest and of course the entire Subcommittee, indeed Deputy Under Secretary Cook did make that statement. I do want to say to you that the report is at Rural Development. It is a report, as you can well imagine, given that the three agencies that are represented here all have different standards and different population limits and different criteria for how we operate, each one of the programs that we are responsible for, given the authorization language from these different agencies. So I will say to you that in response to your question that the report is being worked on. There is a draft. The Deputy did state to us that this is something that is very important to provide to the Congress.

I do want to say to you that certainly within my agency, we have had a tremendous amount of experience utilizing the very specific criteria that you all authorized regarding the definitions of *rural* and characterizations, which were able to utilize them. And those were able to, therefore, gain more rural areas. That is a petition that a local community can make to Rural Development in order to get a review of their area. So the report——

The CHAIRMAN. If I could—I appreciate it. Back to the question. I don't mean to be adversarial. I am just asking the question. But it has been 3 months and you indicated it is under review. Now, when can we expect that? Not generally, in the real near future, but specifically when can we expect that report. I know the Ranking Member, several others on this Committee, and I are going to be in a field hearing where that definition in terms of rural broadband has particular significance. That is actually in a couple weeks. We would love to be able to have some parameters for a variety of reasons so we know what way we are operating. Can you, between the three of you, give me a date? Like next week?

Ms. CANALES. I could not state that it will be next week. You know, we could give you a date——

The CHAIRMAN. When could you say to us that it will be? And again I am not trying to be unkind. This is an important concept and it was promised a long time ago. I think we can legitimately ask the Department to give us a date. So can you give us a date? We need to know what we are operating with. Mr. Costa has pointed out the tremendous significance in his counties, likewise with mine and the Members of the Committee. You know, Congressman Schilling's district is very similar to mine in terms of limited access to facilities and how the definitions affect that. I mean rural America in many parts of the country is on the decline. This is critical, critical to maintaining or increasing the viability of rural America. And we can't just have generic promises. We need to know.

Ms. CANALES. Well, certainly, we agree with you in the sense of the need to focus on rural America and each one of our agencies has our own definitions that we utilize. But I mean I could not give you a date——

The CHAIRMAN. Well, I am going to ask you to anyway. Let me ask each one of you to give me a date by which we can expect that report. You, sir?

Mr. ADELSTEIN. I have been told by the Under Secretary's office that the report is imminent. If it is possible if I could get back to you by the end of today with a date-certain that we can get that to you, we will do that.

The CHAIRMAN. Yes, ma'am, you? No, I am asking you, Ms. Canales.

Ms. CANALES. The information that I have received in regards to the report is as my colleague stated that it is imminent, which I reported to you. And so we can respond back today and give you more certainty.

The CHAIRMAN. Yes, ma'am?

Ms. TREVIÑO. I have nothing to add, Mr. Chairman.

The CHAIRMAN. I think if the three members of the panel would be willing to communicate with the office of the Ranking Member and myself either in writing or otherwise to tell us—rather than the end of the day, let's just do it by the end of the week, to give you time to deal with it more effectively, and give us a date by which we can expect that. I think we can make a lot of plans accordingly. But without reiterating the obvious, this is a really critical determination and it is a lynchpin to a lot of programs.

Ms. CANALES. Absolutely.

Mr. ADELSTEIN. We will do it, Mr. Chairman. One of the reasons that this is so difficult is the importance of it and the complexity of it. We have significant impact on communities we serve based on that definition.

The CHAIRMAN. That I understand, but if it is difficult, then if we were told a year ago that it is difficult, so we would not be expecting it and have expectations built around June of this year. This isn't a partisan issue. This is just a government layer of bureaucracy issue and we need to uncover the layers. I think we would all agree with that. All right. And I now turn to the distinguished Ranking Member, the gentleman from California, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman. I couldn't agree with you more. Ms. Canales, your response was nice but it was filled with a lot of "bureaucratic-ese;" and it is not to be necessarily a reflection on you or the United States Department of Agriculture. So much of what frustrates many of us and our constituents is the bureaucratic difficulty in responding in a fashion that seems to be clear cut and one that is expedited. Yes, it is difficult. As the gentleman who just responded, Mr. Adelstein, said, "Look, we are working on this. It is taking more time than we thought. We are having problems in this area and that area." If it is difficult, then you owe the Subcommittee, the Members of the Committee a response. But I would hope that in the sense of cooperation and collaboration that you would get back to the Chairman and myself later today and give us a timeline that you think you can follow. And if there is a problem with it, let us know, because this is vital not only to the field hearing we are holding in 2 weeks in Illinois but to a lot of the work the Subcommittee is doing.

So let me get into a couple questions here. I think it has been underlined enough I hope. I talked about the definition of, and flexibility to, address the nation's rural communities. After all, these are taxpayers' dollars in which our rural communities pay to Washington. We want to ensure that we get an appropriate share of those taxpayers dollars back to those rural communities. Have you thought about utilizing Census tracts, Ms. Canales or any of the other two witnesses, and would you care to comment as a way of redefining rural?

Ms. CANALES. Ranking Member Costa, absolutely. Census tracts has been a point that has been raised among our western state directors. You know, going back to——

Mr. COSTA. I have worked with them.

Ms. CANALES. Yes.

Mr. COSTA. Have you considered it?

Ms. CANALES. Yes.

Mr. COSTA. What are the details?

Ms. CANALES. The answer is yes.

Mr. COSTA. What do you think the problems are? Where are you on that?

Ms. CANALES. The answer is yes, we are considering Census tracts.

Mr. COSTA. Will you get that in terms of response in this report or will it not be included? Do you know?

Ms. CANALES. I believe that it will be included, yes, sir, as part of the report.

Mr. COSTA. Yes. There is also an announcement by the White House, an Executive Order for a Rural Council. I have been critical. In previous Administrations they have designated a person within the White House to handle rural areas. My friend who is on the mend right now, God bless him, Marion Barry from Arkansas played that role at the Clinton White House. What has happened with this Executive Order? Has the council been named? Do you know? Can you add some meat on that bone?

Mr. ADELSTEIN. The council has been named. The lead of the council is Secretary Vilsack. The council is working across the Federal Government family to meet the needs of rural America and to coordinate between different agencies. So it is similar to the function that was previously handled by staff in the White House, but now there has been a more formalized way of ensuring proper coordination across the Federal Government.

Mr. COSTA. Coordination is fine but stakeholders have to understand that they are playing a role and they are participating and their comments are going to be taken into account. I mean otherwise it just becomes another council for illustrative purposes. You have to get by it in a way that makes sense.

Ms. Treviño, you talked about housing and I am very concerned. I think we all see the housing crisis around the country but it is just as serious in our rural areas. My colleague Congressman Cardoza has tried to get the Administration's attention on it. Notwithstanding the best of intentions, and your intentions are laudable, it seems most of the efforts have been ham-fisted and not successful. What about Section 502 Single-Family Housing Guaranteed Loan Programs? Many private lenders still aren't lending for reasons that we are aware of—regulatory means and other situations—can you comment on the success of that or where you are at on that?

Ms. TREVIÑO. Yes, thank you for the question, Congressman. The Rural Housing Section 502 Single-Family Guaranteed Program has been very successful. We have increased our numbers in the last 3 to 4 years by three and four times as much as we were producing years ago. Our portfolio has remained stable in terms of its performance on delinquencies and foreclosures and so we continue to monitor what the lenders are doing. Currently, those programs are not as high in terms of numbers as we had seen at this time last year in terms of demand, but we are continuing to work with our lenders and try to——

Mr. COSTA. My time has expired, but I would like to understand how you define success?

Ms. TREVIÑO. We measure ourselves with the private sector and other government-sponsored entities, and currently our delinquency and foreclosure rates are below other government-sponsored entities.

Mr. COSTA. Thank you, Mr. Chairman, for your time.

The CHAIRMAN. The gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman and Ranking Member. To those of you on the panel I would just start with a comment. I am one of those that is a freshman in Congress and 8 months ago I was in the private business sector. I wonder what would have happened had I looked at a government agency and said it is important, it is complex, I don't know when I will get it to you even though it was due 2 years ago. I am not quite sure if they would have executed my business with a shotgun or a sledgehammer, but I feel quite confident, coming from the private sector, that dealing with a government agency had I been negligent in providing an audit or some other form or, God forbid, miss dotting an "i" or crossing a "t," they would have been there to shut my business down.

With that said, I want to go back to USDA Housing, and I understand that the President has proposed to move this to HUD. Is that correct, the housing aspect of USDA to HUD?

Ms. TREVIÑO. No, sir, that is not proposal by the President.

Mr. SCOTT. Who is it a proposal by?

Ms. TREVIÑO. It is currently a draft discussion by the House Financial Services Subcommittee.

Mr. SCOTT. What are your thoughts on that?

Ms. TREVIÑO. We strongly oppose that move.

Mr. SCOTT. Okay.

Ms. TREVIÑO. At Rural Development, as I stated earlier, we are a collaborative effort. We believe that we need to look at the entire needs of rural America because they are very complex as you stated. And every rural American has interrelated needs. The communities have other needs, and for us to be able to address just the housing needs by moving over to HUD would negate all the work that we have done working in synergy with our other partners in Business and Utilities. We believe that we create efficiencies and cost-effectiveness because of the way we operate currently.

Mr. SCOTT. Okay. Thank you for that. So it is the House Financial Services Committee, and I would just hope that you would continue to argue on behalf of the rural communities because I know that my housing authorities, even in my metropolitan areas, had suggested to me that HUD has indicated to them that if they have been run well and have actually accumulated reserves, some operating reserves, that HUD has some intent of having those housing authorities that are well-run turn those monies back over so that they can be redistributed to other housing authorities that haven't been run as well. So certainly HUD is one of those agencies that I do not think is well run in Washington, and there is certainly a long list of those. But thank you for continuing to stand up for rural America.

Administrator Adelstein, I would like to speak with you about the broadband briefly, and I have about 2 minutes left. But what steps are you doing to make sure that when we do expand the broadband that we are not overbuilding? In other words, are we giving loans to develop broadband in areas where there already is access to broadband *versus* making sure that the loans go to areas where there is no access to broadband? I would also like for you to speak to that in regard to the report that came out about how much money was spent to develop broadband to a select few families and whether or not you think that those investments going forward with satellite technology and other things that are going to make faster communications available in the rural areas or good use of taxpayers' dollars?

Mr. ADELSTEIN. Congressman, our goal is to serve the most remote rural areas, to get the funds to those places that have no service or inadequate service. And the 2008 Farm Bill is designed so we don't finance broadband in areas with service. But broadband doesn't always follow neat lines. It doesn't shape itself along lines, you can say we are going to serve here and not serve there. To bolster the financial feasibility of some of these proposals to serve the most difficult-to-serve areas, occasionally there is some overlap, but we do focus on ensuring that we close the digital divide between those underserved and unserved areas. The statute recognizes that.

When it comes to satellite service, we are technologically neutral. We want rural businesses and residents to have first-class broadband service no matter where it comes from. We did provide for satellite service as part of the Recovery Act, an initiative for those who didn't have broadband through any other of our awards, that they would have access to low-cost satellite service. For some businesses, they have issues that satellite is not adequate to their needs, so we try to maximize the amount of bandwidth that we can get to rural areas.

Mr. SCOTT. My time has expired.

The CHAIRMAN. Thank you, Mr. Scott. That is I guess a good segue for the fact that we do have the first field hearing of 2011, Mr. Costa and I. Other Members of the Committee are invited. In fact, we have at least five coming already. I realize there are some conflicts along the schedule, but that is scheduled for Saturday, the 24th of this month, University of Illinois-Springfield specifically on the subject of rural broadband services and the future of rural America.

Let me also mention to all three of you—because I have ascertained the names in the meantime—you had indicated you would by the end of the week let us know a date by which we can expect that definition. In Ranking Member Costa's office, the gentleman's name is Nick Choate, and in my office, the gentleman's name is Sam Pfister, and we would eagerly await your response and hope that you will get that to us and then obviously the implementation thereafter.

I would recognize the distinguished gentlelady from Alabama, Ms. Sewell.

Ms. SEWELL. Thank you, Mr. Chairman. I would like to thank all of our panelists for being here today and for your testimony.

My question is actually to Mr. Adelstein. I represent a very rural part of Alabama, and I, too, am very concerned about broadband and access to areas in my district that just don't have access. Frankly, my mother and father—they live in Selma, Alabama, and it was only last year that we got away from dial-up. So it is really important that I reiterate what Congressman Scott said as well, that it is very, very important to get it to remote areas, broadband access.

My question is many of the entities that you lend to are dealing with regulations and settlements under Federal law, including the Clean Air and Clean Water Acts. Have you seen an impact on systems that serve rural residents and their ability to deal with these regulations?

Mr. ADELSTEIN. Yes. First, on the broadband, I was thrilled we were able to get a Recovery Act award to your district, to Butler Telephone Company, and we will continue to work in rural Alabama and across the country to get broadband to the most remote areas. In terms of impact on our programs, yes, we have seen that certainly regulatory requirements do impose costs that we need to deal with, and we do deal with as part of our efforts to ensure that rural areas can meet requirements for the health and safety of their residents. I mean those are consistent with what we do. Rural areas do incur costs. The impact depends—in the Water Program, for example—on the size and type of the treatment facility, on the quality of water service and what the regulatory standard might be. It increases demand for RUS Loan and Grant Programs. Right now, we have a $3.2 billion backlog in our Water Program, and these requirements certainly do have an impact.

We do work with our colleagues in other agencies of the government to make sure that they are aware of the impact on rural America of the different departments that they do have, but we will work with the communities affected to help them comply.

Ms. SEWELL. Very good. What programs have been most beneficial under your tenure in providing reliable and affordable electric power, water, broadband? What programs do you think have been the most effective under your agency and what programs have yielded disappointing results?

Mr. ADELSTEIN. Well, we have really been thrilled at the impact of our major flagship programs, the Electric Program, again $6 billion of investment this past year with no requirement of taxpayer dollars to get that done. We have had great success with our traditional telecommunications program, as well as the Recovery Act broadband programs and getting these rural systems up to date.

I mentioned just briefly that the Water Program is oversubscribed. We have some $3 billion backlog attesting to the demand. That is after we did over $3 billion in new programs under the Recovery Act to deal with the backlog that we had.

There are some small programs we don't think are that important. We have a Household Water Well Program that, for example, is very small and doesn't do that much. I mean it is for individuals to get their own wells improved and with a couple million dollars for the whole country, it doesn't really have the kind of global impact that our major Water Environmental Program has. So there are some programs that we can do without in this difficult budget environment, but the major programs have done a remarkable job of meeting the needs of rural America.

Ms. SEWELL. Thank you.

The CHAIRMAN. I recognize the gentlelady from Missouri, Mrs. Hartzler.

Mrs. HARTZLER. Thank you, Mr. Chairman. I wanted to follow up some more on the broadband questions. How much total is dedicated right now to the broadband program?

Mr. ADELSTEIN. Right now, the traditional broadband program has been authorized by Congress to provide $690 million in loans, and we have sufficient funding under the broadband program for about $300 million in loans. And then we have a couple of smaller grant programs, the Distance Learning Telemedicine Program, around $25 million; and the Community Connect Grant Program, which provides grants to areas with no service, very small, remote, rural communities, about $13 million.

Mrs. HARTZLER. Okay. Out of that total amount, how much is going to the end-of-the-line customers specifically to help people who don't have any other access or any other service to high-speed *versus* how much is going to people who already have service?

Mr. ADELSTEIN. Well, all of it is going to either improve or provide service to people that don't have it today. So generally speaking, we do focus, as I said, our resources on areas that have no service, but in many cases what we have, for example, in the Telecommunications Loan Program is our existing telephone company will be providing improvements to—they may be providing broadband to customers today, but they want to improve that. They want to, say, go from 1 megabyte per second or 768 kilobytes per second to fiber right to the home. So this would be the same provider that is upgrading its system. So they had broadband under one definition, but that telecommunications company, in order to meet the needs of the future to provide video, to provide all the current needs of rural consumers will upgrade. And again, that program is no cost to the taxpayer because they pay us back and our default rate is very low.

Mrs. HARTZLER. So do you have an indication of how much is upgrade *versus* how much is new?

Mr. ADELSTEIN. I don't have an exact number. I mean it is very hard to see because broadband doesn't follow neat lines. We have requirements in our broadband loan program, which we just created that ensures the funds go to the most rural areas that don't have adequate broadband as defined by the statute. We don't provide funds for overbuilding ourselves under the traditional, the $690 million program, but we are finding that many of those are upgrades. They are going from old, slow DSL to fiber to the farm or to the ranch, which is what a lot of rural consumers need, a lot of rural businesses need to compete in the 21st century.

Mrs. HARTZLER. How long have these grants been available, these loans, and what is the percentage of payback at this time?

Mr. ADELSTEIN. Well, the traditional program has been operating since 1949, so we have been doing this for 60 years.

Mrs. HARTZLER. Sure, but I am talking about broadband, not rural electric.

Mr. ADELSTEIN. The broadband program was initiated in the Farm Bill of 2002. There were some pilots that had been done before that, so over the last decade, we have invested about $1 billion in broadband infrastructure through the broadband loan program, of which we are repaid the vast bulk of that. There is a very small default rate. Right now, the Office of Management and Budget is giving us a subsidy rate assuming defaults of 2.58 percent I believe.

Mrs. HARTZLER. Okay, great. I want to switch gears real fast with the EPA. And Mr. Adelstein, they have placed a significant burden on a lot of small, rural communities with new and increasingly stringent regulations. I know I have a couple of towns in my district that we have been visiting with trying to help. Anyway, many of these cases, these communities are faced with no choice but to attempt to take on significant debt to finance new water and wastewater systems for homes which were previously served by wells, individual drain systems. In your view, is the EPA requiring too much from these small communities?

Mr. ADELSTEIN. Well, as I mentioned in the previous question, we do see that requirements do incur cost on rural systems and we are trying to meet those needs. Some of those requirements are for the health and safety of the community. For example, in your district I visited Gravois Mills—or actually it was Gravois Arm Sewer District——

Mrs. HARTZLER. Yes.

Mr. ADELSTEIN.—and you are probably familiar with the problem there. It is on the Lake of the Ozarks and people had built their own septic systems right along the lake and those were draining into the lake. And the lifeblood of that community, as you know better than I——

Mrs. HARTZLER. Yes.

Mr. ADELSTEIN.—is the tourism of that lake. And there was a time when it has been shut down from swimming and use.

Mrs. HARTZLER. Right.

Mr. ADELSTEIN. So we provided funding to improve that water system. Sometimes EPA will require that these communities come up to snuff and not be dumping sewage—sometimes raw sewage into a lake that is shared by the entire community like Lake of the Ozarks. But we work with the EPA in terms of those requirements to make sure that they are understanding what the impact is on our program and one of the reasons we have such a large backlog.

Mrs. HARTZLER. What is the backlog real quickly?

Mr. ADELSTEIN. It is $3.2 billion backlog for rural water applications.

Mrs. HARTZLER. Okay. My time has expired. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Vermont, Mr. Welch.

Mr. WELCH. Thank you very much, Mr. Chairman. I appreciate being here. We are pretty proud of the work that you all do in Vermont. Molly Lambert has been in charge there and she has a lot of experience both in that job and other important jobs that she has had in Vermont. And we have had, as you know, this terrible flooding in Vermont that is the worst natural disaster that we have had since 1927. And roads and bridges, houses, small businesses have been destroyed. So we have an immense amount of rebuilding to do and we are really going to be needing some help to be able to do that. And I just wanted to ask a few questions.

This challenge in Vermont is going to be a long-term challenge, and I just want to generally ask Ms. Treviño, is the USDA Office of Rural Development in a position to handle the long-term effects of the hurricane after FEMA leaves? I mean what we have been learning, of course, is that FEMA is there. They have been doing a fabulous job, incidentally. The Governor is very pleased; people are pleased. But FEMA is not the one-stop shop that a lot of people who are under siege think it is. We really need you to provide the help that only you can provide.

So this is an open-ended question about whether you have the resources you need, what additional resources either financial or in waivers or flexibility in order to do your job under emergency circumstances would be helpful? And, this would affect some of my colleagues, certainly Mr. Owens from New York where his folks have been similarly hit. So maybe you could respond to that.

Ms. TREVIÑO. Thank you very much. And we sympathize with all the natural disasters that you have had that have affected your area. We certainly are ready and prepared to help as much as we can. Ms. Lambert has been made aware of the areas that are designated as FEMA disaster areas. And once that designation is in place, we are able to come in and provide, for instance, moratoria on CF facilities and on housing homeownership that we currently have financed through our systems.

In addition, we are getting towards the end of our fiscal year, so we are running across funding issues when it comes to rehabilitation and repair of affected homes, but in terms of refinancing and being able to use our Direct Program and Guarantee Program in Single-Family Housing, we still have funds available for that and we are ready to help wherever we can.

Mr. WELCH. Well, I appreciate that.

Let me ask a little bit about homeownership. The Rural Development Guarantee Program has been extremely helpful in Vermont for low- and moderate-income homeownership opportunities. We think in Vermont it is crucial that the program be continued and fully authorized. The new fee structure, as you know, is intended to cover costs of the program, but I have heard from some Vermont lenders that it may be administratively very difficult for them to collect some of these fees. Do you have any thoughts on how we can address that? We don't want to make it a hassle for the folks that need to be our partners.

Ms. TREVIÑO. I understand and, again, it has been an issue that we have been working on for about a year. One of the things that we realized around January of this year was that our authority to collect in that front fee is 3.5 percent. In order to continue to have a program come October 1, our subsidy rate is going to 3.8 percent. Since we do not have the authority to go higher than 3.5 percent in an up-front fee, we have had to instigate an annual fee to make up the difference so that we can continue to have a program at all, because it is a subsidy-rate-neutral program——

Mr. WELCH. Yes.

Ms. TREVIÑO.—therefore, we do not get budget authority to run that guarantee.

Mr. WELCH. Okay. And there has been some discussion as well—thank you—that Rural Housing Programs could be moved out of the jurisdiction of USDA to management by HUD. I wonder whether given USDA's unique understanding of the rural issues, can you give us some information on how such a move would occur while preserving safeguards that are put in place to ensure that the rural nature of this program is preserved?

Ms. TREVIÑO. What I can tell you about the discussion draft is that it does not outline how it will do that. We certainly believe that it is not a good idea and we believe that it is a very premature discussion draft at this time. No studies have been made as to the cost-savings for such a move. Simply picking up a chess piece and moving it across the board is not going to give you a cost-savings. Some of the things that have not been considered are the IT needs. We at USDA Rural Development run on totally different information technology than does HUD, and so that would be, we believe, a significant investment. And it would, frankly, upset the synergy with how we offer programs in rural America. We are a collaborative agency and we work in tandem by looking at the holistic needs of the entire community, not just the business needs, not just residential needs.

Mr. WELCH. Thank you very much. I yield back.

Ms. TREVIÑO. You are welcome.

The CHAIRMAN. Thank you, Mr. Welch. The gentleman from Indiana, Mr. Stutzman.

Mr. STUTZMAN. Thank you, Mr. Chairman. And thank you to the panel for being here today.

I would like to start with Mr. Adelstein, a question regarding broadband again. There is a wide range of definitions of what constitutes an area which is served by broadband access. These definitions can include everything from the advertised connection speed, the actual connection speed, consumer price, or simply proximity to the nearest connection. Could you please clarify for the Committee what you think the minimum connection speed should be to justify Federal investments, and then how are you monitoring providers to ensure the advertised speed matches actual connection speeds over these systems built with Federal dollars?

Mr. ADELSTEIN. Thank you, Congressman. Great question. We spent a lot of time considering that and we determined that 5 megabytes per second combined was what was needed for rural economic development. That provides for video streaming. That would be, for example, 4 megabytes down, 1 megabyte up. We combine both down speed and up. That is one that we put in a flexible definition for in the Farm Bill Broadband Loan Program because we expect that will continue to go up. As urban areas see increases, we want rural areas to be able to keep pace.

We are not looking at advertised speeds; we are looking at actual speeds. We want our borrowers to be able to deliver those speeds on the ground. The way we monitor that is we look at the application and we have engineers on staff that evaluate whether or not the proposed technology actually will deliver the actual speeds that are being promised in the application, and if they are not, we will not approve the application until such time as we are satisfied the technical requirements are satisfied. And then as the program is being built out, we have in the field general field representatives that are often engineers that watch the construction of the project. We have the contracts coming in being reviewed by engineers in Washington. So as they are building the project, we are evaluating them step-by-step, contract-by-contract to make sure that it complies with what they put in the loan application that it can deliver the levels of speed that they told us that they were going to provide.

Mr. STUTZMAN. Thank you. I would like to switch gears a little bit. The EPA has placed a significant burden on small, rural communities with new and increasingly stringent regulations. In many cases, those communities are faced with very few choices, if any, but to attempt to take on significant debt to finance new water and sewer wastewater systems for homes which were previously served by wells and individual drain systems. In your view, is the EPA requiring too much from these small communities?

Mr. ADELSTEIN. Well, rural communities do incur costs as a result of EPA rules and the impact depends on the type and size of the treatment plant, the quality of the existing water source that they are dealing with depending on the regulatory standard. This certainly does increase demand for our programs and one of the reasons that we have, as I indicated, a $3.2 billion backlog are these requirements. We do work with our colleagues in EPA and others. I met with EPA to make sure that they understand the impact of these proposals on rural areas. They are, of course, the expert agency on determining the health and safety needs of the public, and we defer to them. And in response, we have to deal with financing the improvements that are required to comply with EPA rules.

Mr. STUTZMAN. What was the backlog number again for water and wastewater applications?

Mr. ADELSTEIN. For water and wastewater applications we have a backlog of around $3.2 billion.

Mr. STUTZMAN. Billion with a "b," okay.

Mr. ADELSTEIN. Right.

Mr. STUTZMAN. Thank you. All right. And then with 1 minute left I would like to ask Ms. Treviño, could you elaborate on how funds through the Community Facilities Program are dispersed around the country? Just, for instance, if you received an application for first responders *versus* an application for a daycare center, how do you decide which to fund and which not?

Ms. TREVIÑO. That is a good question. Thank you, Congressman. We have eligibility criteria that is written by statute and reinforced in our regulation. We emphasize public safety, education, and healthcare. So those applications that address those three areas are weighted by score. The applications, when they are received in a state office, are then scored and funded based on that score. We do hold some reserve money in the national office, and at the end of the year, any applications that weren't funded in that state then are referred to the national office to compete for the reserve and we score them, again, the exact same way based on that criteria.

Mr. STUTZMAN. Okay. Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you, Chairman. Thanks to the panelists for your testimony today.

Ms. Treviño, I wanted to talk about housing specifically with USDA. It looks like a lot of good programs are out there that we do. Specifically, I was interested under the farm bill and the title that is there, I have a mixed blessing in my Congressional district because of the success of natural gas, which has been really good for the economy. Unemployment is down and prosperity is up for the first time in a very long time in parts of the district. We have an affordable housing crisis. It is not one that we are used to in rural America. Normally, we have plenty of places available and we don't have that today. Are there specific programs under the 2008 Farm Bill that would assist—as a result, we see property values being pushed up, people on a limited or fixed income can't afford the rent anymore. Their rent is being increased exponentially, which is great for the property owners. I have no criticism of that. So are there programs out there in the existing farm bill to assist in a situation like that in any way?

Ms. TREVIÑO. They don't currently exist—Congressman, thank you—in the CONACT they are given to us through the Housing Act of 1949. We have rental assistance for low-income individuals who can't find housing, and that rental assistance allows them to live in apartments that would be market-rent and we pay the difference, anything they pay based on their income. So as long as they don't contribute more than 30 percent of their income towards their housing needs, we pay the difference to make up for it. It is our largest-funded program, the Rental Assistance Program. I believe that in your communities what you are finding is an absence of housing and not just the market cost. Again, one of the things that we have tried to do is work with the communities and encourage them to take these companies and to ask them to partner with us and to invest in the communities either by building temporary housing or by taking existing structures and turning them into single-room occupancy homes. So we are trying to be creative in working with our state directors to determine how we can best meet any lack of the housing that we are seeing in those areas.

Mr. THOMPSON. Very good. Thank you.

Ms. TREVIÑO. You are welcome.

Mr. THOMPSON. And I look forward to talking more with you about that. And actually I put together a work group in the Congressional district to bring all the partners to the table, the industry and kind of a public-private partnership to address that.

Ms. TREVIÑO. I look forward to it.

Mr. THOMPSON. You mention in your written testimony that the Community Facilities Program has provided over $12.7 billion in funding for healthcare, education, public safety, and other essential community services, and more than 40 percent of the Community Facilities Program investments have been made in rural healthcare facilities. Can you further elaborate on how these dollars have been spent specifically on rural healthcare?

Ms. TREVIÑO. Yes, sir. Mostly what we do is provide money for bricks and mortar and equipment. We do not provide money for operational cost, so one of the things that we have been very good at is collaborating with Health and Human Services and with the HRSA Programs in helping critical access hospitals access equipment that they need. So we fund their equipment and any type of buildings that they need.

One of the mandates that HHS has right now is that all critical access hospitals in rural America must be tied to electronic medical records. And in rural America that is a huge need to be able to overhaul your IT needs. And we are providing the funding that is needed to partner with them.

Mr. THOMPSON. All right. Thank you.

Ms. TREVIÑO. Yes.

Mr. THOMPSON. Now, Mr. Adelstein, there was a lot of questions on broadband and it is obviously something everybody is very interested in. I appreciate the USDA and the agency's work in that area. I wasn't familiar with the numbers that we had spent a billion dollars, and frankly we have a billion dollars over a number of different funds looking to invest. And I know the approach that we are taking as sort of looking at different vendors who have different proposals, that type of thing. Was there ever any consideration of—because I looked at the broadband issue in rural America almost similar to the electrification of rural America, and the rural electric cooperatives are a great model. They are public-based because of the constituency that drives it, those volunteer board. Was there ever any consideration of perhaps taking that kind of an approach or even partnering with the rural electric cooperatives who, frankly, have right-of-ways to the end-user, the last mile? All those miles are covered with electricity and right-of-ways. Was that ever considered in our looking at how we address the broadband issue?

Mr. ADELSTEIN. Yes, we thought about that a lot. As a matter of fact, we went to the National Rural Electric Cooperative Association and encouraged them to apply for broadband. As a matter of fact, a number of them did when Consolidated Electric and Ohio's building—they are using smart grid, and down in New Mexico the Electric Cooperative, Kit Carson is using it. And again, when they do it, they provide smart grid also to their consumers. A number of our awardees are telephone cooperatives, real old telecommunications cooperatives that we have worked with many of them for 60 years, 50 years that are some of our most reliable borrowers. They pay us back year after year, they know what they are doing, they are technically on top of it, and we love working with our cooperative borrowers because of their competence, their dedication to the community. The model really does work for rural America. I agree with you.

Mr. THOMPSON. Glad to hear that. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The chair would recognize the distinguished Ranking Member, Mr. Costa, for follow-up questions.

Mr. COSTA. Thank you very much. Very quickly here, just to get back to that White House Rural Council and the Executive Order. Is it simply going to be Federal officials on this or are you going to give an opportunity for local and state officials and people of expertise to participate in this?

Ms. CANALES. Ranking Member Costa, the opportunity for stakeholders is already underway and also has been a strong aspect of the outreach that is occurring to date——

Mr. COSTA. Ma'am, I think the work product is going to be better if it is from the bottom up as opposed to the top down.

Ms. CANALES. As I was going to state——

Mr. COSTA. And I would like you to provide some information to the chair and myself and other Members of the Subcommittee on how that is going to take place, okay?

Ms. CANALES. We have held 100 rural roundtables, meaning 100 locations throughout the United States with stakeholders and have reports based on that.

Mr. COSTA. Give a little brief summary on that. I am not talking about *War and Peace.* I would like a brief, two page memo, on what those 100 meetings have done, where they are around the country, and who has participated. I would like to know, for example, how many have taken place in California and whether any of them have taken place in the San Joaquin Valley. Somehow if that has taken place, it has missed me.

[The information referred to is located on p. 1056.]

Mr. COSTA. Mr. Adelstein, you mentioned that the new authorization was provided in the farm bill for lending energy efficient programs as well as renewable energy. Now, this is a question not only of my own but Ranking Member Peterson has an interest in this. Can you tell what activities or agencies have been lending under for these authorities? And I have two other quick questions, so please be brief.

Mr. ADELSTEIN. Yes. Primarily, for retrofitting, we have an initiative that we are working on to have rural electric cooperatives work with their members to retrofit their homes to save electricity, and they——

Mr. COSTA. Could you give us some facts on that later on and submit that for Congressman Peterson and myself and other Members so that we know the specifics on it?

Mr. ADELSTEIN. Will do.

Mr. COSTA. Okay. Many of the entities that you lend to are dealing with regulations and settlements under various laws, and of course, this Administration and many of us have been critical of a lot of the regulations being burdensome and unnecessary. Those are included but not limited to the Clean Air and Clean Water Acts. Have you in your review seen the impact on these symptoms as they serve rural residents and their ability to deal with these regulatory requirements? And does it impact your ability to lend because of the repayment concerns?

Mr. ADELSTEIN. Well, certainly, both our water and electric programs have seen a number of regulatory requirements that have required compliance that have resulted in major loans being committed. Sometimes it is hard to see which upgrades they are doing and ones they are doing just for EPA requirements, for example, but they do impact our programs. They impact our borrowers.

Mr. COSTA. Well, maybe if you were to highlight those and suggest where those are problematic, maybe we might work together. Although, frankly, these are things that you don't need, I think in many cases, Congressional changes. You can do it administratively.

I would hope there is a review going on there as to what is burdensome, what is working, what is not working, and why don't we change it?

Mr. ADELSTEIN. Well, we do work with our colleagues in other agencies on regulatory requirements and let them know what impact they are having on our programs. They do increase demand for our loan programs in both electric and water.

Mr. COSTA. On the electric, do you have any interactions with FERC or various ISOs that regulate the grid?

Mr. ADELSTEIN. Yes, we do. As a matter of fact, there is an interagency working group that we are a part of with the White House and the Council on Environmental Quality to accelerate citing of transmission and the agency has been very involved in——

Mr. COSTA. I know Congressman Peterson and I both have concerns—I suspect many of our other colleagues as we are looking toward generation of wind power and other types of energy production—whether or not landowner-controlled wind projects have access to transmission lines? Obviously, those are oftentimes opposed by utilities in terms of the generation of the electrical power in rural areas.

Mr. ADELSTEIN. Well, we would like to see distributed generation happen. You know, our rural electric co-ops are very open to it. Of course, they need to upgrade their systems to be capable of having the grids smarter in order to be able to take those inputs of electricity. I think it can be a really great domestic source of energy, something that we are eager to see and we have financed a lot of upgrades in the grid—and in smart grid that I think could eventually lead towards distributed generation.

Mr. COSTA. Is the Department proposing to make recommendations to the Congress on changes that might be made?

Mr. ADELSTEIN. Well, we are working on an interagency basis on this. We have worked on an interagency basis on the smart grid. There was a report that was issued by the White House on the smart grid that would enable distributed generation in terms of transmission and the delicate balance between state and local governments. Again, we are not the lead agency necessarily but we have been involved with DOI and DOE and FERC in these discussions in talking about how it impacts rural consumers. We want to make sure that USDA is the voice of these rural consumers and rural electric cooperatives in these interagency discussions.

Mr. COSTA. Thank you very much, Mr. Chairman, and look forward to your follow-through on that additional information I requested.

Mr. ADELSTEIN. Will do.

The CHAIRMAN. One concluding question from the chair and then we will conclude the hearing. And thanks to all three of you and the Members of the Committee for being here.

I don't remember which one of you made the estimate. Regardless, one of the three of you estimated that there have been a quarter of a million jobs created as a result of your programs. I guess my question is this. According to a recent report of the Government Accountability Office, your department, the USDA has indicated that agency staff is now required to count the actual numbers of jobs created through Rural Development Programs rather than the estimation methods that you previously used. When you came up with that specific figure for us that you created 250,000 jobs, which system did you use? The estimation system? Just try to give me a direct answer. I mean it is either one or the other. Or the new system that the GAO has indicated that your agency is going to be using?

Ms. CANALES. Yes, Mr. Chairman. First of all, I want to reaffirm with you created and saved. So saved means jobs retention. That is in my testimony.

The CHAIRMAN. Again, that goes back to awfully difficult to know that, but regardless, that is a political debate we are not going to have.

Ms. CANALES. Okay.

The CHAIRMAN. The issue is which of these two systems, the old system or the new system did you use in the save or create category?

Ms. CANALES. The system that we are using in regards to that is a system that is within every single application that—it is based on our loan guarantees that we are making with the banks——

The CHAIRMAN. Let me be very specific, okay. I am going to be as specific as I can be and if you could be specific with me in response, I would be really grateful for that. The GAO recently reported in their report on duplication among economic development programs, they cited a need to count job creation more precisely. In that regard, according to that report, the USDA indicated that agency staff is now required to count the actual number of jobs created—I guess or saved—through Rural Development Programs rather than the estimation methods previously used. My specific question is when you gave us that figure—¼ of a million jobs created or saved—which system were you using? The estimation system or the required specific count.

Ms. CANALES. We used both.

The CHAIRMAN. So you interpret the GAO's report and USDA's implementation to be that they are not required to use one *versus* the other? You continue to use both?

Ms. CANALES. When an application is made with a bank, you use both information. You use what is estimated to be created but then you also will have jobs that will be saved as well, too.

The CHAIRMAN. I don't mean to be argumentative and I won't because I don't think it is the appropriate position of the chair, but if you would be willing to provide for us your specific area, your department, and USDA provide for Mr. Dunlap, who is the Subcommittee Staff Director and his counterpart on the Democratic side, let us know specifically how you came up with those figures and how that juxtaposes with the estimates *versus* the actuality count that I have made reference to and GAO made reference to. That would be very, very helpful to us.

Ms. CANALES. We will do so, Mr. Chairman.

[The information referred to is located on p. 1055.]

The CHAIRMAN. With that, I would invite all the Members of the Committee to our field hearing on the 24th of September focusing on rural broadband in Springfield, Illinois, at the University of Illinois. We have already had a number of Members say they are going to attend and we certainly welcome your attendance at that meeting.

So under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive both opening statements and additional material and supplementary written responses from any witness to any questions posed by a Member. Therefore, this hearing of the Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture is adjourned. Thank you all for attending, and we appreciate your input.

[Whereupon, at 11:25 a.m., the Subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY MATERIAL SUBMITTED BY JUDITH A. CANALES, ADMINISTRATOR, RURAL BUSINESS-COOPERATIVE SERVICE, U.S. DEPARTMENT OF AGRICULTURE

During the September 13, 2011 hearing entitled, *Agricultural Program Audit: Examination of USDA Rural Development Programs,* a request for information was made to Judith A. Canales, Administrator, Rural Business-Cooperative Service, U.S. Department of Agriculture. The following is the information submission for the record.

Insert

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>
> Ms. CANALES. We will do so, Mr. Chairman.

Since 2009, the programs and services of the Rural Business-Cooperative Service (RBS) have or will create or save nearly 250,000 jobs. The Government Accountability Office (GAO) report, *Efficiency and Effectiveness of Fragmented Economic Development Programs Are Unclear,* GAO–11–477R, May 19, 2011, refers to two different methods for reporting jobs created/save. One method relies on determining actual jobs created/saved once an award has been made. The other method is an estimation method based on dollars invested.

RBS is in the process of moving from the "estimation" method to the "actual" method. Because this transition has been occurring since 2009 and is still underway, the number of jobs indicated in Administrator Canales' testimony represents a combination of these two different methods for reporting jobs created/saved.

The "estimation" methodology utilized by RBS includes: (1) applying our professional judgment as to the number of jobs created or saved reported based on the specific project, including any observations during a site visit, (2) applying a formula that is based on the dollar amount of the project, and (3) applying a formula that estimates direct and indirect employment and other socioeconomic benefits.

In the "actual" methodology: upon processing the award of a loan, grant, or loan guarantee the projected number of jobs to be created or saved is obtained from the applicant or borrower and recorded as actual jobs in the agency's database.

RBS is implementing job verification processes to validate applicant or borrower job projections. After closing of the loan or grant, and completion of the project, the actual numbers of jobs created or saved by the business is verified by the agency and recorded in our database. Note that in some instances significant time can elapse between the job projections at the time of the award of a loan or grant and actual job verifications after the completion of the project, start-up or expansion of a business and ramp-up to full operations. Agency verifications can be 1–2 years after the loan or grant is awarded.

RBS continues to implement and refine its verification process. With the exception of the Agency's Intermediary Relending Program RBS is using the "actual" methodology, described above, for the balance of its programs.

SUBMITTED REPORT BY JUDITH A. CANALES, ADMINISTRATOR, RURAL BUSINESS-COOPERATIVE SERVICE, U.S. DEPARTMENT OF AGRICULTURE

White House Rural Council

Feedback from Rural America

Summer 2011

> ". . . Getting out of Washington and meeting all of you, and seeing how hard you're working, how creative you are, how resourceful you are, how determined you are, that just makes me that much more determined to serve you as best I can as President of the United States."
>
> —President Barack Obama
> *August 16, 2011*
> *Peosta, Iowa*
> *White House Rural Economic Forum*

Contents

Letter from the Secretary of Agriculture

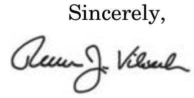
On June 9, 2011, President Obama signed an Executive Order establishing the White House Rural Council. Over the past few months, the Council has had the opportunity to hear from rural communities through roundtable discussions and visits across the country. By engaging in open dialogue, top Administration officials have been hearing about the most important issues on the minds of rural Americans and bringing that message back to Washington.

Since the establishment of the White House Rural Council, President Obama, members of his Cabinet, and others senior Administration officials have made nearly 200 visits to rural communities. Through these visits, the Council has been listening to the voice of rural Americans—to their concerns and aspirations, to what they see as the challenges that lay ahead and the opportunities open to them.

This report provides an overview of what we heard during these visits. I look forward to working with the Council on addressing these issues and ensuring that rural America moves toward a prosperous and thriving future.

Finally, I would like to thank all of those who hosted and attended these visits. Your help and participation is truly appreciated as we all work together for rural America.

Sincerely,



THOMAS J. VILSACK,
Secretary of Agriculture & Chair of the White House Rural Council.

Introduction

On June 9, 2011, President Obama established the White House Rural Council to address challenges in rural America and to build on the administration's rural economic strategy. Since the establishment of the Council, administration officials have traveled to rural communities across the country to discuss the important issues facing rural Americans.

Administration officials traveled to rural communities in 46 states and met with rural Americans to hear about the unique challenges they are facing and the ways in which the Council can most effectively focus its efforts. Officials reported back on what they heard during these visits and their feedback is shared in this report.

President Barack Obama, accompanied by Agriculture Secretary Tom Vilsack, holds a breakout session at the White House Rural Economic Forum at Northeast Iowa Community College in Peosta, Iowa, Aug. 16, 2011, as part of his three-day economic bus tour of the Midwest. (Official White House Photo by Pete Souza)

This report begins with a pie chart we developed based upon the information shared with us. It is not a scientific poll, but it provides a sense of the most important issues that rural Americans are facing.

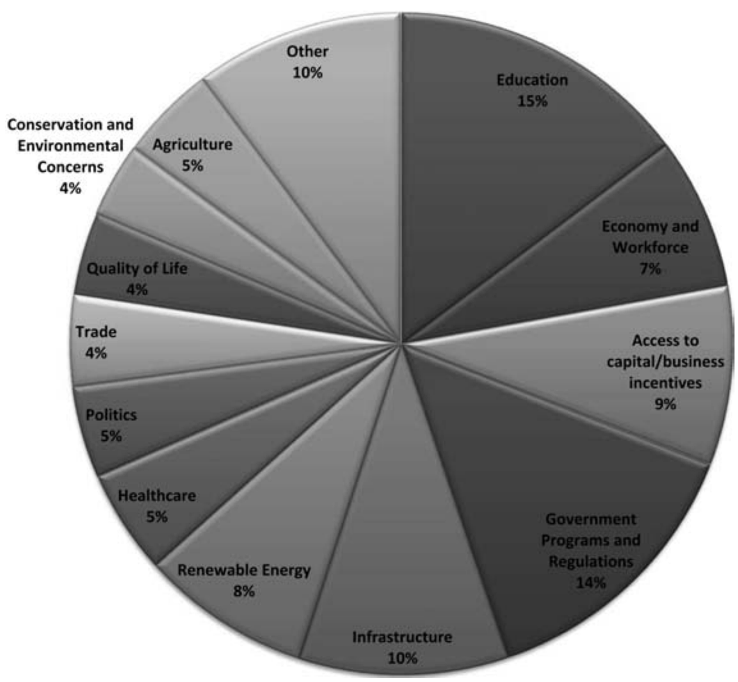
A Note About the Numbers:

These discussions and visits were designed as an opportunity to facilitate a candid and direct conversation between rural Americans and the Obama administration. The numbers presented here were all reported by administration officials moderating discussions and are not designed to reflect a scientific survey or poll. The numbers we have compiled are not designed to be reflective of all rural Americans—just those who participated in these conversations and visits. The views presented here are representative of those attending the events and do not constitute an endorsement by the White House or the President of the United States.

Map of the Rural Visit Locations

Most Important Issues

A breakdown of the issues discussed in our conversations in rural America:



Breakdown of Issues Discussed:

- **Education**
  - Encourage vocational training
  - Improve rural education
  - Costs of higher education/improve financial assistance
  - Focus on research
  - Reform No Child Left Behind
  - Brain-drain: educated individuals moving out of rural communities
  - Focus on science & technology
  - Focus on education geared toward entrepreneurship
- **Government programs and regulations**
  - Increase certainty and flexibility on regulations for rural industry and small businesses
  - More timely application processing for contracting
  - Streamline reporting requirements and applications
  - Increase technical assistance for loans and grants
- **Infrastructure**
  - Improve broadband access in rural areas, including in tribal communities
  - Improve federal assistance in road infrastructure
  - Support water storage projects, levees, rivers, locks, and dams
  - Support water and wastewater treatment facilities
- **Access to capital/business incentives**
  - Improve access to capital for businesses
  - Support small business tax credits and/or financial support, including micro loan programs and financial support for farmers
  - Establish a Rural Community Development Fund where rural areas can invest in their own communities and have government match any private dollars
  - Increased access to early stage and growth capital for rural entrepreneurs
- **Renewable Energy**
  - Support for biofuels, including woody biomass
  - Encourage local wind energy development
  - Streamline and ease regulations for green energy development
- **Economy & Workforce Concerns**
  - Focus more on domestic manufacturing
  - Immigration and workforce concerns
  - Rising cost of living and declining income
  - Reform unemployment compensation
  - Improve immigration policies to encourage highly-skilled students to stay in U.S.
  - Focus on economic development opportunities in tribal communities
- **Agriculture**
  - Improve resources for new and beginning farmers
  - Role of agriculture in our national security, including natural disasters
- **Healthcare**
  - Need solutions to lower current/projected costs and burden on businesses/families
  - Support broadband and telemedicine programs for rural healthcare
  - Targeted substance abuse policy to address challenges of rural communities
- **Trade**
  - Improve trade policy and make U.S. competitive in a global market
- **Quality of Life**

  - Improve quality of life in rural communities for economic growth and job creation
  - Continued support for rural public safety
- **Conservation and Environmental Concerns**
  - Rewards for smart farming and land conservation
  - Environmental quality of water sources Importance of soil conservation
  - Growing the outdoor recreation economy
  - Collaboration in advancing sustainable natural resource economies
- **Other issues**
  - Farm Bill
  - Government spending
  - Housing market
  - Tourism in rural America
  - Auto-industry
  - Regional cooperation in rural communities

Rural Economic Forum—Peosta, Iowa

August 16, 2011

In August, President Obama embarked on a three-day, three state bus tour of the Midwest that included stops in five communities. The Rural Forum itself was held at the Northeast Iowa Community College in Peosta, Iowa on August 16, 2011. During the Forum, five breakout group discussions were moderated by Cabinet members focusing on key issues facing rural America. President Obama participated in the first two breakout sessions.

Growing Rural Small Business

Moderated by Karen Mills, Administrator of the Small Business Administration

Promoting Agricultural Innovation and Renewable Energy Jobs

Moderated by Tom Vilsack, Secretary of Agriculture

Strengthening the Middle Class in Rural America

Moderated by Shaun Donovan, Secretary of Housing and Urban Development and Melody Barnes, Chair of the Domestic Policy Council

Creating Jobs through Conservation, Outdoor Recreation, and Tourism

Moderated by Ken Salazar, Secretary of Interior and Nancy Sutley, Chair of the Council on Environmental Quality

Building Economic Opportunity for Rural Business through Infrastructure Investments

Moderated by Ray LaHood, Secretary of Transportation

Key Themes and Issues:

- Importance of rural America in contributing to the economic health of the country
- Need to attract capital and increase available credit for rural communities
- Importance of small business support for rural communities
- Regional planning and development has been successful and should continue to be supported
- Importance of continuing to support the innovation occurring in renewable energy
- Increased certainty and flexibility on regulations
- Important to attract new, young farmers—reduce barriers to getting into farming.
- Broadband is key to providing economic opportunities. The ability to telecommute or have access to distance learning and telemedicine is extremely important to rural communities.
- Need for increased opportunities and incentives for physicians to provide service in rural areas
- Technical assistance on accessing Federal programs is important to small, rural communities.
- Modernization of existing federal agriculture subsidies

- Importance of easements in mitigating future flood impacts on both private and public lands
- Rewards and incentives for farmers that use good conservation practices

List of Visits:

Below is the full list of visits that Obama Administration officials made to rural America during the summer of 2011. These visits included tours of rural communities, businesses and farms as well as roundtable discussions with rural Americans.

June 9, SBA Regional Administrator John Shoraka, Clarksburg, West Virginia

June 10, USDA State Directors Dan Steinkruger and Maxine Moul, Ceresco, Nebraska

June 17, USDA Deputy Secretary Kathleen Merrigan, York, Pennsylvania

June 20, USDA Under Secretary Dallas Tonsager, Salt Lake City, Utah

June 22, USDA Deputy Under Secretary Cheryl Cook, Dubuque, Iowa

June 23, HUD Assistant Secretary Mercedes Marquez and USDA State Director Vicki Walker, Redmond, Oregon

June 24, SBA Regional Administrator Dan Hannaher and USDA State Director Derrel Carruth, Casper, Wyoming

June 26, USDA Under Secretary Ed Avalos, Denver, Colorado

June 27, White House ONDCP Director Gil Kerlikowske and ARC Co-Chair Earl Gohl, Johnson City, Tennessee

June 28, GSA Regional Administrator Sue Damour, Lower Brule Sioux Tribe, SD

June 29, SBA Regional Administrator Dan Hannaher, Fargo, North Dakota

June 30, SBA Regional Administrator Calvin Goings, Puyallup, Washington

July 5, VA Secretary Eric Shinseki, Bismarck, North Dakota

July 7, VA Secretary Eric Shinseki, Bozeman, Montana

July 7, VA Secretary Eric Shinseki, Helena, Montana

July 7, VA Secretary Eric Shinseki, Billings, Montana

July 8, VA Secretary Eric Shinseki, Billings, Montana

July 8, USDA Under Secretary Ed Avalos, Billings, Montana

July 11, USDA Deputy Secretary Kathleen Merrigan, Richmond, Virginia

July 11, ARC Co-Chair Earl Gohl, Kingsport, Tennessee

July 12, USDA Administrator Judy Canales, Hidalgo, Texas

July 12, USDA Under Secretary Michael Scuse, Springfield, Illinois

July 13, GSA Regional Administrator Sue Damour, Billings, Montana

July 14, DOI Secretary Ken Salazar, Madison, Wisconsin

July 14, SBA Administrator Karen Mills, Fairmont, West Virginia

July 15, DOI Secretary Ken Salazar, Crow Reservation, Montana

July 15, DOI Secretary Ken Salazar, Ovando, Montana

July 15, DOI Secretary Ken Salazar, Kalispell, Montana

July 18, ED Deputy Assistant Secretary John White, Greenville, Tennessee

July 18, USDA Administrator Jonathan Adelstein, Nelsonville, Ohio

July 18, DOC Under Secretary David Kappos and USDA State Director Virginia Manuel, Bangor, Maine

July 18, State Department Senior Advisor for Innovation Alec Ross, Cumberland, Maryland

July 20, USDA Secretary Tom Vilsack, Annapolis, Maryland

July 22, ARC Co-Chair Earl Gohl, Oak Ridge, Tennessee

July 22, HHS Regional Director Joanne Grossi, Wise, Virginia

July 22, EPA Regional Administrator Jared Blumenfeld, Ibapah, Utah

July 23, ARC Co-Chair Earl Gohl, Abingdon, Virginia

July 25, DOE Secretary Steven Chu, Concord, North Carolina

July 25, GSA Regional Administrator Sue Damour, Jamestown, North Dakota

July 26, ARC Co-Chair Earl Gohl, Spartanburg, South Carolina

July 26, USDA Administrator Jonathan Adelstein, Charles City, Iowa

July 27, SBA Regional Administrator John Shoraka, Lancaster, Pennsylvania

July 27, USDA Under Secretary Harris Sherman, Murfreesboro, Tennessee

July 28, ARC Co-Chair Earl Gohl and Commerce Deputy Under Secretary Nancy Potok, Lewisburg, Pennsylvania

July 29, ARC Co-Chair Earl Gohl and USDA State Directors Bill Wehry and Tom Williams, Williamsport, Pennsylvania

July 31, HHS Regional Director Herb Schultz, Flagstaff, Arizona

August 1, HHS Secretary Kathleen Sebelius, Aurora, Missouri

August 1, HHS Secretary Kathleen Sebelius, Joplin, Missouri

August 1, USDA Deputy Under Secretary Ann Mills, Thibodaux, Louisiana

August 1–3, EPA Regional Administrator Karl Brooks, Kansas

August 2, DOT Deputy Secretary John Porcari and USDA Under Secretary Ed Avalos, Groves City, Ohio

August 2, GSA Regional Administrator Ann Kalayil, Princeton, IL

August 2, DOT Secretary John Porcari and USDA Under Secretary Ed Avalos, Columbus, Ohio

August 2, HHS Regional Director Herb Schultz, Litchfield, Arizona

August 2, EPA Regional Administrator Jared Blumenfeld, Loleta, California

August 3, USDA Under Secretary Michael Scuse, Berlin, Vermont

August 3, SBA Assistant Administrator Ana Harvey, Newton, Iowa

August 3, EPA Regional Administrator Al Armendariz, Irving, Texas

August 3, SBA Regional Administrator Calvin Goings and USDA State Director Mario Villanueva, Elma, Washington

August 3, ARC Co-Chair Earl Gohl, Greeneville, Tennessee

August 3, DRA Federal-Chairman Chris Masingill and USDA State Director Bobby Goode, Union City, Tennessee

August 3, EPA Administrator Lisa Jackson, Lititz, Pennsylvania

August 3, HHS Regional Director Joanne Grossi, Wheeling, West Virginia

August 3, HHS Regional Director Susan Johnson, Anchorage, Alaska

August 4, White House Senior Policy Advisor for Native American Affairs Kimberly Teehee and federal agency colleagues, Washington, DC

August 4, HHS Regional Director Herb Schultz, Fresno, California

August 4, USDA Secretary Tom Vilsack, West Allis, Wisconsin

August 4, DOT Deputy Administrator Greg Nadeau, Wilmington, Ohio

August 4, HUD Assistant Secretary John Trasvina, Lampeter, Pennsylvania

August 4, ARC Co-Chair Earl Gohl, Morristown, Tennessee

August 4, DRA Federal-Chairman Chris Masingill, Mayfield, Kentucky

August 4, FCC Chairman Julius Genachowski, Jeffersonville, Indiana

August 5, GSA Regional Administrator George Northcroft, Ketchikan, Alaska

August 5, White House OSTP Aneesh Kopra, Blacksburg, Virginia

August 6, HHS Regional Director Herb Schultz, Pomona, California

August 8, ED Linda Hall, Spokane, Washington

August 9, CEQ Chair Nancy Sutley, Grant County, Oregon

August 9, EPA Regional Administrator Judith Enck and USDA State Director Paul Hlubik, Augusta, New Jersey

August 9, ARC Co-Chair Earl Gohl, London, Kentucky

August 9, GSA Administrator Sue Damour, Cheyenne, Wyoming

August 9, ED Linda Hall, Spokane, Washington

August 10, GSA Administrator Sue Damour, Salt Lake City, Utah

August 10, ED Secretary Arne Duncan, Nashville, Tennessee

August 10, HHS Regional Director Christie Hager, Dexter, Maine

August 10, HHS Regional Director Jaime Torres, Buffalo, New York

August 10, DOT Administrator Peter Appel, Ames, Iowa

August 10, CEQ Chair Nancy Sutley, Deschutes County, Oregon

August 10, ED Deputy Assistant Secretary John White, St. Peters, Minnesota

August 10, SBA Regional Administrator Calvin Goings and USDA State Directors Richard Rush and Wally Hedrick, Middleton, Idaho

August 11, HHS Regional Director Christie Hager, Machais, Maine

August 11, HHS Regional Director Christie Hager, Lubec, Maine

August 11, SBA Regional Administrator Calvin Goings, Boise, Idaho

August 11, DRA Federal-Chairman Chris Masingill and USDA State Director Trina George, Clarksdale, Mississippi

August 11, DOT Administrator Peter Appel, Park City, Utah

August 11, EPA Regional Administrator Karl Brooks, St. Joseph, Missouri

August 11, HHS Regional Director Marguerite Salazar, Denver, Colorado

August 11, HHS Regional Director Herb Schultz, Fresno, California

August 12, ARC Co-Chair Earl Gohl, Sylva, North Carolina

August 12, USDA Deputy Under Secretary Karis Gutter, Helena, Arkansas

August 12, USDA Under Secretary Cathy Woteki, Wamego, Kansas

August 12, SBA Regional Administrator Jorge Silva-Puras, DOT Administrator Karen Rae, USDA State Directors James Barber and Jill Harvey, Troy, New York

August 12, DOT Administrator, David Strickland, Waxahatchie, Texas

August 12, HHS Regional Director Joanne Grossi, Huntington, West Virginia

August 12, HHS Regional Director Herb Schultz, Petaluma, California

August 15, President Obama, Cannon Falls, Minnesota

August 15, President Obama, Decorah, Iowa

August 15, USDA Deputy Under Secretary Ann Wright and USDA Senior Advisor Brandon Willis, Brainerd, Minnesota

August 15, USDA Administrator Judy Canales, Covington, Louisiana

August 15, USDA Deputy Under Secretary Janey Thornton, Frankfort, Kentucky

August 16, President Obama, Peosta, Iowa

August 16, USDA Under Secretary Ed Avalos, Dothan, Alabama

August 16, USDA Administrator Judy Canales, Marianna, Florida

August 16, USDA Administrator Audrey Rowe, Newton, Georgia

August 16, SBA Regional Administrator Dan Hannaher and USDA State Director Matt Jones, Kalispell, Montana

August 16, HHS Regional Director Susan Johnson, Squaxin, Washington

August 16, USDA Faith Based Director Max Finberg, Dubuque, Iowa

August 17, President Obama, Atkinson, Illinois

August 17, President Obama, Alpha, Illinois

August 17, ARC Co-Chair Earl Gohl, Florence, Alabama

August 17, VA Secretary Eric Shinseki, Las Vegas, Nevada

August 17, EPA Regional Administrator Karl Brooks, Des Moines, Iowa

August 17, EPA Regional Administrator Shawn Garvin and HUD Regional Administrator Jane Vincent, Lincoln, Delaware

August 17, HHS Regional Director Joanne Grossi, Charleston, West Virginia

August 18, ARC Co-Chair Earl Gohl, Walton, New York

August 18, HHS Regional Director Marjorie Petty, Albuquerque, New Mexico

August 18, HHS Regional Director Marjorie Petty, Los Luna, New Mexico

August 18, HHS Regional Director Susan Johnson, Bethel, Alaska

August 18, USDA Under Secretary Dallas Tonsager, Howard, South Dakota

August 18, DRA Co-Chairman Chris Masingill, Selma, Alabama

August 18, USDA Administrator Judy Canales, Sedalia, Missouri

August 19, ARC Co-Chair Earl Gohl, Cortland, New York

August 19, ED Director Karen Cator, Mooresville, North Carolina

August 19, HHS Regional Director Marjorie Petty, Espanola, New Mexico

August 19, HHS Regional Director Marjorie Petty, Moriaty, New Mexico

August 19, DOI Assistant Secretary Marcilynn Burke, Fairbanks, Alaska

August 19, USDA Secretary Tom Vilsack, Des Moines, Iowa

August 19, DOC Under Secretary Jane Lubchenco, Morro Bay, California

August 19, EPA Regional Administrator Judith Enck, Sanarac Lake, New York

August 19, GSA Regional Administrator Sue Damour, Rapid City, South Dakota

August 19, DOT Secretary Ray LaHood, Springfield, Illinois

August 19, VA Secretary Eric Shinseki, Omaha, Nebraska
August 19, EPA Regional Administrator Jim Martin, Douglas, Wyoming
August 20, DOC Under Secretary Jane Lubchenco, Newport, Oregon
August 21, USDA Secretary Tom Vilsack, Brooklyn, Michigan
August 21, USDA Under Secretary Harris Sherman, Sitka, Alaska
August 22, USDA Secretary Tom Vilsack, Lansing, Michigan
August 22, USDA Secretary Tom Vilsack, Battle Creek, Michigan
August 22, USDA Secretary Tom Vilsack, Sparta, Michigan
August 22, DOI Assistant Secretary Gail Adams, Flat Rock, North Carolina
August 22, HUD Secretary Shaun Donovan, Albuquerque, New Mexico
August 22, USDA Senior Advisor Janie Hipp, Oklahoma City, Oklahoma
August 22, DOI BLM Director Bob Abbey, Elko, Nevada
August 23, DOI Assistant Secretary Anne Castle and USDA State Director Alan Stephens, Maricopa, Arizona
August 23, DOC Under Secretary Jane Lubchenco, Homer, Alaska
August 23, DOT Administrator David Strickland, Aiken, South Carolina
August 23, USDA Under Secretary Harris Sherman, Ketchikan, Alaska
August 23, EPA Regional Administrator Gwen Fleming, Pasco County, Florida
August 23, SBA Regional Administrator John Shoraka, Lewisburg, West Virginia
August 23, USDA Under Secretary Dallas Tonsager and SBA Regional Administrator Patricia Brown-Dixon, Grinnell, Iowa
August 23, USDA State Director Bill Menning, West Union, Iowa
August 23, DRA Co-Chairman Chris Masingill and USDA Deputy Under Secretary Doug O'Brien, Bastrop, Louisiana
August 23, USDA Under Secretary Cathy Woteki, Greenville, South Carolina
August 23, SBA Regional Administrator Jeanne Hulit and USDA State Director Donovan Todd, Orono, Maine
August 23, SBA Regional Administrator Dan Hannaher, Windsor, Colorado
August 23, GSA Regional Administrator Shyam Reddy, SBA Regional Administrator Cassius Butts and USDA State Directors Vernita Dore and Laurie Lawson, Columbia, South Carolina
August 24, GSA Regional Administrator Martha Johnson, Montpelier, Vermont
August 24, USDA Administrator Jonathan Adelstein, Fairbanks, Alaska
August 24, SBA Regional Administrator Jeanne Hulit, Exeter, New Hampshire
August 24, DRA Co-Chairman Chris Masingill, USDA Deputy Under Secretary Doug O'Brien, DOC Assistant Secretary John Fernandez, Pine Bluff, Arkansas
August 24, SBA Regional Administrator Elizabeth Echols, Fernley, Nevada
August 24, HHS Regional Director Joanne Grossi, Harrisburg, Pennsylvania
August 25, HUD Chief of Staff Laurel Blatchford, Berkeley Springs, West Virginia
August 25, ARC Co-Chair Earl Gohl, Holly Springs, Mississippi
August 25, EPA Regional Administrator Al Armendariz, Falcon Heights, Minnesota
August 25, DOC Under Secretary Jane Lubchenco, Barrow, Alaska
August 25, DOC Under Secretary Jane Lubchenco, Wainwright, Alaska
August 26, HHS Regional Director Marguerite Salazar, Rifle, Colorado
August 27, HHS Regional Director Marguerite Salazar, Grand Junction, Colorado
August 29, HHS Regional Director Anton Gunn, Marrianna, Florida
August 29, HHS Acting Regional Director James Galloway, Lawrence, Michigan
August 29, SBA Regional Administrator Jorge Silva-Puras, Ponce, Puerto Rico
August 30, SBA Regional Administrator Dan Hannaher, Dickinson, North Dakota
August 30, DOT Administrator Anne Ferro, Bismarck, North Dakota
August 30, DOT Administrator David Strickland, East Liberty, Ohio
August 30–September 1, EPA Regional Administrator Curt Spaulding and USDA State Director Virginia Manuel, Maine
August 30, GSA Regional Administrator Shyam Reddy, Oxford, Mississippi
August 31, VA Secretary Eric Shinseki, St. Paul, Minnesota

September 1, VA Secretary Eric Shinseki and USDA State Director John Whitaker, Indianola, Iowa

September 1, EPA Regional Administrator Shawn Garvin, Timonium, Maryland

September 1, EPA Regional Administrator Jim Martin, Utah

September 1, USDA Acting Deputy Under Secretary Rebecca Blue, Huron, South Dakota

September 1, USDA Acting Deputy Under Secretary Rebecca Blue, Brookings, South Dakota

September 1, HHS Regional Director Marguerite Salazar, Alamosa, Colorado

September 6, EPA Regional Administrator Dennis McLerran, Yakima, Washington

September 6, ARC Co-Chair Earl Gohl, Prestonsburg, Kentucky

September 8, EPA Regional Administrator Al Armendariz, Dallas, Texas

September 9, HHS Administrator Mary Wakefield HHS Administrator Judy Baker and USDA State Director Bill Menner, Atlantic, Iowa

Department References:

ARC—Appalachian Regional Commission
CEQ—Council on Environmental Quality
DOC—Department of Commerce
DOE—Department of Energy
DOI—Department of Interior
DOT—Department of Transportation
DRA—Delta Regional Authority
ED—Department of Education
EPA—Environmental Protection Agency
FCC—Federal Communications Commission
GSA—General Services Administration
HHS—Department of Health and Human Services
HUD—Department of Housing and Urban Development
ONDCP—White House Office of National Drug Control Policy
OSTP—White House Office of Science and Technology Policy
SBA—Small Business Administration
USDA—U.S. Department of Agriculture
VA—Veterans Affairs

Additional Resources:

White House Rural Council

- Stay updated on upcoming announcements and work by the Council
  - *http://www.whitehouse.gov/administration/eop/rural-council*
- Sign-up for email updates and continue to provide us with feedback
  - *http://www.whitehouse.gov/administration/eop/rural-council/about/email*

Rural America and the President's Jobs Plan:

- *http://www.whitehouse.gov/blog/2011/09/09/rural-america-and-presidents-jobs-plan*

President Obama's Rural Tour:

- *http://www.whitehouse.gov/administration/eop/rural-council/rural-tour-2011*

SUBMITTED QUESTIONS

Response from Hon. Jonathan S. Adelstein, Administrator, Rural Utilities Service, U.S. Department of Agriculture

Questions Submitted By Hon. Timothy V. Johnson, a Representative in Congress from Illinois

Question 1. Mr. Adelstein, you highlighted the Community Connect Grant Program which provides funding to establish broadband service where none exists. Why are you not focusing on completely un-served area in ALL of our programs?

Answer. The Community Connect grant program has been highly successful in bringing broadband to single communities where no broadband exists. These communities are unserved because private companies are unable to make a business case to expand service into these areas.

Our loan programs target such unserved areas, but even with lower interest rates, applicants generally cannot develop a business case based on the loan product alone. This is why the Recovery Act Broadband Initiatives Program (BIP) was so successful—the statute provided RUS with the authority to fund projects with grants, loans and loan/grant combinations. Through this flexibility, Rural Development could tailor a financing package that best serves the needs of the area. This model is successfully used in other Rural Development areas such as our Water and Environmental programs. This flexibility allows us to customize a financing package consistent with the needs and financial resources of the community.

Question 2. Mr. Adelstein, there are several distinct programs mentioned today which provide broadband funding. In your view, are these programs utilized to achieve basically the same goal? What are the most common elements among the programs? How do they specifically differ?

Answer. Our telecommunication programs have differing statutory mandates and goals. For example, Community Connect brings broadband to a single community that has no broadband service. Our Distance Learning and Telemedicine (DLT) finances end-user equipment in rural areas that already have broadband, but need assistance to expand education and health resources. Our traditional infrastructure loan program (authorized under Title II of the Rural Electrification Act) and the broadband program (authorized in the Farm Bill) do have similar goals; however, they have starkly different statutory requirements. Since the same staff administers both programs and shares forms, Information Technology (IT) systems, *etc.,* the Agency has already streamlined processes to the extent possible.

Question 3. Mr. Adelstein, would you agree that the importance of broadband is to create coverage for all un-served individuals in the United States? With the increased budget pressures we are facing, do you feel it is in good practice to continue to allow RUS to fund broadband services in areas that are already covered? Do you think it be more important to invest the tax-payers dollars into areas where broadband does not exist, as opposed to continuing to allow funding in places that have already achieved the primary goal of broadband access?

Answer. I believe that rural America deserves the same quality of broadband service that is deployed in urban America. Broadband creates jobs today and builds the foundation for future economic development and job creation.

The term broadband means different things to different people. Some define broadband to include any community with dial-up Internet service. Some say a community has broadband where it is available within the town limits, but not to the anchor institutions and families outside the community's corporate limits. Our broadband programs are designed to help communities access the quality of service that meets 21st Century needs of modern businesses, health care providers, emergency responders, educational institutions and others.

Rural America cannot afford a further deepening of the digital divides. Businesses and good-paying jobs will not grow in rural America without true high-speed broadband. Further, recent studies report that young Americans will leave communities that do not have access to broadband.

Questions Submitted By Hon. Glenn Thompson, a Representative in Congress from Pennsylvania

Question 1. Over the history of the REDLG program, how many total loans and grants have been made?

Answer. Since inception of the program:

- 494 REDLG loans totaling $235,205,564
- 491 REDLG grants totaling $139,527,701

Question 2. There are several eligible applicants for REDLG funds. To what types of organizations have those grants and loans been made, and what are the relative award totals in each category? What is the total amount awarded by state?

Answer. Telephone and electric utilities that serve customers in rural areas and that are organized as not-for-profit cooperatives, for-profit corporations and public bodies are eligible for Rural Economic Development Loans and Grants (REDLGs).

Total number and amount of loans and grants by **Category:**

Telephone

	Loans		Grants		Total	
	Number	Amount	Number	Amount	Number	Amount
Cooperatives	50	$22,462,492	40	$9,974,099	90	$32,436,591
Corporations	30	$12,032,806	22	$5,657,000	52	$17,689,806

Other	3	$993,000	1	$300,000	4	$1,293,000
Subtotal	83	$35,488,298	63	$15,931,099	146	$51,419,397
Electric						
Cooperatives	300	$148,101,635	320	$94,270,299	620	$242,371,934
Corporations	92	$44,078,944	85	$22,856,303	177	$66,935,247
Other	16	$6,836,687	11	$3,020,000	27	$9,856,687
Public Body	3	$700,000	12	$3,450,000	15	$4,150,000
Subtotal	411	$199,717,266	428	$123,596,602	839	$323,313,868
Total	**494**	**$235,205,564**	**491**	**$139,527,701**	**985**	**$374,733,265**

The Total number and amount of loans and grants by **State:**

State	Number	Amount
Alabama	41	$14,915,400
Arizona	7	$1,894,300
Colorado	6	$2,620,000
Florida	6	$1,801,660
Georgia	26	$13,710,000
Hawaii	3	$900,000
Iowa	193	$61,372,207
Illinois	20	$10,410,000
Indiana	4	$1,590,000
Kansas	104	$40,201,030
Kentucky	35	$15,076,469
Louisiana	3	$1,640,000
Michigan	8	$3,221,203
Minnesota	113	$39,599,568
Missouri	38	$16,916,100
Mississippi	21	$12,371,687
Montana	12	$4,294,805
North Carolina	36	$12,060,000
North Dakota	36	$12,341,850
Nebraska	20	$6,638,000
New Hampshire	1	$300,000
New Mexico	10	$3,950,000
New York	1	$281,666
Ohio	5	$1,316,600
Oklahoma	24	$6,745,537
Oregon	5	$2,000,000
Pennsylvania	6	$3,020,000
South Carolina	25	$14,732,360
South Dakota	64	$20,946,000
Tennessee	57	$23,356,481
Texas	4	$1,245,000
Virginia	7	$9,860,000
Vermont	1	$600,000
Washington	3	$604,000
Wisconsin	36	$11,101,342
Wyoming	4	$1,100,000
Total	**985**	**$374,733,265**

Question Submitted By Hon. Randy Hultgren, a Representative in Congress from Illinois

Question. I understand that the RUS will not lend its money to overbuild an area where there is an existing RUS borrower because doing so would put the RUS' investment at risk. Doesn't that same logic apply to the use of RUS money to overbuild an existing broadband provider financed by a local bank? Should the government really be in the business of putting private investment at risk?

Answer. Our goal at Rural Development is to finance broadband deployments that create jobs today and lay the foundation for economic development and job creation in the future. The last farm bill, enacted in 2008, required that 25 percent of the proposed service territory be unserved and the remaining 75 percent be served by not more than three competitors. The farm bill recognized that competition is healthy and often necessary to extend broadband to the most unserved areas in rural America. Our regulations implementing the 2008 Farm Bill codified these statutory requirements. Further, the new regulations allow for RUS to help an existing borrower expand services if the incumbent is not providing broadband at enough capacity or speed to meet the needs of business.

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

Question 1. You mentioned the new authorization that was provided in the 2008 Farm Bill to lend for energy efficiency programs as well as renewable energy. Can you tell us what activities your agency is lending for under these authorities?

Answer. Our current obligations (under existing statute and regulation) for renewable energy in fiscal year 2011 total $294 million in new loans for electric generation and distribution and $7.28 million for energy efficiency improvements through RUS programs. This is in addition to the significant funding support for energy efficiency and renewable energy through Rural Development's suite of Business and Cooperative Programs.

Though minor compared to RUS's total loan portfolio, RUS is working to support energy efficiency projects authorized under the 2008 Farm Bill. RUS has drafted a regulation proposing a comprehensive retail energy efficiency initiative. This regulation is in the final stages of internal clearance. The Agency anticipates implementation of this regulation in Fiscal Year 2012.

Since the early 1980's the Rural Utilities Service has allowed borrowers (rural electric cooperatives) to defer principal payments for up to 84 months and use the funds to assist consumers in implementation of energy efficiency improvements to their homes. As of the end of August, 2011, 365 rural electric borrowers have used $206 million in deferred principal to assist their consumers.

Last year in support the White House initiative on Recovery through Retrofit, USDA Rural Development created the Rural Economic Development Energy Efficiency Effort which combines the efforts of the Rural Utilities Service, Rural Business-Cooperative Service and the Rural Housing Service, working in concert with the electric cooperatives and using existing authorities and funding. Under this effort Rural Development makes a Rural Economic Development Loan to an electric utility, typically a cooperative, which in turn passes the funds to a for profit or non-profit entity to use as working capital to assist consumers in making energy efficiency improvements.

Question 2. Many of the entities that you lend to are dealing with regulations and settlements under various Federal laws, including the Clean Air and Clean Water Acts. Have you seen an impact on systems that serve rural residents, and their ability to deal with these regulatory requirements? Does it impact your ability to lend to them because of repayment concerns?

Answer. When rural communities incur costs associated with compliance with new and existing regulatory standards, the level of financial impact depends on a number of factors.

For the Water and Environmental Programs (WEP), these factors include the type and size of existing treatment facilities and infrastructure, the quality of the current water source and the regulatory standard itself. As most rural systems are operated on a not-for-profit basis by municipalities and water associations, many rural communities do not have the additional financial resources needed to fully address the systems' needs, including needs related to compliance.

As a result, changes in regulatory standards can be one variable in the demand for RD funding. We do our best to work with applicants to find a loan/grant package that works for the community, makes the best use of RD and leveraged funds, and keeps payments affordable while addressing environmental and regulatory requirements.

RD is also working with our colleagues in regulatory agencies to improve their understanding of the impact of new requirements on rural systems.

Question 3. Do you have any interactions with FERC and the various ISOs that regulate the movement of electricity on to the grid? Do you feel that these entities could be doing more to ensure that distributed energy production such as landowner controlled wind projects have access to transmission lines as opposed to the large, often out of state, utilities?

Answer. We have had discussions with FERC and serve on committees examining these issues. Constantly balancing supply and demand within a regional transmission system and attempting to integrate small, intermittent loads such as wind resources is challenging, but all parties are encouraged that it can be done as the capacity of the grid is improved and planning models become more sophisticated.

Response from Judith A. Canales, Administrator, Rural Business-Cooperative Service, U.S. Department of Agriculture

Question 1. Ms. Canales, RBS administers Rural Cooperative Development Grants which are used to provide funds for value-added agricultural market development projects (VAPG), small and socially-disadvantaged producer grants, and other subprograms and initiatives. For those grants which are primarily given to start or expand a business, are there other lending or re-lending programs which might be suitable to assist farmers? Do you think there may be some administrative savings in combining similar programs to reduce overhead and confusion among applicants?

Answer. There are three grant programs funded under the Rural Cooperative Development Grant umbrella:

- Value-Added Producer Grant (VAPG),
- Rural Cooperative Development Grant (RCDG), and
- Small, Socially-Disadvantaged Producer Grant (SSDPG).

VAPG is unique within USDA in that it awards grants to independent producers of agricultural commodities for planning activities, such as feasibility studies and business plans; and for working capital expenses, such as labor, inventory, and advertising. The planning grants often provide incentive for producers to find innovative ways to market value-added agricultural products and the working capital grants provide much-needed cash during the first few years of operation of a venture, helping to ensure the venture's success. This program has been instrumental in launching numerous new, and often innovative, rural businesses and assisting others with expansion. Since its inception, VAPG has funded 1,440 projects throughout rural America. In 2010, VAPG funded 196 projects across 45 states and Puerto Rico. Over 60 percent of awards made in 2010 were made beginning or socially-disadvantaged farmers or ranchers and small to medium-sized family farms. Awards for project planning activities—feasibility studies, business and marketing plans—were made to 72 applicants. Funding for working capital—operating costs associated with processing and marketing value-added products—was awarded to 124 applicants. Projects included local food initiatives linking farmers directly to consumers and local institutional buyers such as schools and hospitals; innovative technologies for on-farm generation of energy and by-products, as well as development of niche markets for specialty products which bring a larger share of the consumer dollar back to agricultural producers.

RCDG and SSDPG are similar in that both focus on providing funding for technical assistance and training for rural producers and business, rather than direct financial assistance. Specifically, RCDG funds centers of cooperative development, which provide assistance related to the start-up, expansion and operational improvement of rural businesses, especially cooperatives and other mutually-owned businesses. The SSDPG program funds technical assistance and training specifically for socially-disadvantaged agricultural producers via existing cooperatives or associations of cooperatives.

We do see complementary relationships with some of our lending and re-lending programs. Programs like VAPG, RCDG, and SSDPG emphasize financing and technical support during the initial stages of new business ventures begun by farmers (or other applicants). However, grantees cannot use awards made under the Rural Cooperative Grant umbrella for purchasing or improving buildings, facilities or equipment. Thus, they may need additional project capital as the business evolves or expands. Other RBS programs can provide capital for facilities and equipment to the applicant's new business venture. We strongly encourage all applicants to explore all potential funding opportunities available throughout Rural Development.

RBS staff believes our continuing efforts to streamline programs provide the best opportunity to achieve administrative savings and deliver support to our stakeholders. If similar programs were combined, there may be an opportunity to achieve some incremental savings in overhead and administration for the combined programs. In addition, a combined program could reduce potential confusion that may exist with separate programs.

Question 2. Ms. Canales, the Rural Micro-entrepreneur Assistance Program (RMAP) provides funds to organizations who then relend those funds to small businesses. Your supplemental testimony indicated that this and two other programs could be combined into existing authorities to gain administrative efficiencies. Could you elaborate on where you think these programs could be combined? Could you provide more details on what savings could be expected from such a move?

Answer. Combining programs into one comprehensive program and regulation will benefit applicants and grantees who utilize more than one of the programs reducing their administrative cost as a result of time savings because they will not need to learn and understand different program regulations, program policies and reporting procedures

The RMAP, Intermediary Relending Program (IRP), and revolving loan fund component of the Rural Business Enterprise Grant (RBEG) program could be combined into a comprehensive Intermediary program, while retaining the intended purposes of each through funds administration.

By implementing one comprehensive revolving loan fund program rather than three separate ones, we would expect to realize incremental administrative efficiencies and savings. For example, training staff on one program rather than three marginally reduces training costs. Incremental savings may also be realized through the maintaining and updating of one set of regulations and utilization of fewer forms. Once a comprehensive Intermediary program is in place, such savings are expected to be relatively small and would be realized over a period of time.

Question 3. Ms. Canales, the Rural Micro-entrepreneur Assistance Program (RMAP) provides training for small businesses. Could you give the Committee an idea of how many of the training grants have been utilized by community colleges and universities?

Answer. Ten training grants were awarded in FY 2010 of which two were made to universities: Ohio State University and Saint Francis University, PA. An additional loan and grant was made to Lane Community College, OR, to provide microloans and technical assistance to borrowers. The FY 2011 awards are not finalized as of 09–20–2011.

Question 4. Ms. Canales, your supplemental testimony indicated that more than $13 million, or 30 percent, for the Rural Micro-entrepreneur Assistance Program (RMAP) was not utilized in FY10. Do you have an explanation for why so little of the program was utilized in FY10? What is your estimate for participation in the program in FY11?

Answer. RMAP is a new program. In order to get this program implemented, we had to (1) address administrative requirements, (2) address numerous and detailed public comments, including stakeholders, on the proposed rule, and (3) train our State office personnel and field staff. As soon as these requirements could be addressed, which took a substantial amount of time, the program was implemented in June 2010 and stakeholders are now fully engaged in the program.

Funding available in FY 2011 consisted of FY 2010 carryover and FY 2011 funding, together totaling $7.5 million in budget authority for a program level of $20.2 million. We are projecting that $13.5 million in loans and $3.6 million in grants will be awarded in FY 2011.

Joint Response from Mr. Adelstein, Ms. Canales, and Ms. Treviño

Questions Submitted By Hon. Timothy V. Johnson, a Representative in Congress from Illinois

Question 1. Many counties and development organizations have highlighted regional coordination as a way to more effectively utilize Federal funds. Could you please describe what your agency is already doing to coordinate regional development efforts? What is the role of other agencies outside of USDA in your regional efforts?

Answer. In order to provide better investments and coordination and alignment with other agencies, Rural Development is providing support to local communities who come together on a multi-county regional basis to develop a thoughtful regional economic development strategy. We are working to position our programs to support specific eligible project applications that are consistent with and supportive of the region's comprehensive strategy. This will allow us to direct our limited resources toward projects that will support the region's top priorities as delineated in its regional economic development strategy. We also encourage other Federal agencies to follow our lead in making investments in specific projects that will support each region's economic development strategy. To support rural regions, we are exploring how to better coordinate Rural Development's programs so that they can better support regional strategies. For example, we have amended NOFA's (including RBOG and RCDI) to make clear Rural Development's interest in innovative regional approaches. We are considering how to effectively review various grant and loan applications so that they can be viewed in light of regional strategies.

As part of an Administration-wide effort, USDA is a supporting agency to the Jobs and Innovation Accelerator Challenge, a multi-agency effort to support regional innovation clusters. While USDA is not one of the funding agencies, we have worked closely with our rural constituencies to ensure they knew about the $34 million in funds available from the Departments of Commerce and Labor, as well as the Small Business Administration. Several of the 20 funded regions include substantial rural components (*e.g.,* a regional cluster in northern Maine is focused on renewable energy and a cluster in the Finger Lakes region of upstate New York concentrates on food processing); USDA will support this work in some of these regions. In addition, USDA is partnering with the Economic Development Administration in developing a second round of the Jobs and Innovation Accelerator Challenge grants; this second round will target predominantly rural regions, enabling them to take viable economic clusters and make them stronger.

USDA is also a supporting partner on another key Administration-wide initiative: the Partnership for Sustainable Communities, which is a collaborative effort among the Departments of Transportation and Housing and Urban Development, as well as the Environmental Protection Agency. For instance, under this initiative, HUD has funded many regions with planning grants; some of these regions include rural areas; USDA may be in a good position to fund some projects that will be needed for successful plan implementation in such regions.

In one more example of the work USDA is doing on regional strategies, Rural Development and the National Institute of Food and Agriculture are working jointly on a pilot initiative called the Stronger Economies Together (SET) program. USDA RD is working collaboratively with the Extension Service and the four Rural Regional Development Centers to design and deliver SET to 30+ regions across the country. Under SET, the participating multi-county regions engage in a several-month training program where each region explores its assets and comparative economic advantages prior to preparing a regional economic development strategy. A critical component of SET is the provision of expert economic analysis to describe the region's current and emerging economic clusters; this targeted information can be used by the region to help craft a practical economic development plan.

USDA believes that the approach described here will help establish a locally-driven economic development framework that can enable more effective Federal investments, not only by RD, but by all Federal agencies.

Question 2. Technical assistance is almost a necessity for applicants in many programs throughout Rural Development. In your view, could this be due to the complexity of the application process for grants and loans? Does your agency see a need to reorganize or rethink the process as a whole? Do you think consolidating and streamlining such application processes could address some of the overlap of programs within Rural Development?

Answer. One of RD's major focus is to minimize burdens on individuals, businesses, and communities attempting to access programs that promote economic growth, create jobs, and protect the health and safety of the American people.

We are developing creative ways to conduct business and make changes in structure, program delivery, staffing, or responsibilities to improve our efficiency or quality of service.

Our application process may be challenging to applicants in rural areas, which often lack the resources commonly available in urban areas. Providing technical assistance to rural applicants has helped protect the taxpayers' investment while ensuring that rural utility systems are designed to provide affordable reliable service for rural residents and businesses.

RD is interested in more flexible authorities that would provide us the ability to serve rural communities with the same types of assistance, but with much fewer than the forty programs we now have. We are considering merging some of our programs to reach better administrative efficiencies and reduce confusion for our customers.

The following are some examples of our current efforts to streamline, simplify and improve program efficiencies, reduce administrative and operating costs, and reduce barriers for entry and access to USDA programs:

Regulatory Program Review:

Rural Development recently began a new retrospective review of existing regulations to determine whether any such regulations should be modified, streamlined, expanded, or repealed, as called for by President Obama in Executive Order 13563.

The purpose of this review is to make the mission area's regulatory program more effective and efficient in order to enhance program administration and delivery.

Rural Development analyzes and evaluates its existing rules based on review and input from internal and external customers, including National and State Office staff, lenders, Office of Inspector General (OIG), and other stakeholders and partners. Rural Development's existing oversight activities include conducting thorough reviews of program administration and delivery, and coordinating internal and external audits at both the National and State Offices. Through these efforts the mission area collects and analyzes data on overall program performance/effectiveness and regulatory compliance.

Both the internal and external reviews provide information that the mission area uses when determining the regulatory changes that are necessary to minimize risk and enhance program utilization.

Stakeholder Outreach:

From July 2011 through September 2011, Rural Development hosted webinar based listening sessions and stakeholder meetings in rural areas.

On July 7th, 2011, USEC hosted a webinar with 180 national stakeholders to receive public input on our mission area priorities for the upcoming fiscal year. Under Secretary Tonsager provided the opening presentation and the Administrators from Rural Business Services, Rural Housing Services, and Rural Utilities Services discussed their agency's role in achieving the objectives of President Obama's Executive Order.

On July 21st, 2011, USEC hosted a webinar with 82 tribes and tribal leaders that included introduction and explanation of our regulatory priorities and opening remarks from the Under Secretary and all three administrators. There was a productive 90 minute discussion that took place that focused primarily on the need for more technical assistance and infrastructure challenges unique to tribes.

On July 14th, 2011, Rural Development launched a website to inform stakeholders of the process and to give them the opportunity to submit comments. A separate e-mail box was created (*rdreform@osec.usda.gov*) to receive all public comments.

State Directors hosted webinars and stakeholder meetings across the country. Rural Development has received over 100 written comments from a broad range of stakeholders, including individuals, regulated entities, and trade groups.

Rural Development will review and reference the public comments received in the preamble of our regulations.

Diversity Hiring and Recruiting:

In response to the USDA Jackson Lewis study, RD is working to improve its hiring diversity. USDA awarded a competitive contract to the Jackson Lewis LLP Corporate Diversity Counseling Group to conduct an Independent Assessment of the USDA Delivery of Technical and Financial Assistance to all Americans. In order to respond to the ninety-four recommendations that pertain to RD, we are actively engaged with Department and other agencies to take action where appropriate.

Comprehensive Loan Program (CLP):

Rural Development continues to transition to a new computing environment that provides greater flexibility for management and business development. The CLP retires legacy accounting systems and replaces them with upgraded accounting systems that can be utilized to support business needs of today. Replacing these systems makes it easier to maintain, modify and meet new requirements, improves the use for internal and external customers, improves the integrity of the entire loan portfolio, and improves management reporting and analyzing capabilities. No new funding has been requested for this transition and all savings realized from reducing infrastructure costs are being used to continue the transition. The CLP will enable RD to implement new statutory or regulatory provisions in a more timely and effective manner

Question 3. Due to the continuing budget constraints faced by Federal, state, and local governments and the consensus to reform and consolidate many programs, does your agency have the necessary authorities to streamline some of these programs. How is your agency working with stakeholders to address the needs of small rural communities while addressing budget realities?

Answer. At USDA, we are focusing on actions to better coordinate and streamline Federal program efforts in rural America, and to better leverage Federal investments. The collaboration will result in better programs and services in rural communities and maximize the benefits of those programs.

As stated earlier, RD is conducting a regulatory review of its regulations to determine which application procedures for Business Programs, Community Facilities

Programs, Energy Programs, and Water and Environmental Programs can be streamlined and requirements synchronized. RD is approaching this exercise from the perspective of the people it serves, specifically by communicating with stakeholders on two common areas of regulation that would provide the basis of reform. This process will look to have similar requirements for programs that are focused on a similar applicant base, such as nonprofit, Native American Tribes, and public bodies such as Community Facilities and Water and Environmental programs will make an effort to have similar requirements.

To the extent practicable, each reform effort will consist of a common application and uniform documentation requirements making it easier for constituency groups to apply for multiple programs. In addition, there will be associated regulations for each program that will contain information specific to each program.

RD's State and national offices hosted a number of webinars with stakeholders from across the nation to discuss existing regulations and processes, and seek input on potential changes that would make them more customer-friendly and effective.

We will continue to provide the best service possible to our stakeholders by seeking implementable efficiencies to meet this commitment and to ensure that awards are made to the highest priority projects for which we can obtain the best results for the funds expended.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—RURAL UTILITIES SERVICE

1. Program Name

Water and Environmental Programs (WEP).

2. Subprograms/Department Initiatives

Rural Development's (RD) Rural Utilities Service (RUS) provides loans, grants, and loan guarantees for drinking water, sanitary sewer, solid waste, and storm drainage facilities in rural areas and cities and towns of 10,000 or less. Public bodies, nonprofit organizations, and federally-recognized Indian tribes may qualify for assistance. WEP also makes grants to nonprofit organizations to provide technical assistance and training to assist rural communities with their water, wastewater, and solid waste problems. WEP subprograms include:

Subprograms	2008 Farm Bill Section	CONACT Section	U.S. Code 7 U.S.C.
Water and Waste Loan and Grant Program (Direct)	6001	306	1926
Special Evaluation Assistance for Rural Communities and Households Program (SEARCH)	6002	306(a)(2)	(a)(2)(C)
Rural Water and Wastewater Circuit Rider Program	6006	306(a)(22)	1926(a)(22)
Water and Waste Disposal Programs Guaranteed Loans		306(a)(24)	1926
Emergency Community Water Assistance Grants	6008	306A	1926(a)
Water Systems for Rural and Native Villages in Alaska	6009	306D	1926(d)
Household Water Well System (HWWS) Grant Program	6010	306E	1926(e)
Interest Rates for Water and Waste Disposal Facilities Loans (Direct)	6011	307(a)(3)	1927(a)(3)

WEP initiatives include:

Subprograms	2008 Farm Bill Section	CONACT Section	U.S. Code 7 U.S.C.
Water, Waste Disposal, and Wastewater Facility Grants (Revolving Funds for Financing Water and Wastewater Projects)	6001	306(a)(2)(B)(vii)	1926(a)(2)(B)(vii)
Technical Assistance and Training Grant (TAT) Program	6001	306(a)(14)(A)	1926(a)(14)

Subprograms	2008 Farm Bill Section	CONACT Section	U.S. Code 7 U.S.C.
Water and Waste Facility Loans and Grants to Alleviate Health Risks (applied to Colonias and Native American tribes)	6001	306C	1926(c)
Solid Waste Management Grant (SWM) Program	6001	310B(b)	1932(b)

Note: Initiatives are funded through set-asides in the annual appropriation for the Water and Waste Loan and Grant Program (Direct).

3. Brief History

The origins of the Water and Environmental Programs date to the 1937 Resettlement Administration. These provisions were later included in section 306 of the CONACT (Farm Bill), 7 U.S.C. 1926.

4. Purpose/Goals

The purpose and goals of WEP's subprograms include:

Water and Waste Disposal Direct Loans and Grants Program

WEP provides loans, grants and loan guarantees for drinking water, sanitary sewer, solid waste and storm drainage facilities in rural areas and cities and towns with populations of 10,000 or less.

- *Water, Waste Disposal, and Wastewater Facility Grants (Revolving Funds for Financing Water and Wastewater Projects):* The WEP Revolving Fund Program (RFP) provides grants to private nonprofit organizations to establish a lending program for entities eligible under the Water and Waste Disposal Loans (direct and guaranteed). As grant recipients, the nonprofit organizations set up a revolving loan fund to provide loans to finance predevelopment costs of water or wastewater projects, or short-term small capital projects not part of the regular operation and maintenance of current water and wastewater systems.
- *Technical Assistance and Training Grant (TAT) Program:* The TAT Program provides grants to nonprofit organizations to provide technical assistance and/or training to associations on a wide range of issues relating to delivery of water and waste disposal service.
- *Section 306C Water and Waste Facility Loans and Grants to Alleviate Health Risks:* Section 306C loans and grants provide water and waste disposal facilities and services to low income rural communities whose residents face significant health risks. These funds have been set aside for eligible projects that benefit members of Federally Recognized Native American Tribes and the Colonias area.
- *Solid Waste Management Grant (SWM) Program:* SWM grants are available to both public and private nonprofit organizations to help communities identify threats to water resources and reduce the solid waste stream. Communities receive assistance from eligible organizations to reduce or eliminate pollution of water resources, improve planning and management of solid waste disposal facilities in rural areas, and enhance operator skills in operations and maintenance.

SEARCH Grants Program

To provide grants to public bodies, nonprofits, and federally-recognized Indian tribes for feasibility studies, design, technical and direct or guaranteed water and waste disposal loan application assistance. Grants are limited to financially-distressed communities in rural areas with populations of 2,500 or fewer inhabitants for water and waste disposal projects. Grants are limited to $30,000 per project.

Circuit Rider—Technical Assistance for Rural Water Systems Program

Providing technical assistance for the operations of rural water systems, RUS contracts with the National Rural Water Association (NRWA) to assist rural water systems with day-to-day operational, financial, and management support. The assistance may be requested by officials of rural water systems or RUS. The program complements RUS's loan supervision responsibilities. The NRWA's State Affiliates do the work in their states.

Water and Waste Disposal Programs Guaranteed Loans

The Water and Waste Disposal Programs Guaranteed Loans provide a loan guarantee for the construction or improvement of water and waste disposal projects serving the financially needy communities in rural areas. This purpose is achieved through bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting benefits.

Emergency Community Water Assistance Grants Program

Assists rural communities that have experienced a significant decline in quantity or quality of drinking water due to an emergency or when such decline is considered imminent, to obtain or maintain adequate quantities of water that meets the standards set by the Safe Drinking Water Act. This emergency includes, for example, drought, earthquake, flood, tornado, hurricane, disease outbreak or chemical spill, leakage, or seepage.

Section 306E Grants for the Construction, Refurbishment, and Servicing of Low or Moderate Income Individual Household Water Well Systems

Provides funds to nonprofit organizations to assist them in establishing loan programs from which individuals may borrow money for household water well systems.

5. Success in Meeting Programmatic Purpose/Goals

In Fiscal Year (FY) 2010, RD invested $1.67 billion in direct and guaranteed loans and grants to help rural communities develop water and waste disposal facilities.

Water and Environmental		2007	2008	2009	2010	2011
Number of program borrowers' subscribers receiving new improved service from Agency's funded water facilities.	Target	$557,000	$1,380,000	$1,418,000	$1,457,000	$1,394,000
	Actual	$1,332,063	$4,361,872	$3,388,089	$3,961,166	$4,292,318
Water and Environmental ARRA		**2007**	**2008**	**2009**	**2010**	**2011**
Number of program borrowers' subscribers receiving new improved service from Agency's funded water facilities.	Target	([1])	([1])	$1,900,000		([1])
	Actual	([1])	([1])	769,559	949,646	

[1] ARRA funding was only available for FY 2009 and 2010.

In addition to the regular appropriated funding, RD invested $300 million in funding provided by the 2008 Farm Bill and a total of $1.8 billion in American Recovery and Reinvestment Act (ARRA) funding for water and waste disposal infrastructure and technical assistance across Rural America in FY 2009 and FY 2010.

The RUS WEP's:

- **Brings modern, reliable and affordable water and waste services to rural America.**
  - 5.7 million rural customers will benefit from RUS FY 2010 regular and ARRA investments in water and waste disposal infrastructure.
  - As a result, rural communities are able to provide clean, reliable services at reasonable costs, more efficiently manage how and how much water they use, and reduce their impact on our nation's waterways through improved compliance with regulatory requirements and reduced discharge of waste byproducts.
- **Reduces health risks to rural residents and protects our nation's waterways.**
  - FY 2010 funded projects will result in a nearly 28 percent reduction in rural resident's exposure to water-borne illnesses.
  - Provides access to a public water system to residents who obtain their water from contaminated or unreliable drinking water wells, or untreated surface sources improves public health.
  - Replacing failing individual septic tanks **reduces** harmful discharges into lakes, rivers, and other waterways.
- **Facilitates sustainable communities.**
  - With reliable water and waste infrastructure, the establishment of core community services is made possible, supporting existing residents and attracting new ones. USDA helps to ensure the safety, health, and education of rural residents by financing the construction of new and improved hospitals, schools, fire stations, and other essential community facilities—all of which rely on water and waste services to operate.

    The presence of reliable water and waste infrastructure facilitates business development in rural America, helps create jobs, strengthen our nation's economy, and our ability to compete in the global marketplace.
- **Assists rural water and waste systems with technical issues and emergency recovery.**
  - In FY 2010, circuit riders made more than 111,000 technical assistance calls to rural systems.
  - RUS contract circuit riders provided critical support and emergency equipment to rural operators in the aftermath of the tornados across the south and the flooding along the Missouri and Mississippi Rivers in 2011.

6. Annual Budget Authority (FY 2007–FY 2011)

FY 2007 through FY 2011 Budget Authority (Enacted)

(Dollars in thousands)

Program	2007	2008	2009	2010	2011
Water and Environmental	$494,043	$538,767	$538,768	$551,230	$515,968
Water and Environmental ARRA	(1)	(1)	$734,881	$655,675	(1)

[1] ARRA funding was only available for FY 2009 and 2010.

7. Annual Outlays (FY 2002–FY 2011)

Account Name	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Water and Waste Disposal Program [1]	[2] $650,383	$604,033	$746,706	$980,000	$1,086,000

[1] Outlays are not a one to one correlation with obligations. Programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays.
[2] Outlayed through RCAP.

8. Annual Delivery Cost (FY 2002–FY 2011)

Program	2007 Amount ($000)	2008 Amount ($000)	2009 Amount ($000)	2010 Amount ($000)	2011 Amount ($000)
Direct Water & Waste Disposal Loans, Guaranteed Water & Waste Disposal Loans, Water & Disposal Grants, Individually-Owned Water Well System Grants, Grants for Water and Wastewater Revolving Funds, Solid Waste Management Grants, and Emergency & Imminent Community Water Asst. Grants.					
Program Items:					
Program Level	$1,579,948	$1,822,949	$886,873	$1,660,647	$1,447,422
Budget Authority	$564,174	$666,367	$411,792	$770,362	$551,230
S&E	$59,323	$57,610	$21,716	$65,322	$65,322
Total Costs	$549,721	$723,977	$433,508	$835,684	$616,552

FTEs	542	514	192	551	551

Direct Water and Waste Disposal Loan 2008 Disasters Emer. Supp., Water and Waste Disp. Grants May 6, 2007 Emer. Supp., Water and Waste Disp. Grants 2008 Disasters Emergency Supplemental, Water and Waste Disp. Grants 2003/2004 Hurricanes Emer. Supp., Water and Waste Disp. Grants 2005 Hurricanes Emer. Suppl., Emer. And Imminent Comm. Waster Asst. Grants—Emer. Supp., Emer. and Imminent Comm. Water Asst. Grants—2005 Hurricanes.

Program Items:					
Program Level	$13,010	$0	$34,203	$10,406	$0
Budget Authority	$13,010	$0	$19,068	$7,054	$0
S&E	$0	$0	$0	$0	$0
Total Costs	$13,010	$0	$19,068	$7,054	$0
FTEs	0	0	0	0	0

Direct Water and Waste Disposal Loans—Stimulus, Water and Waste Disposal Grants—Stimulus, Circuit Rider—Tech. Assist. Grants for Rural Water Systems—Stimulus.

Program Items:					
Program Level	N/A	N/A	$1,581,548	$1,828,627	$0
Budget Authority	N/A	N/A	$734,881	$650,675	$0
S&E	N/A	N/A	$41,363	$0	$0
Total Costs	N/A	N/A	$776,244	$650,675	$0
FTEs	N/A	N/A	364	0	0

9. Eligibility Criteria

Program	Eligibility (Entities)	Eligible Areas (Populations)	Eligible Purpose	Funding Limits Per Request	Loan Terms
Water and Waste Disposal Direct Loans and Grants	Public body, not-for-profit organization, and Indian tribes	Rural areas and towns with a population of 10,000 or less.	Construct and improve water and waste facilities	None	40 years
Water and Waste Disposal Guaranteed Loans	Public body, not-for-profit organization, and Indian tribes	Rural areas and towns with a population of 10,000 or less.	Construct and improve water and waste facilities	None	40 years
Technical Assistance and Training Grant (TAT) Program	Public, private, and nonprofit organizations	Rural areas and towns with population of 10,000 or less.	Provide technical assistance and training	Pre-determined percentages of annual allocation	*N/A*
Circuit Rider—Technical Assistance for Rural Water Systems	Public, private, and nonprofit organizations	Rural areas and towns with population of 10,000 or less.	Provide technical assistance and training	No Cost	*N/A*

9. Eligibility Criteria—Continued

Program	Eligibility (Entities)	Eligible Areas (Populations)	Eligible Purpose	Funding Limits Per Request	Loan Terms
Water and Waste Facility Loans and Grants to Alleviate Health Risks (applied to Colonias and Native American tribes)	Colonias and Native American Indian tribes	Colonias and tribal lands	Construct or improve water and waste facilities	$1 M—Native American Indian tribes (none for Colonias)	40 years for loans
Solid Waste Management Grant (SWM) Program	Public body, private nonprofit organizations and Indian tribes	Rural areas and towns with a population of 10,000 or less.	Technical assistance to local and regional governments for reducing or eliminating water pollution and planning or mgmt of solid waste disposal facilities	None	N/A
Predevelopment and Planning Grants	Rural communities that do not have resources to pay predevelopment expenses	Rural area must be either below the poverty line or below 80 percent of the statewide non-metropolitan median household income.	Costs associated with the development of a complete application	$15,000 or 75 percent of the project costs (whichever is smaller)	N/A
SEARCH Grants	Rural communities that do not have resources to pay predevelopment expenses	Rural area must be either below the poverty line or below 80 percent of the statewide non-metropolitan median household income.	Costs associated with the development of a complete application	$30,000 or 75 percent of the project costs (whichever is smaller)	*N/A*
Emergency Community Water Assistance Grants	Public body such as a municipal, county, district, authority, state or commonwealth, Not for profit organization, and Native American Tribe	Rural areas with population of 2,500 or fewer inhabitants and must also be financially stressed as well as rural	To fund pre-development planning grants for feasibility studies, design assistance & tech assistance for water & waste disposal projects	May fund up to 100 percent of eligible costs, not to exceed $30,000	*N/A*
Section 306D Water and Waste system Grants for Alaskan Villages, incl. technical assistance	State of Alaska for rural or native villages	Rural or native Alaskan villages	Development and construction of water and waste facilities to improve health and sanitation conditions	None, however 25 percent in matching funds from State of Alaska from non-Federal sources	*N/A*

Section 306E Grants for the Construction, Refurbishment and Servicing of Low or Moderate Income Household Water Well Systems	Private, nonprofit organizations that are tax exempt.	Projects must be located in rural areas with population of 50,000 or less.	Development of revolving loan funds for construction, refurbishing, and servicing of individual household water well systems in eligible rural areas.	Organization must contribute ten percent of grant amount to capitalize the fund and individual homeowner loans capped at $11,000	*N/A*

10. Utilization (Participation) Data

From 2007–present the Water and Waste Disposal Loan and Grant Program has obligated 9,152 loans and grants to rural communities in all 50 states.

Fiscal Year	Number of Loans	Number of Grants
2007	810	957
2008	895	926
2009	909	1,604
2010	1,045	1,037
2011 *	498	471
Total	4,157	4,995

* As of July 29, 2011.

Approximately 115 Circuit riders have been funded annually since 2008 through the program and have made 311,509 technical assistance calls to rural water and waste systems.

11. Duplication or Overlap with Other Programs

RD's Water and Waste Disposal Loan and Grant program provides funding for construction of water and waste facilities in rural communities of 10,000 or less in population.

While the GAO report on duplicative programs did not specifically address water and waste funding at USDA, there are a number of Federal programs that provide financing for water and waste infrastructure.

Other federally-funded programs that fund water and waste infrastructure in rural areas include:

- State Revolving Funds (Environmental Protection Agency (EPA) pass-through funding-Clean Water State Revolving Fund and Drinking Water State Revolving Fund);
- EPA (State and Tribal Assistance Grants, United States-Mexico border, Tribal);
- Department of Commerce—Economic Development Agency can assist in financing infrastructure when tied to jobs and economic development;
- Department of Housing and Urban Development community development block grants (CDBG), Community Investment Funds (CIF), Colonias, and Tribal);
- Appalachian Regional Commission (ARC) which is implemented through RD;
- Indian Health Service; and
- Delta Regional Authority.

What sets USDA Apart from other programs?

- WEP is the only program that is exclusively focused on rural water and waste infrastructure needs, working only with rural areas with populations of 10,000 or less.
- Most RD projects serve areas well below 10,000 in population. The average RD project serves fewer than 2000 equivalent dwelling units.
    - In FY 2010, 80 percent of funded projects served populations of 5,000 or less;
    - 65 percent serve communities of 2,500 or less;
    - 51 percent serve populations below 1,500; and
    - 43 percent were for projects serving less than 1,000 people.
- Applicants must demonstrate that they need Federal assistance because they cannot obtain credit from commercial lenders or investors, and they have urgent needs for water or wastewater improvements.
- The program is a needs-based program, where loan and grant are combined based on strict underwriting process to keep rates reasonable for rural residents.
- Other Federal programs serve both large and small systems. Small rural communities must compete with larger projects for limited funding.
    - For example, in 2009, while 77 percent of the loans made by EPA State Revolving Funds for wastewater infrastructure upgrades went to communities

less than 10,000 in population, those loans represented only 23 percent of the total funding available.

   ◦ State Administered HUD/CDBG grants are available to communities of 50,000 or less population and counties up to 200,000.

- The program has been recognized by OMB as one of the most effective lending programs in the Federal Government.

Regarding Circuit Rider, there is no overlap with RD programs which provide support grants and loans for water and wastewater treatment, distribution, and collection systems.

12. Waste, Fraud and Abuse

RD's Water and Waste Disposal Loan and Grant programs have standardized procedures and guidance, as well as strong internal controls to prevent fraud waste and abuse. Vulnerability Assessments are conducted annually. In addition, management control reviews and State Program reviews are conducted to identify and correct potential problem with underwriting and servicing activities. The regular program and ARRA funding have been audited twice over the last 2 years by the USDA's Office of Inspector General (OIG). No findings of fraud, waste or abuse were made in either audit.

The September 2010 USDA OIG report (OIG Audit Report 09601–1–At, *Rural Utilities Service Controls Over Water and Waste Disposal Loans and Grants*) on program delivery stated, "Generally, we found RUS' internal controls to be adequately designed and operating for the locations we reviewed." Where recommended by OIG, the program enhanced guidance to employees to better clarify program regulations.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Distance Learning, Telemedicine, and Broadband Program.

2. Subprograms/Department Initiatives

Description	2008 Farm Bill Section	Federal Agricultural Improvement and Reform Act of 1996 Section	U.S. Code 7 U.S.C.
Distance Learning and Telemedicine Loans	6201	704	950aaa *et seq.*
Distance Learning and Telemedicine Grant Program	6201	704	950aaa *et seq.*
Distance Learning and Telemedicine Combination Loan-Grant Program	6201	704	950aaa *et seq.*
Public Television Digital Transition Grant Program	6014	CONACT 2005, Title III	P.L. 108–447
Delta Health Care Services Grant Program	6025	CONACT § 379G	2008u
Rural Broadband Access Loan and Loan Guarantee Program	6110	RE Act § 601	950bb
Broadband Initiatives Program (STIMULUS)		ARRA	P.L. 111–5
Weather Radio Transmitter Grant Program	6021	CONACT § 379B	P.L. 108–119
Community Connect Grant Program	6005	(*)	

Note: CONACT is the Consolidated Farm and Rural Development Act.
* Historically appeared as an annual earmark in appropriations bills.

3. Brief History

The Rural Broadband Access Loan and Loan Guarantee Program was established by the 2002 Farm Bill; the Distance Learning and Telemedicine Programs were established by the Federal Agriculture Improvement Act of 1996. The farm bill has made changes to these provisions.

4. Purpose/Goals

Community Connect Grant Program

This program provides grants to rural communities with populations of 20,000 or less that do not currently have access to broadband services. The grant provides funding for a Community Center open to the public and broadband infrastructure provided to critical facilities in the community such as public safety, local government, and educational institutions.

Public Television Digital Transition Grant Program

This program provides grants to assist public television stations serving rural populations in transitioning to digital broadcast television transmission. Funds may be used to acquire and install facilities and software necessary for the transition. Grant funds may also be used for associated engineering and environmental studies.

Weather Radio Transmitter Grant Program

This program provides grant funds to finance the installation of new transmitters to extend the coverage of the National Oceanic and Atmospheric Administration's Weather Radio system (NOAA Weather Radio) in rural America. Grant funds are available to facilitate the expansion of NOAA Weather Radio system coverage into rural areas that are not covered or are poorly covered.

Delta Health Care Services Grant Program

The Delta Health Care Services Grant Program is authorized under Section 379G of the Consolidated Farm and Rural Development Act to provide financial assistance to address the continued unmet health needs in the Delta region through cooperation among health care professionals, institutions of higher education, research institutions, and other individuals and entities in the Delta Region. Grants are available to eligible entities in the Delta region serving communities of no more than 50,000 inhabitants.

Rural Broadband Access Program

This program is designed to provide loans for funding, on a technology neutral basis, for the costs of construction, improvement, and acquisition of facilities and equipment to provide broadband service to eligible rural communities.

Distance Learning and Telemedicine Program (DLT)

DLT is designed to bring educational and health care services to rural America. Through loans, grants, and loan/grant combinations, RUS provides financial assistance for end-user equipment to provide enhanced learning and health care opportunities for rural residents.

5. Success in Meeting Programmatic Purpose/Goals

Performance measures have been developed for DLT and Farm Bill Broadband Programs as indicators of programmatic success.

Distance Learning and Telemedicine		2007	2008	2009	2010	2011
		Counties Served				
Number of counties served by entities receiving distance learning and telemedicine funding	Target	380	695	400	380	380
	Actual	392	586	754	633	N/A

[1] Actual is from FY 2010 funds obligated in FY 2011.

The 2008 Farm Bill required changes to the Rural Broadband Access loan program which was authorized under the 2002 Farm Bill, last revised in 2008. An Interim Rule was published on March 14, 2011. The Rural Broadband Access loan program provides funding for broadband infrastructure in communities with a population of 20,000 or less.

Rural Broadband Access		2007	2008	2009	2010	2011
		Borrowers' Subscribers Served				
Number of borrowers' subscribers receiving new or improved service	Target	190,000	240,000	230,000	350,000	300,000
	Actual	356,440	775,341	187,399	136,694	N/A

[1] Funding provided under ARRA was flexible (loans, grants and loan/grant combos) and therefore more conducive to bringing broadband to rural America; therefore, regular program loans funds were not requested during ARRA. Telecommunications Program data also includes broadband funding under traditional infrastructure program authorized by REA.

Rural Broadband Access ARRA		2007	2008	2009	2010	2011
		Borrowers' Subscribers Served				
Number of borrowers' subscribers receiving new or improved service	Target	([1])	([1])	([1])	N/A	([1])
	Actual	([1])	([1])	([1])	847,239	

[1] ARRA funding was not available for these years.

Note: See section at end with all REA Title II programs (Electric and Telecom).

6. Annual Budget Authority (FY 2007–FY 2011)

Program	2007	2008	2009	2010	2011
Distance Learning and Tele-medicine and Broadband	$44,486	$54,565	$63,780	$84,691	$68,090
Broadband ARRA	[1]	[1]	$0	$2,423,536	[1]

[1] ARRA funding was not available for these years.

Note: See section at end with all REA Title II programs (Electric and Telecom).

7. Annual Outlays (FY 2002–FY 2011)

(Dollars in thousands)

	2007	2008	2009	2010	2011
Distance Learning and Telemedicine and Broadband Program	$46,428	$48,542	$134,694	$69,164	$305,143

Note: Outlays are not a one to one correlation with obligations. Programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays.

Note: See section at end with all REA Title II programs (Electric and Telecom).

8. Annual Delivery Cost (FY 2002–FY 2011)

Program	2007 Amount ($000)	2008 Amount ($000)	2009 Amount ($000)	2010 Amount ($000)	2011 Amount ($000)
Treasury Distance Learning Loans, Distance Learning and Telemedicine Grants.					
Program Items:					
Program Level	$59,400	$43,242	$54,741	$0	$30,255
Budget Authority	$27,691	$30,429	$33,366	$0	$30,255
S&E	$1,930	$1,875	$2,048	$2,125	$2,125
Total Costs	$29,621	$32,304	$35,414	$2,125	$26,974
FTEs	17	17	18	18	18

Con Farm & RD Act, Sec 379G Health Care Services Grant.					
Program Items:					
Program Level				$0	$2,994
Budget Authority				$0	$2,994
S&E				$0	$0
Total Costs				$0	$2,994
FTEs				0	0
Broadband Telecommunication Loans and Grants, and Public Broadcasting System Grants.					
Program Items:					
Program Level	$266,252	$459,124	$425,069	$78,924	$343,533
Budget Authority	$20,689	$30,076	$34,681	$10,006	$40,145
S&E	$7,618	$7,398	$8,85	$8,387	$8,387
Total Costs	$28,307	$37,474	$42,766	$18,393	$48,532
FTEs	70	66	70	71	71
Direct Broadband Telecommunications Loans—Treasury Rate—Stimulus, and Broadband Telecommunications Grants—Stimulus.					
Program Items:					
Program Level				$3,529,091	$0
Budget Authority				$2,423,536	$0
S&E				([a])	([a])
Total Costs				$2,423,536	$0
FTEs				0	0

[a] RUS is unable to provide a break out of S&E costs for Recovery Act implementation.

9. Eligibility Criteria

Program	Eligibility (Entities)	Eligible Areas (Populations)	Eligible Purpose	Funding Limits Per Request	Loan Terms, if Applicable
Distance Learning and Telemedicine Loans	Public body, Indian tribe, cooperative, nonprofit, limited dividend or mutual association, municipality, libraries, corporations and other legally-organized entities.	Areas outside incorporated or unincorporated cities with population over 20,000.	In addition to the DLT Combination Loan-Grant Program purposes, loans may be used for certain broadcasting and operational costs, except salaries and administrative expenses	Minimum loan-grant amount: $50,000 Maximum amount: $10 Million	Loan interest rate is the Treasury interest rate at date of advance; up to 10 year amortization, determined by useful life of facilities financed.
Distance Learning and Telemedicine Grant Program	Public body, Indian tribe, cooperative, nonprofit, limited dividend or mutual association, municipality, libraries, corporations and other legally-organized entities. RUS electric and Telephone Loan borrowers not eligible.	Areas outside incorporated or unincorporated cities with population over 20,000. Smaller communities receive more points.	To provide end-user equipment and programming that delivers distance learning and telemedicine services into eligible areas.	Minimum grant amount: $50,000. Maximum grant amount: $500,000.	15 percent matching funds required.
Distance Learning and Telemedicine Combination Loan-Grant Program	Public body, Indian tribe, cooperative, nonprofit, limited dividend or mutual association, municipality, libraries, corporations and other legally-organized entities. RUS electric and Telephone Loan borrowers not eligible.	Areas outside incorporated or unincorporated cities with population over 20,000.	In addition to the DLT Grant Program purposes, loans may provide DLT across a single facility, may provide new building space, including land, buildings, and building construction, and telecommunications transmission facilities.	Minimum loan-grant amount: $50,000 Maximum amount: $10 Million	Loan interest rate is the Treasury interest rate at date of advance; up to 10 year amortization, determined by useful life of facilities financed.
Public Television Digital Transition Grant Program	Public digital television stations that serve rural areas	Areas outside incorporated or unincorporated cities with population over 20,000—station applicants must demonstrate core rural coverage	Grant funds may be used to acquire, lease, and/or install facilities and software necessary for transition to digital signal	Maximum amount: $ 750,000 per applicant per year	*N/A*

Delta Health Care Services Grant Program	Consortium of regional institutions of higher education, academic health and research institutes and economic development entities located in the Delta region	The distinct northwest section of the state of Mississippi, known as the Delta Region, consisting of 18 counties Further limited to include only those areas in the Delta Region (a) not included within the boundaries of any incorporated or unincorporated city, village, or borough having a population greater than 50,000 and (b) any urbanized area contiguous and adjacent to a city or town described in (a).	The development of health care services, health education programs, health care job training programs and the development and expansion of public health-related facilities	Minimum Grant amount: $50,000	*N/A*

9. Eligibility Criteria—Continued

Program	Eligibility (Entities)	Eligible Areas (Populations)	Eligible Purpose	Funding Limits Per Request	Loan Terms, if Applicable
Rural Broadband Access Loan and Loan Guarantee Program **and** Broadband Initiative Program (Stimulus)	RUS makes broadband loans and loan guarantees to legally organized entities providing, or proposing to provide, broadband services in eligible rural communities. Types of eligible entities include: cooperative, nonprofit, limited dividend or mutual associations, limited liability companies, Indian tribes and tribal organizations, and commercial organizations. Individuals or partnerships are not eligible.	An eligible rural area means any area, as confirmed by the latest decennial census of the Bureau of the Census, which is not located within (1) a city, town, or incorporated area that has a population of greater than 20,000 inhabitants; or (2) an Urbanized Area contiguous and adjacent to a city or town that has a population of greater than 50,000 inhabitants. The proceeds of a loan may be used to carry out a project only if, as of the date on which the application is submitted: (i) not less than 25 percent of the households in the proposed service territory is offered broadband service by not more than one incumbent service provider; and (ii) broadband service is not provided in any part of the proposed service territory by 3 or more incumbent service providers.	Finance the construction, improvement, and acquisition of facilities and equipment to provide broadband service in eligible rural communities; Finance broadband facilities leased under the terms of a capital lease, as defined in generally accepted accounting principles; financing will be limited to 5 years of lease costs; Finance the acquisition by an eligible entity of another system, lines or facilities if the acquisition is necessary and incidental to furnishing or improving rural broadband service (can not exceed 50 percent of requested loan amount); and Refinance an outstanding obligation on another telecommunications loan made under the RE Act. The refinancing cannot exceed 40 percent of the loan amount.	Maximum loan amount: $75 million. Maximum four percent loans are limited by the NOFA	Interest rates: 4 percent Treasury rate at date of advance private lender—set rate for guaranteed loans. (Amortization determined by life of the facilities)

Weather Radio Transmitter Grant Program	Public body; an Indian tribe; a cooperative, nonprofit, limited dividend or mutual association; municipality; corporations and other legally organized entities	A single community outside incorporated or unincorporated cities with population over 20,000 which does not have broadband	To build broadband infrastructure and establish a community center which offers free public access to broadband for 2 years.	Min. $50,000 Max. $1,000,000 Amounts are published in NOFAs and may vary	*N/A*
Community Connect Grant Program	Public body; an Indian tribe; a cooperative, nonprofit, limited dividend or mutual association; municipality; corporations and other legally organized entities	A single community outside incorporated or unincorporated cities with population over 20,000 which does not have broadband	To build broadband infrastructure and establish a community center which offers free public access to broadband for 2 years.	Min. $50,000 Max. $1,000,000 Amounts are published in NOFAs and may vary	*N/A*

10. Utilization (Participation) Data

- DLT: As of September 30, 2010, there were 26 active borrowers (no loan funds have been available).
- There are 115 public television digital transition grant awardees.
- There have been no Delta Health grant awards to date. Awards are expected September 2011.
- For the Broadband Loan and Loan Guarantee Program, as of September 30, 2010, there were 71 active borrowers.
- There have been 217 NOAA Weather Radio grant awards.
- There have been 197 Community Connect broadband grant awards.

11. Duplication or Overlap with Other Programs

We are unaware of other Federal programs that fund distance learning and telemedicine services with the same requirements and eligibility as the USDA program.

Funding for emergency communications may also be available from other agencies such as NOAA. USDA and NOAA work closely together.

In 2009–2010, the Department of Commerce was authorized under ARRA to provide grant funding for broadband infrastructure. Extensive coordination occurred between both Agencies.

Funding for DLT services may be available from other Federal agencies such as FCC and HHS RUS coordinates closely with the Agencies and we participate in each other's outreach events.

12. Waste, Fraud and Abuse

RUS closely monitors loan performance to ensure that there is no fraud, waste, or abuse. If any is suspected, RUS officials work closely with the OIG to investigate and, if necessary, prosecute any offender. For example, Sequelle Communications, a pilot Broadband Loan Program borrower, was referred to the OIG for investigation by RUS. With the assistance of RUS, the former CEO of Sequelle was convicted of money laundering and conspiracy, sentenced to 18 months in prison, and required to pay approximately $848,000 in retribution. In addition, another officer of Sequelle and another company pled guilty to money laundering, received probation sentences, and were ordered to pay restitution of $549,000 and $1.5 million, respectively. RUS is beginning to receive some restitution payments and should continue to receive them over many years as the court did not impose any deadline for when the entire amount should be paid.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Electric Programs.

2. Subprograms/Department Initiatives

Subprograms include:

Description	2008 Farm Bill Section	RE Act Section	U.S. Code 7 U.S.C.
Hardship (Direct) Loan Program	6102	305(c)(1)	935(c)(1)
Federal Financing Bank Guaranteed Loan Program	6102	306	936
Renewable Loan Program	6108	317	940(g)
High Energy Cost Grants & Loans Program:			
• High Energy Cost Grants			918(a)(1)
• Denali Commission Grants			918(a)(2)
• State Bulk Fuel Revolving Fund Grants		19	918(a)(3)
Bond and Note Guarantee Program for Publicly Issued Securities	6106	313A	940(c)(1)

3. Brief History

The Rural Electrification Direct and Guaranteed Loan Programs and the High Energy Cost Grant Program have permanent authorizations under the Rural Electrification (RE) Act of 1936 (7 U.S.C. 901 *et seq.*) and are not authorized under the farm bill. However, the farm bill can and often does amend the permanent authorities. The bond and note guarantee program under section 313A of the RE Act was authorized under the 2008 Farm Bill and is authorized through September 30, 2012.

Subtitle B of Title VI of the 2008 Farm Bill modified and added new authority under the RE Act as follows:

- **Section 6101, Energy Efficiency Programs,** amended sections 2 and 4 of the RE Act to explicitly authorize loans to electric borrowers to implement energy efficiency programs, codifying long-standing USDA policy.
- **Section 6102, Direct Electric Loan Authority,** amended section 4 of the RE Act reinstating direct lending authority for hardship loans and other direct loans. It deleted language requiring the Federal Financing Bank (FFB) to make loans to electric borrowers under the section 306 guaranteed loan program. Funding levels will be set by appropriations. FFB loan guarantees are still available as provided by appropriations.
- **Section 6103, Deferments for Energy Efficiency and Demand Reduction,** amended section 12 to allow electric borrowers to defer principal and interest payments on direct loans for up to 60 months to make loans to residential, commercial, and industrial customers for energy audits and installation of energy efficiency, and/or demand reduction measures and devices.
- **Section 6104, Definition of Rural Area,** amended the section 13 definition of a "rural area" for purposes of electric loans eligibility by cross reference to section 343(a)(13)(C) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a)(13)(C)) to mean any area that excludes a city or town of 20,000 or more, **or** is an area within the service area of a borrower with an outstanding loan under titles I through V of the RE Act. This amendment expands eligibility for electric loans for rural areas from the prior limit to non-urbanized places of less than 2,500 and codifies the "once rural, always rural" policy under the RE Act.
- **Section 6105, Substantially Underserved Trust Areas,** provides new authority Secretary to adapt RUS loans and grants requirements to facilitate the construction, acquisition, or improvement of infrastructure projects in "Substantially underserved trust areas" defined as Native American trust lands where more than 20 percent of population does not have electric, telecommunications, broadband, or water service.
- **Section 6106, Guarantees for Bonds and Notes Issued for Electrification or Telephone Purposes,** amended section 313A to extend authority to guarantee bonds and notes issued by nonprofit cooperative lenders to September 30, 2012 at an annual authorization of $1 billion.
- **Section 6108, Electric Loans for Renewable Energy,** added new section 317 providing authority to make loans for electric generation from renewable energy resources for resale to rural and nonrural residents. Eligible renewable energy resources include energy conversion systems fueled from solar, wind, hydropower, biomass, or geothermal sources. The interest rate for these loans is set at the average tax-exempt municipal bond rate of similar maturities. Funding is dependent on appropriations.

Since 2005, the electric loan programs have approved over $34.4 billion in financing for rural electric systems. In 2010, the program approved 174 loans totaling $7.1 billion. The funds were used by rural utilities to construct new or improved electric distribution, transmission and generation facilities to provide electric service in rural areas, supporting economic development and modernizing community infrastructure. The investment of the electric loan funds creates and maintains jobs in rural communities. Interest in financing renewable energy and energy efficiency programs through the electric programs is growing. In 2010, the program approved over $313.3 million in loan guarantees for new renewable electric generation projects. The electric programs have adopted a progressive management approach by enhancing use of automated systems to support loan and grant management and innovating new products and procedures to support renewable energy initiatives. The program continues its commitment to, maintaining a workplace that values employees, and provides high-quality service to its customers.

4. Purpose/Goals

The RE Act authorized assistance for rural electrification and for furnishing and improving electric service in rural areas, including the construction and operation of generating plants, electric transmission and distribution lines, and assisting electric borrowers to implement demand side management, energy efficiency and conservation programs, and on-grid and off-grid renewable energy systems.

In support of this purpose, the RE Act authorizes a variety of loan, loan guarantee, and grant programs, including the rural electrification loan programs (RE Act, sections 4, 305 and 306), the nonprofit lender bond and note guarantee program (section 313A), the High Energy Cost Grant Program (section 19), and the Renewable Energy Loan Program (section 317).

5. Success in Meeting Programmatic Purpose/Goals

The RUS electric loan programs have exceeded their targets from FY 2008 to FY 2010. In FY 2010, the electric programs approved 174 direct loans and loan guarantees totaling $7.1 billion. USDA approved 160 distribution loans totaling about $3.5 billion, 13 power supply (generation and transmission) Federal Financing Bank (FFB) loans totaling about $3.2 billion, and four direct hardship distribution loans totaling $100 million. In addition, USDA approved one nonprofit lender bond and note guarantee of $0.5 billion for relending for eligible electric and telephone purposes.

Electric		**2007**	**2008**	**2009**	**2010**	**2011**
Number of program borrowers' consumers receiving new or improved electric service	Target	2,390,000	7,125,000	6,125,000	7,100,000	6,125,000
	Actual	8,000,000	7,130,000	7,100,000	9,420,832	N/A

6. Annual Budget Authority (FY 2007–FY 2011)

Budget Authority (in thousands)

Program	2007	2008	2009	2010	2011
Electric Loans	$3,614	$119.2	$0	$0	$699
High Energy Cost Grants	$25,740	$19,860	$17,500	$17,500	$11,976

7. Annual Outlays (FY 2002–FY 2011)

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
Rural Electric and Telephone Program [1]	1230	$160,070	$82,267	$799,017	$606,031	$400,013
High Energy Cost Grants	2042	$31,550	$16,422	$22,347	$17,376	$37,000

[1] Outlays are reported under one account which includes both the Electric and Telephone programs.

8. Annual Delivery Cost (FY 2002–FY 2011)

Program	2007 Amount ($000)	2008 Amount ($000)	2009 Amount ($000)	2010 Amount ($000)	2011 Amount ($000)
Direct Electric Loans, Treasury Electric Loans, Municipal Electric Loans, FFB Electric Loans, Guaranteed Electric Loans and Electric Underwriting Loans for Bonds and Notes.					
Program Items:					
Program Level	$3,889,764	$7,099,300	$6,600,000	$7,100,000	$6,600,000
Budget Authority	$3,640	$119	$0	$0	$0
S&E	$19,876	$19,300	$21,094	$21,886	$21,886
Total Costs	$23,516	$19,419	$21,094	$21,886	$22,585
FTEs	182	171	185	185	185
High Energy Cost Grants.					
Program Items:					
Program Level	$19,687	$21,260	$37,000	$17,954	$11,976
Budget Authority	$19,687	$21,260	$37,000	$17,954	$11,976
S&E	[a]	[a]	[a]	[a]	[a]
Total Costs	$19,687	$21,260	$37,000	$17,954	$11,976
FTEs	[a]	[a]	[a]	[a]	[a]

[a] S&E funds associated with the High Energy Cost Grants program is included in the S&E section for the entire electric program.

9. Eligibility Criteria

Program	Eligibility (Entities)	Eligible Areas (Populations)	Eligible Purpose	Funding Limits Per Request	Loan Terms, if Applicable
Hardship Loan Program (Section 305)	Corporations, States, Territories, and Subdivisions and Agencies, Municipalities, People's Utility Districts, and Distribution Cooperatives, nonprofit and limited-dividend, Or Mutual Associations	Rural areas outside the boundaries of a city or town of more than 20,000 population and areas served by an existing electric borrower.	Electric distribution and subtransmission facilities	Not Applicable	Up to 35 years, based on the expected useful life of the facilities financed by the loan

FFB Guaranteed Loan Program (Section 306)	Corporations, States, Territories, and Subdivisions and Agencies, Municipalities, People's Utility Districts, and Cooperatives, nonprofit and limited-dividend, Or Mutual Associations	Rural areas outside the boundaries of a city or town of more than 20,000 population and areas served by an existing electric borrower.	Electric distribution, subtransmission, bulk transmission, and generation facilities, energy efficiency investments, and renewable energy systems	No limit.	Up to 35 years, based on the expected useful life of the facilities financed by the loan
Bond and Note Guarantee Program (Section 313A)	Cooperative or other lenders organized on a nonprofit basis	None	Proceeds to be used to make loans for eligible electric or telephone purposes, excluding electric generation, or to refinance bonds or notes previously issued for such purposes.	None	20 years (by regulation) Annual guarantee fee of 30 basis points supports the Rural Economic Development Loan and Grant (REDLEG) program under section 313(b)(2)(A) of the RE Act.
High Energy Cost Grants & Loans Programs:					
High Energy Cost Grants	Persons, For Profit and Not For Profit Businesses, State & Local Governments, and Federally-Recognized Indian Tribes & Tribal entities	Extremely high energy cost communities with annual average residential energy expenditures is 275% of national average.	Energy distribution, transmission and generation facilities (including energy efficiency & renewable energy) serving eligible communities	Administrative and planning costs may not exceed 4% of funds provided	*N/A*
Denali Commission Grants	Denali Commission	Extremely high energy cost communities in Alaska	Energy distribution, transmission and generation facilities (including energy efficiency & renewable energy) serving eligible communities in Alaska.	Administrative and planning costs may not exceed 4% of funds provided	*N/A*
State Bulk Fuel Revolving Fund Grants	State Entity existing as of 11/9/2000	Rural areas where fuel cannot be shipped by surface means	Establishment of Fuel Purchase Revolving Fund	Administrative and planning costs may not exceed 4% of funds provided	*N/A*

10. Utilization (Participation) Data

The electric programs services 667 active electric borrowers and grantees in 46 states, Puerto Rico, American Samoa, and the Republic of the Marshall Islands. During FY 2011, the Agency has approved more than $1.9 billion in loan guarantees.

The High Energy Cost Grant Program's FY 2010 Notice of Funding Availability for $15.5 million in competitive grants received over 100 applications from 18 states and eight eligible insular areas.

11. Duplication or Overlap with Other Programs

The Rural Electrification Loan programs are the primary source of electric infrastructure financing for rural electric providers in 46 states. All RUS loans must demonstrate financial feasibility, assurances of repayment, and adequate loan security. There is no overlap between the electric loan program and other USDA energy loan and grant programs because electric infrastructure is not an eligible purpose under those programs. The U.S. Department of Energy Loan Guarantee Programs are intended to provide incentives for high risk technology innovation, advanced nuclear power generation, and advanced clean energy technology projects, but does not support loans for traditional electric infrastructure.

The High Energy Cost Grant Program differs from other USDA and Department of Energy grant programs in that it is targeted at extremely high cost rural communities, includes a broad range of eligible energy project activities, including traditional infrastructure, renewable energy and energy efficiency, and permits applications from tribes, tribal entities, state and local governments, school districts, and other for profit and not for profit entities, that are not eligible under other loan or grant programs.

12. Waste, Fraud and Abuse

The Electric Programs does not have any outstanding issues with respect to overpayments, waste, fraud, or abuse identified by the Department or other government agency. There are no outstanding audits for these programs.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Telecommunications Program.

2. Subprograms/Department Initiatives

Description	2008 Farm Bill Section	RE Act Section	U.S. Code 7 U.S.C.
Telecom Hardship Loan Program (Direct)	N/A	305	935(d)(1)
Telecom Treasury Rate Loan Program	N/A	305(d)(2)	935
Telecom Guaranteed Loan Program (FFB)	N/A	306	936

3. Brief History

The Telecommunications Loan Program has permanent authorizations under the Rural Electrification Act (REA) of 1936.

4. Purpose/Goals

The Telecommunications Program finances the improvement or extension of telecommunications service in rural areas through telecommunications borrowers. Borrowers can apply for direct (Treasury rate) loans at an interest rate which is tied to the government's cost of money. Borrowers can also request FFB loans and guaranteed loans. Loans at five percent are available to borrowers that further qualify under "hardship" conditions, which include subscriber density factors and net income projections of the borrowers.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010, the telecommunications program approved $690 million in infrastructure program loans. This funding will allow rural telecommunications providers to deploy new or improved service to more than 136,694 rural subscribers. For the last 2 years, 90 percent of the loans financed have been for fiber-to-the-home projects to provide fiber-optic service to rural homes and businesses.

(Dollars in thousands)

Telecommunications		**2007**	**2008**	**2009**	**2010**	**2011**
Number of borrowers' subscribers receiving new or improved service	Target	194,699	194,931	180,000	171,000	120,000
	Actual	155,135	182,174	175,416	136,694	

Note: Telecommunications includes broadband data. Rural Broadband Access chart also includes broadband data.

6. Annual Budget Authority (FY 2007–FY 2011)

Budget Authority (in thousands)

	2007	2008	2009	2010	2011
	$605	$3,595	$525	$0	$0

7. Annual Outlays (FY 2002–FY 2011)

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
Rural Electric and Telephone Program [1]	1230	$160,070	$82,267	$799,017	$606,031	$400,013

[1] Outlays are reported under one account which includes both the Electric and Telephone programs.

8. Annual Delivery Cost (FY 2002–FY 2011)

Program	2007 Amount ($000)	2008 Amount ($000)	2009 Amount ($000)	2010 Amount ($000)	2011 Amount ($000)
Direct Telecommunications Loans, Treasury Telecommunications Loans, and FFB Telecommunications Loans.					
Program Items:					
Program Level	$376,736	$685,170	$690,000	$690,000	$690,000
Budget Authority	$392	$3,594	$525	$0	$0
S&E	$8,688	$8,431	$11,047	$9,567	$9,567
Total Costs	$9,080	$12,026	$11,572	$9,567	$9,567
FTEs	80	80	97	81	81

9. Eligibility Criteria

Program	Eligibility (Entities)	Eligible Areas (Populations)	Eligible Purpose	Funding Limits Per Request	Loan Terms, if Applicable
Telecom Hardship Loan Program (Direct)	For-profit and nonprofit corporations that do or will provide voice and data telecom service	Areas outside incorporated or unincorporated cities with population over 5,000	To build, acquire, extend, improve and refinance telephone infrastructure	Minimum loan amount: $50,000 Maximum loan amount: None	5 percent fixed interest rate; up to 35 year amortization, determined by the life of facilities financed.
Telecom Treasury Rate Loan Program	For-profit and nonprofit corporations that do or will provide voice and data telecom service	Areas outside incorporated or unincorporated cities with population over 5,000	To build, acquire, extend, improve and refinance telephone infrastructure	Minimum loan amount: $50,000 Maximum loan amount: None	Treasury interest rate at date of advance; up to 35 year amortization, determined by the life of facilities financed.
Telecom Guaranteed Loan Program (FFB)	For-profit and nonprofit corporations that do or will provide voice and data telecom service	Areas outside incorporated or unincorporated cities with population over 5,000.	To build, acquire, extend, improve and refinance telephone infrastructure.	Minimum loan amount: $50,000 Maximum loan amount: None	Treasury interest rate plus ⅛ percent; up to 35 year amortization, determined by useful life of facilities financed.

10. Utilization (Participation) Data

As of September 30, 2010, there were 481 active borrowers.

11. Duplication or Overlap with Other Programs

We are not aware of other Federal programs that provide funding for broadband infrastructure with the same requirements and objectives as this program. In 2009–2010, the Department of Commerce was authorized under the American Recovery and Reinvestment Act to provide grant funding for broadband infrastructure. Additionally, funding is provided to RUS telecommunications borrowers from the Federal Communications Commission (FCC) through the universal service fund. These funds are used as revenue and are considered to be part of the RUS borrower's ability to repay Federal debt.

12. Waste, Fraud and Abuse

We are not aware of any examples of waste, fraud or abuse under this program. All previous GAO and OIG recommendations have been completed. There are no outstanding audits for these programs.

13. Effect of Administrative PAYGO

None.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—RURAL BUSINESS-COOPERATIVE SERVICE

1. Program Name

Rural Business Opportunity Grants (RBOG).

2. Subprograms/Department Initiatives

None.

3. Brief History

RBOG was authorized by Section 306(a)(19)(C)(ii) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(19)(C)(ii) and reauthorized by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), Section 6003 (Pub. L. 110–246).

In addition to a national pool of funds, the program has historically operated two Congressionally Mandated set-asides—one for Native Americans and another for Rural Economic Area Partnership (REAP) zones.

4. Purpose/Goals

RBOG promotes sustainable economic development in rural communities with exceptional needs through provision of training and technical assistance for business development, entrepreneurs, and economic development officials and to assist with economic development planning.

RBOG is primarily a training and technical assistance program. Funds may be provided for development of export markets; feasibility studies; development of long term trade strategies; community economic development planning; business training and business based technical assistance for rural entrepreneurs and business managers; establishment of rural business incubators; and assistance with technology based economic development. The types of projects that may be funded could include identification and analysis of business opportunities that will utilize local material and human resources; leadership development training to existing or prospective rural entrepreneurs and managers; business support centers; centers for training, technology and export trade; and, economic development planning.

5. Success in Meeting Programmatic Purpose/Goals

In Fiscal Year (FY) 2010, the 27 grants awarded to residents and businesses in 17 states totaled $2.6 million and created or saved more than 990 jobs. A $249,340 grant was awarded to Ecotrust, an organization based in Portland, Oregon, that seeks to create economic opportunity, social equity and environmental well-being by demonstrating new business models based on economic, social and environmental principles, to support their FoodHub initiative, an online directory and marketplace that makes it easy for regional food buyers and sellers to find each other, connect and do business. The grant will aid Ecotrust in increasing recruitment of producers and buyers in rural communities and providing the training and assistance necessary to ensure FoodHub supports their goals.

6. Annual Budget Authority (FY 2002–FY 2011)

RBOG budget authority includes:

RBOG
(in millions of dollars)

	2007	2008	2009	2010	2011
Budget Authority	$2.97	$2.482	$2.483	$2.483	$2.478

7. Annual Outlays (FY 2002–FY 2011)

RBOG annual outlays included:

Account Name	Account Number	(in millions of dollars)			
		2007 Actual	2008 Actual	2009 Actual	2010 Actual
Rural Business Program Account	1902 (RBOG line item)	$3.1	$4.1	$4.4	$2.9M

8. Annual Delivery Cost (FY 2002–FY 2011)

RBOG annual delivery costs were:

RBOG
(in millions of dollars)

	2007	2008	2009	2010	2011
Program Level	$2.97	$2.482	$2.483	$2.483	$2.478
Budget Authority	$2.97	$2.482	$2.483	$2.483	$2.478

9. Eligibility Criteria

Rural public bodies, rural nonprofit corporations, rural Indian tribes, and cooperatives with primarily rural members that conduct activities for the mutual benefit of the membership are eligible provided they have sufficient financial strength and expertise to carry out the activity to be funded.

10. Utilization (Participation) Data

The program is annually over-subscribed (applications received exceed available funding). Due to the limited amount of funding available, Rural Development has limited the number of applications individual states may submit and capped the maximum grant amount (applies to the national pool only). In 2010 USDA received 424 eligible applications totaling $60 million; only 27 awards totaling $2.6 million could be funded.

11. Duplication or Overlap with Other Programs

The program is unique in that the focus is on provision of technical assistance to priority communities (*e.g.,* persistent poverty and economic distress) as well as sponsoring best practices for economic development activities that are transferable.

While the program objective is unique, RBOG complements multiple other Rural Development (RD) programs including the Rural Business Enterprise Grant, Community Facilities and Rural Community Development Initiative programs. Further, the RBOG project activities can be leveraged with other community development programs outside of the Department.

12. Waste, Fraud and Abuse

There are no reports or audits from GAO and OIG on the RBOG program.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Rural Cooperative Development Grants (RCDG).

2. Subprograms/Department Initiatives

Appropriate Technology Transfer for Rural Areas (ATTRA).
Cooperative Research Agreements.
The Small Socially-Disadvantaged Producer Grants (SSDPG).

Value-Added Agricultural Market Development Grant Program (VAPG).
Agricultural Marketing Resource Center Grants (AgMRC).

3. Brief History

RCDG was authorized by section 310B(e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(e)). Regulations are found in 7 CFR part 4284, subparts A and F.

ATTRA was authorized by P.L. 104–37 and amended by Section 6016 of the farm bill. It was first authorized by the 1985 Farm Bill and the Department received its first appropriation to start the project in FY 1987. In FY 1990, ATTRA was transferred to the U.S. Fish and Wildlife Service and then in FY 1996 the authority to the Rural Business-Cooperative Service (RBS) for administration. ATTRA is located on the University of Arkansas campus at Fayetteville, Arkansas, and functions as an information and technical assistance center staffed with sustainable agriculture specialists accessible nationally by toll-free telephone.

Cooperative Research Agreements were authorized by the Cooperative Marketing Act of 1926, (7 U.S.C. 453).

Formerly known as the Small Minority Producer Grant program, SSDPG was authorized by Public Law 109–97 under the rural cooperative development grants authorized under 310(b) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932). FY 2006 was the first year this program was administered.

VAPG was authorized by the Agricultural Risk Protection Act of 2000 and amended by the 2002 and 2008 Farm Bill.

AgMRC was developed in 2001 and is operated by the Value-Added Agriculture Program at Iowa State University Extension and the Arthur Capper Cooperative Center at Kansas State University. AgMRC actively recruits other institutions, particularly land-grant institutions and USDA affiliated institutions for special grant projects or subcontracts. More than 22 states have partnered with AgMRC since 2002, and a map of those relationships is available.

4. Purpose/Goals

The purpose of RCDG is to establish and operate centers for cooperative development to improve the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives. RCDG's improve the economic condition of rural areas by promoting a range of cooperative development activities.

Grants are made to nonprofit corporations and institutions of higher education to operate centers for cooperative development. The centers address rural economic problems in two ways. First, a center brings together expertise in cooperative development and cooperative business operations that would otherwise be more difficult to obtain. Second, these experts in cooperative development facilitate new cooperative businesses and improve the operations of existing cooperatives through technical assistance and educational programs. Consequently, RCDG's promote the creation or retention of jobs in rural areas through the development of new rural cooperatives, value-added processing and other rural businesses.

ATTRA provides information to farmers and other rural users on a variety of sustainable agricultural practices that include both crop and livestock operations. The program encourages agricultural producers to adopt sustainable agricultural practices, which allow for them to maintain or improve profits, produce high quality food and reduce adverse impacts to the environment.

Cooperative Research Agreements Program is a partnership program with the nation's colleges and universities that leverage our financial and human resources to conduct research on the problems and opportunities for the cooperative form of business. Cooperative agreements are awarded to 1862 and 1890 Land-Grant Universities, other institutions of higher education, and to nonprofits. Cooperative agreements are used to encourage research on critical issues vital to the development and sustainability of cooperatives as a means of improving the quality of life in America's rural communities.

SSDPG provides grants to assist small, minority agricultural producers in rural areas provides funding for cooperatives or associations of cooperatives whose primary focus is to provide assistance to such producers, and whose governing board and/or membership is comprised of at least 75 percent socially disadvantaged members. Grants may be used for developing business plans, conducting feasibility studies, or developing marketing plans for farmers, ranchers, loggers, agricultural harvesters, and fishermen.

VAPG enable producers of agricultural commodities to participate in the economic returns found in the value-added market. Grants may be used to develop business plans and develop strategies for creating marketing opportunities. Grants may also be used for feasibility studies and to provide capital to establish alliances or business ventures allowing producers to better compete in domestic and international markets. These grants for expansion, modernization or start-up, enhance the local job market mix and improve the local tax base. As a result, the overall local rural economy is stimulated, jobs are created, and quality of life improves.

AgMRC answers questions and provides information to media, investors, bankers, consultants and agricultural students on specific topics.

5. Success in Meeting Programmatic Purpose/Goals

RCDG performance includes:

Performance Measures	2007	2008	2009	2010	2011
Rural Cooperative Development Grants:					
Number of Cooperatives and prospective cooperative groups assisted	200	225	195	300	300
Program Dollars (in thousands)	$6,217	$8,933	$8,765	$14,290	$14,487
Value-Added Producer Grants (discretionary):					
Proposed, new, or expanded Value-Added businesses assisted	185	151	142	0	277
Program Dollars (in thousands)	$21,203	$23,801	$19,389	$0	$37,736

6. Annual Budget Authority (FY 2002–FY 2011)

Annual budget authority was:

RBS Coop Grant Programs (in thousands)	2007	2008	2009	2010	2011
Rural Cooperative Development Grants, Appropriate Technology Transfer, Cooperative Research Agreements, and Grants to Assist Minority Producers	$6,218	$8,934	$8,769	$14,293	$14,487
Value-Added Agricultural Market Development Grant Program and Agricultural Marketing Resource Center Grants	$23,801	$20,333	$20,657	$17,367	$20,367

7. Annual Outlays (FY 2002–FY 2011)

Annual outlays were:

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Cooperative Development Grants	1900	$31,488	$29,685	$26,955	$33,880	$31,732

Annual obligations were:

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Cooperative Development Grants	1900	$29,875	$29,506	$32,399	$15,393	$48,589

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays.

8. Annual Delivery Cost (FY 2002–FY 2011)

	2007	2008	2009	2010	2011
Rural Cooperative Development Grants, Appropriate Technology Transfer, Cooperative Research Agreements, and Grants to Assist Minority Producers.					
Program Level	$6,218	$8,934	$8,769	$14,293	$14,487
Budget Authority	$6,218	$8,934	$8,769	$14,293	$14,487
Administrative Costs (Direct)	$246	$214	$262	$157	$157
Administrative Costs (Indirect)	N/A	N/A	N/A	$403	$403
Total Costs	$6,464	$9,148	$9,031	$14,853	$15,047
FTEs	2	2	2	2	2
Performance measure: No. Groups assisted	187	175	150	300	360
Cost per Measure (unit cost)	$34.57	$52.27	$60.21	$49.51	$41.80
Value-Added Agricultural Product Market Development Grants & Agricultural Mtng. Res. Center Grants					
Program Level	$23,801	$20,333	$20,657	$17,367	$20,367
Budget Authority	$23,801	$20,333	$20,657	$17,367	$20,367
Administrative Costs (Direct)	$1,167	$1,171	$1,311	$468	$468
Administrative Costs (Indirect)				$1,205	$1,205
Total Costs	$24,968	$21,504	$21,968	$19,040	$22,040
FTEs	11	10	11	11	11
Performance Measure: No. of businesses assisted	151	150	192	127	150
Cost per Measure (unit cost)	$165.35	$143.36	$114.42	$149.92	$146.93

9. Eligibility Criteria

Under RCDG, nonprofit corporations and institutions of higher education are eligible.

For ATTRA, farmers and other rural users or anyone with a need for agricultural related information are eligible.

Regarding Cooperative Research Agreements, research proposals are solicited from institutions of higher education or nonprofit organizations interested in applying for competitively awarded cooperative agreements for research related to agricultural and nonagricultural cooperatives serving rural communities.

For the SSDPG, socially disadvantaged persons or 100 percent socially-disadvantaged producer-owned entities, including farmers, ranchers, loggers, agricultural harvesters, and fishermen, that have averaged $250,000 or less in annual gross sales of agricultural products in the last 3 years are eligible. A socially-disadvantaged producer for SSDPG purposes means individual agricultural producers who have been subjected to racial, ethnic or gender prejudice because of their identity as members of a group, without regard for their individual qualities.

Under VAPG, eligible applicants are independent producers, farmer and rancher cooperatives, agricultural producer groups, and majority-controlled producer-based business ventures.

AgMRC services are available to independent producers, processors, and service providers with critical information to build successful value-added agricultural enterprises. In order to better serve our core audience, the AgMRC website just completed a reorganization and new graphical update, giving users a clean, contemporary design and giving clear organization to files.

10. Utilization (Participation) Data

The last time funding for the Value-Added Grant Program was announced, there were 550 applicants requesting $56.4 million, but only 196 projects totaling $22.7 million could be awarded.

11. Duplication or Overlap with Other Programs

The purposes of these programs are unique. RCDG and SSDPG focus on providing technical assistance to existing, new, or developing cooperative businesses. RBS is the sole provider of research, information and technical assistance specifically targeted to support cooperatives.

While these programs are unique, they can complement a number of other programs within USDA, most notably, programs administered by Agricultural Marketing Service (AMS). The AMS Federal-State Marketing Improvement Program (FSMIP), Farmers Market Promotion Program (FMPP) and Specialty Crop Block Grant programs can be used in conjunction with RCDG programs to enhance or expand the scope or scale of a project. Further, programs under RCDG can also compliment a number of other RD programs including, but not limited to, the Rural Business Enterprise Grant, Business and Industry Guaranteed Loan, Community Facilities, and Renewable Energy for America Program.

12. Waste, Fraud and Abuse

There have been no reports of such problems with any of the programs included under RCDG.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Rural Economic Area Partnership (REAP) Zones.

2. Subprograms/Department Initiatives

None.

3. Brief History

Many rural areas face economic and community development issues of a very different character than communities whose needs are mainly defined by poverty. Often, the defining features are geographic isolation of communities separated by long distances, absence of large metropolitan centers, low-density settlement patterns, historic dependence on agriculture, continued population loss, out-migration, and economic upheaval or economic distress.

To address these issues, USDA advocated a pilot concept for rural revitalization and community development called REAP Zones. The REAP Initiative was established to address critical issues related to constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centers of information and finance.

Memoranda of Agreement between the REAP Zones and USDA established the RD mission area as the lead Federal Agency to assist the zones in the implementation of their programs. In 1995, two REAP Zones in North Dakota were initially designated to participate.

Subsequently, in 1999, two areas in upstate New York were added as the third and fourth REAP Zones. In 2000, an area in Vermont was designated as the fifth REAP Zone. The North Dakota Zones and the Vermont Zone are multi-county in size and the two REAP Zones in New York are, for the most part, single counties. Each REAP Zone developed a strategic plan for economic revitalization in their respective geographic areas.

A Presidential Memorandum dated August 5, 1993; variously dated Memoranda of Agreement; Pub. L. No. 106–387, Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 2001. 2008 Farm Bill, Section 6017 (J) extends the current REAP Zones to 2012.

4. Purpose/Goals

This pilot project sets up a collaborative and citizen-led effort to enhance economic development in the REAP Zones. This effort will become the model for building a new rural economy for other rural areas with similar problems. The Department of Agriculture has provided modest amounts of money to REAP Zones for planning this program. This contribution has been augmented by USDA community development technical assistance across all areas of REAP Zone endeavor. Further, priority consideration is afforded for REAP Zone applications submitted for funding through RD.

A summary of the REAP Zones' locations includes:

REAP Zone	State	Counties Included	Status Ends
CONAC	ND	McHenry, Bottineau, Rolette, Towner, Pierce and Benson; and the Indian reservations of the Turtle Mountain Chippewa and Spirit Lake Sioux	9/30/12
Southwest	ND	Dunn, Stark, Hettinger, Adams, Bowman, Slope, Golden Valley, Billings, and part of the Fort Berthold Indian Reservation	9/30/12
Sullivan-Wawarsing	NY	Sullivan and the Town of Wawarsing	9/30/12
Tioga	NY	Tioga	9/30/12
Northeast Kingdom	VT	Caledonia, Essex, Orleans	9/30/12

5. Success in Meeting Programmatic Purpose/Goals

Each REAP Zone developed a strategic community & economic development plan with a variety of projects that have been completed or are in the process of being implemented. Given a modest amount of money to develop a strategic, each of the five REAP Zones have continued on in vary degrees with their economic development projects for better than 10 years, with the oldest two dating back to 1995.

Leveraged funds from 1999–2011 include:

As of: 4/1/2011	
Grant from Designation	0
State Government	$62,302,055
Nonprofit	$8,494,877
Local or Regional Gov't	$12,053,461
Federal Gov't	$221,896,363
Private Sector	$48,184,764
Tribal Gov't	$6,086,699
Other	$4,502,286
REAP Zones	5
Total	$3,633,398,005
Per Zone Average	$72,704,101.00

6. Annual Budget Authority (FY 2002–FY 2011)

There is no direct budget authority for REAP Zones. Only funding references in the budget are specific dollar amounts set aside in three RD programs. If funding is not applied for by June 30, the funds are returned to the general pool. Set aside funding for REAPS was eliminated in FY 2011 for the Rural Business Enterprise and Rural Business Opportunity programs, with the only set aside being under the Intermediary Relending Program. This funding is in the form of loans.

7. Annual Outlays (FY 2002–FY 2011)

There were no outlays for REAP Zones during FY 2007 through FT 2011.

8. Annual Delivery Cost (FY 2002–FY 2011)

There is no direct funding for REAP zones, thus we cannot provide delivery cost funding levels. Delivery costs are scattered throughout all of the RBS programs; depending on what programs provide funding to the areas in a given year.

9. Eligibility Criteria

The REAP Initiative is a USDA pilot program targeting areas of economic distress not normally addressed by standard RD programs. In some cases this included high population loss, and others sharp economic downturns due to declining industries.

10. Utilization (Participation) Data

The communities and residents of 19 counties and three Indian reservations in parts of three states: North Dakota, New York, and Vermont.

11. Duplication or Overlap with Other Programs

Within RD, there are no other programs with similar purposes. Within USDA, there are few programs that promote strategic planning on a multi-community or multi-county basis. The closest program to the REAP Initiative would be the Resource, Conservation & Development Program. It also promotes multi-county strategic planning, but is focused on natural resources and resource-based economic development.

12. Waste, Fraud and Abuse

Any actions in these areas around REAP Zones are covered by the specific programs the Zones may have participated in. There is not any direct USDA funding for REAP Zones. For the minimal initial planning grants each Zone received, there were not any instances of waste, fraud, and abuse.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Rural Business Programs.

2. Subprograms/Department Initiatives

Guaranteed Business and Industry Loans.
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental.
North American Development Bank Guaranteed Business and Industry Loans.
Guaranteed Business and Industry—Stimulus.

3. Brief History

The mission of the guaranteed Business and Industry (B&I) loan program is to improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved by bolstering the existing private credit structure through the guarantee of quality loans which will provide lasting community benefits. USDA implements its part of the Community Adjustment Investment Program under the North American Development (NAD) Bank through the B&I Guaranteed Loan Program.

4. Purpose/Goals

The B&I loan guarantee program is authorized by Section 310B of CONACT [7 U.S.C. 1921]. Access to capital is key to keeping and increasing the number and size of businesses operating in rural areas. The guaranteed loan program supports financing for business and industrial acquisition, construction, conversion, enlargement, repair or modernization outside a town or city with a population of less than 50,000. Loan funds are used to finance the purchase and development of land, easements, rights-of-way, buildings, equipment, facilities, machinery, supplies and materials, and fund to pay startup costs and supply working capital. Individuals, as well as public, private, or cooperative organizations, Indian tribes, and corporations are eligible. The loan guarantee percentage drops from a maximum of 80 percent for loans of up to $5 million to 60 percent for loans between $10 million and $40 million. The aggregate loan amount available to any one borrower under this program is limited to $25 million. An exception to the limit is for cooperative organizations when the facility is located in a rural area and the facility provides value-added processing of an agricultural commodity. The maximum amount in such cases is $40 million which must be approved by the Secretary.

5. Success in Meeting Programmatic Purpose/Goals

The B&I loan program is RD's flagship job creation and capital expansion business program. Through $1.379 billion in annual appropriations and $1.561 billion appropriated through the ARRA, more than 55,000 jobs were created and saved and 1,332 rural businesses were impacted.

For example, Medora Environmental, Inc. (MEI) and its operating company, SolarBee, Inc., manufacture the SolarBee, a solar powered high volume water circulating system. The companies received a B&I guaranteed loan for permanent working capital of $1,787,100 and existing debt refinance in the amount of $1,212,900. The permanent working capital allowed the business to supplement its cash needs on a contingency basis. This loan also refinanced term debt which will save the company approximately $6,700 each month to help retain 67 jobs paying wages of approximately $28 per hour.

Another example is Ocean Classroom Foundation (OCF) which received a $2.2 million B&I guaranteed loan on February 1, 2010. This loan helped the organization restructure its debt and access much-needed working capital. The project also created and saved 14 jobs. OCF is located in Boothbay Harbor, Maine. The non-traditional school contributes to preserving the state's maritime heritage, while expanding students' horizons, by combining academic and nautical curriculums with experience at sea. Accredited programs are offered to teenaged and young-adult students as a means of providing academic and technical training, along with life experiences.

The B&I Guaranteed Loan program helps create and maintain employment and improve the economic climate in rural communities. This is accomplished by providing loan guarantees to private lenders of up to 80 percent that can be used to fund business and industrial acquisition, construction, conversion, enlargement, repair or modernization. The number of jobs created or saved in rural communities is a key performance measure and a critical element in determining the viability of a project for funding.

Performance data includes:

Performance Measures	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Performance Measure No. 1					
a. Jobs created/saved * total					
Guaranteed Business and Industry:					
a. New or saved jobs	12,343	18,703	17,602	21,328	11,705
b. Program Dollars—Loans	$830,525	$1,390,532	$949,010	$1,322,984	$813,824
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental:					
a. New or saved jobs	0	0	0	0	
b. Program Dollars—Loans	$0	$0	$246,197	$0	$0
Guaranteed NadBank Business and Industry:					
a. New or saved jobs	0	0	0	0	0
b. Program Dollars—Loans	$3,490	$0	$0	$0	$0
Guaranteed Business and Industry—Stimulus:					
a. New or saved jobs	0	0	0	0	0
b. Program Dollars—Loans	$0	$0	$49,412	$0	$0

6. Annual Budget Authority (FY 2002–FY 2011)

(Dollars in Thousands)

Account Name	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Guaranteed Business and Industry Loans:					
Budget Authority	$36,211	$60,071	$49,350	$70,515	$41,179
Subsidy Rate	4.36%	4.32%	4.35%	5.33%	5.06%
Program Level	$830,525	$1,390,532	$949,010	$1,322,984	$813,824
Guaranteed NadBank Business and Industry:					
Budget Authority	$319	$0	$351	$0	$0
Subsidy Rate	9.15%	7.69%	10.36%		
Program Level	$3,490	$0	$0	$0	$0
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental:					
Budget Authority	$0	$0	$19,400	$3,046	$0
Subsidy Rate			4.35%	5.33%	
Program Level	$0	$0	$445,977	$57,157	$0

6. Annual Budget Authority (FY 2002–FY 2011)—Continued
(Dollars in Thousands)

Account Name	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Guaranteed Business and Industry—Stimulus:					
Budget Authority	$0	$0	$26,100	$125,241	$0
Subsidy Rate			4.35%	5.33%	
Program Level	$0	$0	$2,898,851	$1,557,725	$0

7. Annual Outlays (FY 2002–FY 2011)

Annual outlays were:

Account Name	2007 Actual ($000)	2008 Actual ($000)	2009 Actual ($000)	2010 Actual ($000)	2011 Actual ($000)
Guaranteed Business and Industry	* $100,400	$119,464	$133,671	$263,067	$244,000

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays. Also, outlays reflect non-farm bill accounts as well.

8. Annual Delivery Cost

Business and Cooperative Programs
Full Cost by Department Strategic Goal

Strategic Goal: Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating and Economically Thriving.

Program	Program Items	FY 2007 Amount ($000)	FY 2008 Amount ($000)	FY 2009 Amount ($000)	FY 2010 Amount ($000)	FY 2011 Amount ($000)
Guaranteed Business and Industry Loans						
Program Level		$830,525	$1,390,532	$949,010	$1,322,984	$813,824
Budget Authority		$36,211	$60,071	$41,282	$70,515	$41,179

Admin Costs (Direct)	—	—	—	$13,637	$12,982
Admin Costs (Indirect)	—	—	—	$35,066	$33,381
Total Admin Costs	$49,978	$43,523	$47,435	$48,703	$46,363
Total Costs	$86,189	$103,594	$88,717	$119,218	$87,542
Guaranteed NadBank Business and Industry Loans					
Program Level	$3,490	$0	$0	$0	$0
Budget Authority	$319	$0	$351	$0	$0
Admin Costs (Direct)	$0	$0	$0	$0	$0
Admin Costs (Indirect)	$0	$0	$0	$0	$0
S&E	$0	$0	$0	$0	$0
Total Costs	$319	$0	$351	$0	$0
Business and Industry Guaranteed Loans—Stimulus					
Program Level	$0	$0	$2,898,851	$1,557,725	$0
Budget Authority	$0	$0	$126,100	$125,241	$0
Admin Costs (Direct)	$0	$0	$0	$0	$0
Admin Costs (Indirect)	$0	$0	$0	$0	$0
S&E	$0	$0	$0	$0	$0
Total Costs	$0	$0	$126,100	$125,241	$0
Guaranteed Business and Industry Loans 2008 Disasters Emergency Supplemental					
Program Level	$0	$0	$445,977	$57,157	$0
Budget Authority	$0	$0	$19,400	$3,046	$0
Admin Costs (Direct)	$0	$0	$0	$0	$0
Admin Costs (Indirect)	$0	$0	$0	$0	$0
S&E	$0	$0	$0	$0	$0
Total Costs	$0	$0	$19,400	$3,046	$0

9. Eligibility Criteria

In order to issue a guarantee on a particular project, there are various levels of eligibility that must be satisfied under the program.

First, the project must be eligible. A list of eligible projects can be found in RD Instruction 4279–B, section 4279.113 and they range from small manufacturing plants and hotels to convenience stores and biofuels refineries. One of the major advantages of the program is the variety of projects that are considered eligible.

Second, the project must have an eligible lender willing to offer financing. An eligible lender is any Federal or state chartered bank, Farm Credit Bank, other Farm Credit System institution with direct lending authority, Bank for Cooperatives, Savings and Loan Association, or mortgage company that is part of a bank-holding company. These entities must be subject to credit examination and supervision by either an agency of the United States or a state. Eligible lenders may also include credit unions provided, they are subject to credit examination and supervision by either the National Credit Union Administration or a state agency, and insurance companies provided they are regulated by a state or national insurance regulatory agency.

Third, the project must have an eligible borrower. An eligible borrower is one that is a cooperative organization, corporation, partnership, or other legal entity organized and operated on a profit or nonprofit basis; an Indian tribe on a Federal or state reservation or other federally recognized tribal group; a public body; or an individual.

10. Utilization (Participation) Data

Since the program's inception in 1974, the USDA B&I Guaranteed Loan Program has guaranteed over 16,000 loans, totaling approximately $24 billion, promoting business activity and entrepreneurship in rural areas.

11. Duplication or Overlap with Other Programs

A number of programs serve to stimulate economic development in rural communities. These include: the Small Business Administration's (SBA) 7(a) and Community Development (504) programs, the Economic Development Administration, the Tennessee Valley Authority's Economic Development Loan Fund, and other USDA programs that support business and community development. For example, an applicant from the Appalachian region may apply to programs administered by HUD, USDA, and ARC to obtain financing for building construction. In other cases, two agencies may explicitly have the same goals and serve similar applicants both SBA and USDA measure the number of jobs created. However, in some specific cases, programs can be differentiated. For example, SBA's 7(a) loan levels are limited to $5 million. Although there are a variety of state programs that serve a similar purpose, they also vary in degree of funding and rural availability.

12. Waste, Fraud and Abuse

Though there have been only a few examples of waste, fraud and abuse. All cases are investigated by the Department's Office of the Inspector General, and if necessary, the Federal Bureau of Investigation.

The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the lender has actual knowledge at the execution of the guarantee or of which the lender participates in or condones.

In the event the state office becomes aware of willful lender noncompliance with any provision of the Loan Agreement, Lender's Agreement, Loan Note Guarantee, or other similar document, the lender is to be notified in writing of the Full Faith and Credit provisions as they relate to the enforceability of the Loan Note Guarantee, with a copy of the letter to be included in the case file.

Some examples of the lender noncompliance include:

Hermitage Tomato Cooperative—fraud and misrepresentation—a total of $9.6 million, 90 percent B&I Guaranteed Loans were made to the Hermitage Tomato Cooperative Association (Hermitage Tomato). The borrower defaulted on the loan payments, and the assets of the cooperative were liquidated in October 2002 by the lender, Farmers Bank of Hamburg (Farmers Bank). The Agency reduced the loss claim based on negligent serving and diversion of funds from the Cooperative.

Catfish INT, Inc.—negligent servicing—On June 5, 1998, the Agency approved a $5 million, 70 percent B&I guaranteed loan for this borrower through its lender, Enterprise National Bank of Palm Beach. The lender foreclosed on the account on June 4, 2002. The borrower filed bankruptcy on May 19, 2000. The Agency discovered that the building construction was not to specs as in the Conditional Commitment. The Agency issued Adverse Decision Letter to reduce guarantee and OIG Investigation was initiated. NAD and Federal Court upheld Agency determination to reduce loss claim by $3,030,000.

Bill Russell Oil—negligent servicing—on June 21, 2000, the Agency issued a $3 million Loan Note Guarantee to Business Loan Express, now known as Ciena Capital Corporation, for this borrower. The operation soon failed with the last payment received from this borrower in January 2001. On December 19, 2007, the U.S. Attorney sent a draft complaint asserting the False Claims Act and Financial Institution Reform Recovery and Enforcement Act. As a result the loss claim was reduced and a settlement in the amount of $2.5 million was paid.

The National Office continues to remind the state offices through training sessions, webinars, monthly conference calls, *etc.,* of their responsibility to monitor the lender's actions. The Agency will work with the Office of the Inspector General in those instances where fraud, misrepresentation, or negligent servicing is suspected in an attempt to collect from the lender.

In addition, when the Agency suspects fraud and misrepresentation, the Agency consults with the Office of General Counsel and the U.S. Attorney's Office as appropriate to pursue matters for the best possible outcome for the government and taxpayer.

13. Effect of Administrative PAYGO

None.

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1. Program Name

Rural Microentrepreneur Assistance Program (RMAP).

2. Subprograms/Department Initiatives

None.

3. Brief History

RMAP is authorized under section 379E of the Consolidated Farm and Rural Security Act, as amended by the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill). The 2008 Farm Bill provided mandatory funding for this program totaling $15 million from FY 2009 through FY 2012. An interim rule was published for RMAP on May 28, 2010 to implement the program. A Notice of Funding Availability (NOFA) was published on June 3, 2010, announcing $45.1 million in funding in FY 2010 for direct loans and grants. This available program level includes mandatory and discretionary funding. No funding was provided in FY 2011 through annual appropriations; however, $4 million in mandatory funding is available. The President's 2012 budget requests $5.7 million in budget authority for RMAP, in addition to $3 million in mandatory funds provided by the 2008 Farm Bill.

4. Purpose/Goals

RMAP provides rural microentrepreneurs the opportunity to gain the skills necessary to establish new rural microenterprises, gain training, and receive continuing technical and financial assistance related to the successful operation of rural microenterprises. Loans and grants are made to qualified Microenterprise Development Organizations (MDO's) for the purposes of: (1) providing microloans to rural microentrepreneurs, and (2) providing training and technical assistance to current and/or potential micro entrepreneurs to establish new or sustain existing micro businesses in rural areas.

5. Success in Meeting Programmatic Purpose/Goals

In FY 2010, USDA announced $45.1 million in program level in FY 2010, this level of funding supported 63 loans and 74 grants; about $13.6 million of the announced amount was unutilized in FY 2010 and is available for use in FY 2011. RBS continues to accept and fund applications from the FY 2010 carryover funding. A NOFA for the FY 2011 mandatory funding is under development. MDO's are projecting to assist 574 microentrepreneurs and create or save 1,391 jobs.

6. Annual Budget Authority (FY 2002–FY 2011)

RMAP—Discretionary and Mandatory

(in millions of dollars)

	2007	2008	2009	2010	2011
Budget Authority (Mandatory)	N/A	N/A	$4.0	$4.0	$4.0

RMAP—Discretionary and Mandatory—Continued
(in millions of dollars)

	2007	2008	2009	2010	2011
Budget Authority (Discretionary)	N/A	N/A	$0	$5.0	$0

7. Annual Outlays (FY 2002–FY 2011)

RMAP—Discretionary and Mandatory Outlays
(in millions of dollars)

	2007	2008	2009	2010	2011
Outlays	N/A	N/A	$0	$9.7	$7.3

8. Annual Delivery Cost (FY 2002–FY 2011)

RMAP—Discretionary and Mandatory
(in thousands of dollars)

	2007	2008	2009	2010	2011
Program Level	N/A	N/A	N/A	$31,628	$24,961
Budget Authority	N/A	N/A	N/A	$9,654	$7,346
Administrative Costs (Direct)				$130	$130
Administrative Costs (Indirect)				$333	$333
Total Cost				$10,117	$7,809
FTEs				4	4

Note: Annual delivery costs are presented consistent with the FY 2012 Budget Explanatory Notes.

9. Eligibility Criteria

Loans and grants are provided to MDOs who, in turn, assist rural micro enterprises and microentrepreneurs. RMAP applicants are nonprofit entities, Indian tribes, and public institutions of higher education that, for the benefit of rural microentrepreneurs and microenterprises, provides training and technical assistance, makes microloans or facilitates access to capital or another related service, and/or has demonstrated record of delivering, or an effective plan to develop a program to deliver such services.

10. Utilization (Participation) Data

The RMAP program was implemented in FY 2010 and made 63 loans and 74 grants. Applications are accepted throughout the year and to date 165 loans and/or grants have been awarded.

11. Duplication or Overlap with Other Programs

Small Business Administration administers a newly-implemented Micro Loan program, which is very similar in nature. As is the case with all of the programs operated by RD, RMAP is specifically designed to assistance microentrepreneurs in rural areas. The Rural Business Service also operates the intermediary relending program and the rural economic development program under similar intermediary concepts. While these programs utilize the same basic operational platform, each program is targeted to a specific group of applicants. Streamlining these activities within existing authorizes could generate savings from implementation activities.

12. Waste, Fraud and Abuse

Not applicable as this is a newly-implemented program and has not yet undergone an audit or test of controls

13. Effect of Administrative PAYGO

None.

HOUSE COMMITTEE ON AGRICULTURE FARM BILL AUDIT QUESTIONNAIRE—RURAL HOUSING SERVICE

1. Program Name

Community Facilities (CF) Programs Direct and Guaranteed Loans and Grants.

2. Subprograms/Department Initiatives

CF Direct Loans.
CF Guaranteed Loans.
CF Grants.
CF Economic Impact Initiative Grants.
CF Tribal College and University Grants.

3. Brief History

USDA's CF Programs are implemented under Rural Development's Rural Housing Service (RHS). The programs provide access to capital for critical civic infrastructure investments primarily in the area of rural health care, public safety, and educational facilities. These investments are creating jobs and economic growth and are also funding technology and infrastructure such as health information technology that will lay the groundwork for future economic growth.

In 1972, Congress amended the Consolidated Farm and Rural Development Act (CON Act) to authorize the CF direct loan program to address the need for an agency devoted to providing essential community facilities in rural areas. Other Federal agencies were located in metropolitan cities and historically most of their activities were within cities with populations far exceeding the size of rural communities. Authority to implement the CF Programs was delegated to the predecessor to RHS, the Farmers Home Administration, which had an established field staff based in rural communities with the capacity to address local rural issues and concerns, assist those communities in assembling applications and providing supervised credit.

All applicants must demonstrate that they are unable to obtain credit from commercial sources at reasonable rates and terms. Applicants are required to be units of government, federally-recognized Indian tribes, or nonprofit entities with significant community support and ties to the local community, which helps to assure that the services are affordable for low- and moderate-income rural Americans.

In 1990, the CF authority was expanded to include the capability to guarantee loans made by commercial lenders. Authority for the CF grant program was added in 1997. The direct and guaranteed loan repayment terms are limited to the useful life of the facility, state statute, or 40 years, whichever is less.

Since its inception, more than 40 percent of RD's CF Programs' portfolio is invested in rural health care facilities. Since 2009 to June 30, 2011, the CF direct and guaranteed loan and grant programs invested over $3.1 billion in 4,207 essential community facilities. These investments are estimated to directly create 9,996 jobs and save 22,384 jobs. Of this amount over $1.66 billion has been invested in 464 rural health care facilities which is estimated to create 4,124 jobs and save 10,319 jobs. The President's FY 2012 Budget proposes to fund the CF direct loan program at $1 billion, more than triple the historic funding level. In addition, the budget proposes to eliminate funding for the CF guaranteed loan program which has had higher defaults than projected, making it more expensive than the direct loan program. The proposed increase in the CF direct loan program will mitigate any effects of ending the guaranteed loan program. The CF direct loan program has a negative subsidy rate in FY 2012. This means that the $1 billion in CF direct loan assistance can be provided without the need to request subsidy budget authority. This is a win-win for taxpayers and rural residents working to strengthen their rural communities.

4. Purpose/Goals

CF Programs direct and guaranteed loans and grants provide financing to units of local government, nonprofit organizations, or federally-recognized Indian tribes for the development of essential community facilities in rural areas. Eligible purposes include:

- Health care facilities;
- Fire, rescue, and public safety buildings, vehicles, and equipment;
- Educational and cultural facilities;
- Town halls, community centers, and libraries; and
- Adult and child day care facilities.
- Public buildings and civic infrastructure.

5. Success in Meeting Programmatic Purpose/Goals

CF Programs' performance includes:

Performance Measure	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual
Percentage of rural population with new or improved:					
• Health Care	5.2	5.3	5.4	3.2	3.2
• Public Safety	2.7	2.8	5.0	3.2	3.2
• Educational facilities	N/A	N/A	3.5	3.8	3.0
Program Level (in millions)	$755.0	$672.0	$639.3	$948.4	$488.3

6. Annual Budget Authority (FY 2002–FY 2011)

Annual budget authority included:

CF Programs Direct and Guaranteed Loans and Grants
(dollars in thousands)

	2007	2008	2009	2010	2011
Direct CF Loans	$11,130	$16,369	$16,871	$3,864	$3,856
Guaranteed CF Loans	$322	$7,596	$6,358	$6,626	$6,613
CF Grants	$16,714	$20,373	$20,373	$20,373	$14,970
Rural Community Development Initiative	$8,021	$6,256	$6,256	$6,256	$4,990
Economic Impact Initiative Grants	$17,123	$13,902	$10,000	$13,902	$6,986
Tribal College and University Grants	$4,592	$3,972	$3,972	$3,972	$3,964

7. Annual Outlays (FY 2002–FY 2011)

Annual outlays included:

(Dollars in thousands)

Account Name	Account Number	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Target
CF Program	1951	[1] $112,098	$109,417	$235,410	$145,409	$175,000

[1] Funded through RCAP.

Note: Outlays are not a one to one correlation with Budget Authority. Some programs disburse over numerous years. Undisbursed balances are carried forward for future year outlays. Also, outlays reflect non-farm bill accounts as well.

8. Annual Delivery Cost (FY 2002–FY 2011)

Annual delivery costs included:

CF Programs Direct and Guaranteed Loans and Grants
(dollars in thousands)

	2007	2008	2009	2010	2011
Program Level	$609,103	$640,889	$435,502	$948,423	$488,266
Budget Authority	$77,397	$78,199	$56,921	$69,455	$41,379
S&E	$114,578	$113,299	$117,408	$119,993	$119,993
Total Costs	$169,630	$191,498	$174,329	$189,448	$161,372
FTE	1,079	1,012	970	1,028	1,028

9. Eligibility Criteria

CF Programs can make and guarantee loans to develop essential community facilities in rural areas and towns of up to 20,000 in population. Loans and guaranteed loans are available to public entities such as municipalities, counties, and special-purpose districts, as well as to nonprofit corporations and tribal governments.

CF Programs provide grants to assist in the development of essential community facilities in rural areas and towns of up to 20,000 in population. Grants are authorized on a graduated scale. Applicants located in small communities with low populations and low incomes will receive a higher percentage of grants. Grants are available to public entities such as municipalities, counties, and special-purpose districts, as well as nonprofit corporations and tribal governments.

10. Utilization (Participation) Data

- Number of Loans and Grants
  - FY 2011 to date—1,032;
  - FY 2010—2,754;
  - FY 2009—2,377
  - FY 2008—1,840;
  - FY 2007—1,766.

11. Duplication or Overlap with Other Programs

There are a broad range of essential community facilities which may be financed through the CF Programs, and there are other agencies that finance some of the same types of community facilities within that range that could be located in rural areas. HUD's CDBG grant program is the main program that funds similar types of projects, *albeit* not through Federal loans or loan guarantees and not specifically for rural areas.

The RD agencies were created by Congress specifically to serve rural communities. In those cases where there are shared interests, RD has developed partnerships. We have long standing partnerships with the Health Resources and Services Administration, the Economic Development Administration, and the Appalachian Regional Commission which have included Memoranda of Understanding that set forth the ways in which the agencies collaborate and leverage resources to improve access to critical health care, education, and public safety facilities.

At the RD State Office level, we have extensive partnerships with the individual state's economic development, health, and water and sewage treatment agencies. RD has also developed partnerships over the years with organizations representing some of our major constituency groups, including lenders, fire fighters, and rural hospitals. Newer relationships include those with the Delta Regional Authority and the Federal Interagency Partnership on the Southwest Border Region.

12. Waste, Fraud and Abuse

There are numerous reviews performed on the CF program, such as state internal reviews, management control reviews, improper payments risk assessment, OMB Circular A–123 assessment, project reviews and reviews by external agencies such as the Office of Inspector General and the General Accountability Office. Senior management is also required to provide an annual assurance statement which is senior management's judgment as to the overall adequacy and effectiveness of internal control within the agency. CF has had no significant findings in any of the reviews or assessments. Effective internal controls are one of the CF program's main objectives to achieve results through improved accountability and to ensure the overall success of the program.

CF Programs have established internal controls to ensure that: (1) obligations and costs are in compliance will applicable law; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and (3) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. These controls are effective in guarding against overspending, operational failure, fraud, waste, abuse, or violations of law. They provide a reasonable assurance of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations.

13. Effect of Administrative PAYGO

None.

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