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Committee on Appropriations

FARM SERVICE AGENCY
Statement of Jonathan W. Coppess, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Madam Chairwoman and Members of the Subcommittee, I appreciate this opportunity to discuss Farm Service Agency (FSA) issues and funding. Our fiscal year (FY) 2011 budget emphasizes improved program delivery by focusing on support for our county office staff and investments in crucial information technology (IT) modernization priorities, while funding critical program levels within an environment of constrained discretionary spending.

AGENCY OPERATIONS

FSA carries out many of the programs authorized by the 2008 Farm Bill as well as programs under other authorities. We deliver these programs through approximately 2,248 county level USDA Service Centers, 50 State offices, and an office in Puerto Rico. FSA has headquarters offices in Washington, DC, two field offices in Kansas City, an office in Salt Lake City, and a field office in St. Louis servicing farm loan programs.

At the end of FY 2009, the Service Centers were staffed by a total of 8,757 non-Federal and 2,223 Federal FSA employees, who are the public face of the agency, working directly with producers. Nationwide during 2009, FSA averaged 1,400 payment transactions and $1.8 million per county office employee, while educating producers about complex new programs and handling countless questions, concerns and needs for guidance and information.

Working together at all levels, FSA provided an estimated $4.5 billion in loans to over 33,000 farmers and ranchers across the country – the highest levels since 1984 – while decreasing loan processing times, managing significantly increased demand, and providing increased lending to beginning farmers and ranchers and socially disadvantaged farmers and ranchers. FSA also made USDA the first to provide American Recovery and Reinvestment Act funding to Americans by obligating loans totaling over $170 million in less than 48 hours.

FSA continued implementation of the 2008 Farm Bill, issuing an impressive volume of payments. By early in FY 2010 we had delivered assistance of over $318 million to farmers and ranchers through the Livestock Indemnity Program (LIP), the Livestock Forage Disaster Program (LFP), and the Supplemental Revenue Assistance Payments (SURE) Program. We issued Direct and Counter-Cyclical Program (DCP) payments of nearly $6 billion via over 2.4 million transactions, and provided over 920,000 Conservation Reserve Program (CRP) payments for approximately 31 million acres, totaling $1.7 billion. We also provided over $40 million to individuals delivering biomass to facilities using it to produce renewable energy and products.

We had also signed up over 1.5 million producers for DCP payments and 130,000 for the ACRE program, as well as many thousands more for Milk Income Loss Contract, LIP, LFP, and Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP) assistance. We entered into 758,000 CRP contracts on 424,000 farms. We registered over 300 biomass conversion facilities and thousands of individuals to deliver biomass to them.

In addition to Farm Bill implementation, FSA has taken swift action to expedite implementation of the Dairy Economic Loss Assistance Payment (DELAP) Program established by the FY 2010 Agriculture Appropriations Act. Enacted on October 16, 2009, by December 24, FSA had published regulations and begun making payments, and by January 20 nearly $270 million had been issued. The remaining funds are being held for producers whose production records were not already on file and who consequently had to submit an application for the program.

These accomplishments represent only a portion of what FSA has achieved. With activities of this scope and complexity, it is clear that continued top-notch performance depends not only upon an adequate number of motivated, well-trained staff, but also upon sound business processes and reliable, modern IT resources.

Business Processes

FSA is continuing work on the "MIDAS" (Modernize and Innovate the Delivery of Agricultural Systems") initiative, which is a comprehensive project to streamline the existing complicated business processes that have been used to administer mandated farm programs. Reengineering of the legacy processes is necessary in concert with the design of a modern, web-based IT infrastructure that will ensure efficient and reliable service to FSA's customers.

We have already completed a similar effort in the farm loan area in conjunction with the development of the web-based Farm Loan Program Information Delivery System (FLPIDS). As a part of this endeavor we were able to dramatically reduce the number of pages of regulations and significantly simplify program instruction manuals.

Information Technology

As you know, FSA farm programs rely on one of the oldest information technology systems, both hardware and software, within the Department of Agriculture. The Committee has provided $117.3 million through the Recovery Act and the FY 2010 regular appropriation to enable us to continue our modernization efforts. We appreciate this support, particularly in view of the challenges the Committee faces during these times of fiscal restraint.

We have made some solid progress. At the end of the past crop year, FSA implemented the National Receipts and Receivables System (NRRS), a web-based application for managing payments for various farm programs. Designed to eliminate improper and inaccurate payments, reduce administrative resources, and speed payments to producers, this modernization initiative streamlined three previously separate legacy system processes, allowing more effective disbursement of CRP and DCP payments.

We have also made progress on the MIDAS project. In FY 2009 we awarded several project management contracts designed to reduce overall project risk, meet Earned Value Management requirements of the Office of Management and Budget, and ensure good overall contract oversight. In December 2009, the largest contract needed to support MIDAS was awarded. Valued at $500 million over a 7-year period, this contract provides for modern, offthe-shelf software applications to be integrated into the FSA system. While MIDAS is the primary beneficiary of this agreement, it can also be used throughout USDA to address other Departmental IT initiatives.

The FLPIDS modernization effort will complete the transition to a web-based platform later this spring. It was this web-based system that enabled us to expeditiously deliver Recovery Act funds to farmers with pending loan applications.

Performance and Accountability

FSA has also made progress in resolving an issue that has been of concern to the Committee. Together with the Natural Resources Conservation Service, we have entered into an agreement with the Internal Revenue Service (IRS) to establish an electronic information exchange to verify compliance with the adjusted gross income requirements of programs administered by both USDA agencies. While providing ample protections for producers' information – for example, no actual tax data will be provided to USDA – the process will flag possible violations of the income limits. Producers in question will have the opportunity to present additional information. This cooperative effort with the IRS will reduce fraud in the farm programs and enhance program integrity.

PROGRAM UPDATES

2008 Farm Bill Implementation

At the outset of this statement I provided a snapshot of some of FSA's accomplishments in implementing the 2008 Farm Bill. Now I would like to supply additional detail on the status of some of the major Farm Bill programs.

Disaster Assistance

Regulations for the Supplemental Revenue Assistance Payments (SURE) Program were published December 28, 2009, and the signup began January 4, 2010, for losses during the 2008 crop year. Within the first 3 weeks, payments of over $870 thousand were issued, and to date we have made payments of over $40.6 million.

In 2009, FSA implemented the Livestock Indemnity Program (LIP) and Livestock Forage Disaster Program (LFP) to aid livestock producers affected by 2008 and subsequent natural disasters, issuing a combined total of over $276 million for losses of livestock under LIP and grazing losses under LFP.

Signup for the 2008 and 2009 Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program (ELAP) has ended and payments will be made shortly. Signup for the 2010 ELAP is ongoing.

Regulations for the Tree Assistance Program are being developed and should be published this spring.

Biomass Crop Assistance Program

In June 2009, FSA issued a Notice of Funds Availability for matching payments for the collection, harvest, storage, and transportation of eligible biomass materials sold to qualified biomass facilities for the Biomass Crop Assistance Program (BCAP), with the first payment issued in August. On February 3, 2010, we published a proposed rule with a 60-day comment period to fully implement the second phase of BCAP, which includes establishment and annual payments.

Conservation Reserve Program

As of December 31, 2009, total Conservation Reserve Program (CRP) enrollment stood at 31.2 million acres under 758,000 contracts, of which 4.4 million acres under 391,000 contracts are for practices under continuous signup. We anticipate enrollment of about 31.4 million acres at year end. For FY 2011, the budget projects enrollment of about 30.2 million acres. Because CRP participation is driven by economic considerations such as producer expectations about future commodity prices and rental rates, the amount of land they are willing to offer varies as circumstances change. FSA intends to use all available authorities to encourage enrollment as authorized by the 2008 Farm Bill.

We plan to publish an interim rule for the Voluntary Public Access Program, to encourage owners and operators of private farm, ranch, and forest land to make that land publicly accessible for hunting, fishing, or other wildlife-related recreation under programs administered by the State or Tribal governments.

In January 2010, USDA announced the issuance of more than $950 million to quota holders and producers in 2010 for the Tobacco Transition Payment Program.

BUDGET REQUESTS

Commodity Credit Corporation

The FY 2011 budget estimates largely reflect supply and demand assumptions for the 2010 crop, based on November 2009 data, and primarily reflect current law, with some modifications for proposed legislation. CCC net expenditures for FY 2011 under current law assumptions are projected at $11.4 billion, down from approximately $12 billion forecast for FY 2010 and a record high of $32.3 billion in FY 2000. Commodity prices are expected to remain relatively robust into FY 2011, leading to a continuation of fairly level outlays comprising primarily direct payments.

CCC is authorized to replenish its borrowing authority, as needed, through annual appropriations up to the amount of realized losses recorded in CCC's financial statements at the end of the preceding fiscal year. For FY 2009 losses, CCC will be reimbursed $15.1 billion in FY 2010.

Appropriated Programs

For Farm Loan Programs, the Budget proposes a total program level of about $4.7 billion – over $1.4 billion for direct loans and nearly $3.1 billion for guaranteed loans. These levels reflect credit usage forecasts at the time the Budget was developed.

For direct farm ownership loans we are requesting a loan level of $475 million to extend credit to about 2,800 small and beginning farmers to purchase or improve a family farm. In accordance with legislative authorities, FSA has established annual participation targets for members of socially disadvantaged groups based on demographic data. Also, 70 percent of direct farm ownership loan funds are reserved for beginning farmers; over the past several years, all of the reserved funds have been used for beginning farmer loans. For direct farm operating loans we are requesting a program level of $900 million to provide production loans to approximately 15,000 family farmers. The Agency also targets a portion of direct operating loan funding to members of socially disadvantaged groups based on demographic data, and 35 percent of the funds are reserved for beginning farmers. Over the past several years, loans made to beginning farmers have exceeded the amount of funds reserved for them

For guaranteed farm ownership loans in FY 2011, we are requesting a loan level of $1.5 billion to provide about 4,300 farmers the opportunity to acquire their own farm or to preserve an existing one. One critical use of these loans is to allow real estate equity to be used to restructure short-term debt into more favorable long-term rates. For guaranteed farm operating loans we propose an FY 2011 program level of approximately $1.64 billion to assist over 7,500 producers who would not otherwise qualify for commercial loans and would be forced to seek direct loans from FSA.

In addition, our budget proposes program levels of $2 million for Indian tribe land acquisition loans and $60 million for boll weevil eradication loans. For emergency disaster loans, our budget does not request an appropriation since disaster needs are unpredictable.

The 2008 Farm Bill provides two new programs: conservation loans, and loans to purchase highly fractionated Indian land. Direct and guaranteed conservation loans provide funding for construction or establishment of conservation structures, forest and permanent cover, or other projects. Priority is given to qualified beginning farmers, ranchers, socially disadvantaged farmers or ranchers, owners or tenants who use the loans to convert to sustainable or organic agricultural production systems, and producers who use the loans to build conservation structures or establish conservation practices. The requested FY 2011 program level for direct and guaranteed conservation loans is $75 million each. The Indian Highly Fractionated Land Program is a direct loan program which provides authority to make and insure loans to eligible purchasers of highly fractionated land under the Indian Land Consolidation Act. The requested FY 2011 program level is $10 million.

For State Mediation Grants the FY 2011 budget requests $4.369 million, the same as the FY 2010 appropriation, for grants to 35 or 36 States to assist in operating alternative dispute resolution programs that deal with disputes involving a variety of agricultural issues.

For the Dairy Indemnity Program the Budget requests "such sums as may be necessary", as provided in the last two appropriations acts, to compensate dairy farmers and manufacturers when, through no fault of their own, their milk or milk products are removed from commercial markets due to residues of certain chemicals or other toxic substances.

Since it is impossible to predict natural disasters and difficult to forecast an appropriate funding level for the Emergency Conservation Program, the FY 2011 Budget does not include a request for this program.

Administrative Support

The FY 2011 Budget requests $1.69 billion from appropriated sources including credit reform transfers, for a net increase of about $116 million over the FY 2010 enacted level. The request reflects an increase of approximately $20.6 million for Federal and non-Federal pay costs and operating expenses, and about $95.3 million to fund critical IT replacement and modernization projects essential to support core agency operations. The IT request includes $38.3 million to continue the MIDAS project, $1 million to fund an additional 10 staff-years in support of MIDAS, $20 million to convert essential program delivery software from the obsolete mainframe system to the new web-based system, and $36 million to support the Department's efforts to modernize and upgrade the Common Computing Environment for the Service Center agencies.

FSA has taken aggressive action over the past several years to reduce discretionary administrative expenditures and operate within available funding. The FY 2011 budget assumes that the agency will continue that trend of fiscal restraint.

The FY 2011 S&E request reflects a total of 5,104 Federal staff-years, an increase of 10 over the FY 2010 level, and 9,425 non-Federal staff-years, unchanged from FY 2010. As I noted earlier, the additional 10 staff-years would support the MIDAS initiative. Temporary non-Federal county staff-years will remain at the projected FY 2010 level of 650. These staffing levels are essential to enable FSA to handle the workload associated with the broad array of complex programs entrusted to us.

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

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