

FY 2008 Explanatory Notes
Farm Service Agency

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FARM SERVICE AGENCY

Purpose Statement

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, which was amended by the Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127. FSA's mission is to contribute to the viability of American agriculture by providing efficient and equitable administration of farm commodity, farm loan, conservation, and emergency programs, and helping to facilitate domestic and international food assistance programs. FSA provides the personnel to carry out most of the programs funded by the Commodity Credit Corporation (CCC).

FSA administers programs authorized by the Farm Security and Rural Investment Act of 2002, P.L. 107-171, and a variety of other laws. Descriptions of the programs administered by FSA and funded by CCC appear in the CCC Purpose Statement in Section 20 of these Explanatory Notes. The following is a summary of FSA's programs and activities funded by other sources, including appropriations, transfers, and fees.

Farm Loan Programs: FSA's farm loan programs provide a safety net for farmers and ranchers temporarily unable to obtain sufficient credit elsewhere to finance their operations at reasonable rates and terms.

Most farm loan programs administered by FSA are authorized by the Consolidated Farm and Rural Development Act, Public Law 87-128, August 8, 1961, as amended. Subtitle A of this act authorizes farm ownership, recreation, and soil and water loans. Subtitle B authorizes direct and guaranteed operating loans. The Agriculture Credit Improvement Act of 1992, Public Law 102-554, establishes special assistance to qualified beginning farmers and ranchers to enable them to conduct viable farming and ranching operations. Indian Tribe Land Acquisition Loans are authorized by Public Law 91-229, approved April 11, 1970.

The Agricultural Credit Insurance Fund Program Account was initiated in FY 1992, as required by the Federal Credit Reform Act of 1990. The account shows the direct loan obligations and guaranteed loan commitments of FSA's farm loan programs and the associated subsidy costs. Subsidy costs are obtained by estimating the net present value of the Government's cash flows resulting from direct and guaranteed loans made through this account.

The programs funded by this account are:

- **Farm Ownership Loans.** FSA makes direct and guaranteed loans to family farmers to purchase farmland; restructure their debts, including utilizing their real estate equities to refinance heavy short-term debts; and make adjustments in their operations to comply with local sanitation and pollution abatement requirements, keep up with advances in agricultural technology, better utilize their land and labor resources, or meet changing market requirements. Guaranteed farm ownership loans may be used to finance income-producing recreational enterprises or other non-farm enterprises that supplement but do not supplant farm income.

Loans are made for 40 years or less. A direct loan may not exceed \$200,000 and a guaranteed loan may not exceed \$899,000. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost of money to the Government plus up to 1 percent. However, loans to limited resource borrowers (farmers who need special supervision or who cannot afford the regular interest rate due to low income) bear interest of not more than one-half of the Treasury rate for marketable obligations with maturities of 5 years plus not more than 1 percentage point, with a floor of 5 percent. The interest rate for guaranteed loans is negotiated by the lender and borrower.

At least 25 percent of the amounts appropriated for guaranteed farm ownership loans will be reserved for beginning farmers and ranchers during the first 6 months of the fiscal year. Also, at least 70 percent of the amount appropriated for direct farm ownership loans will be reserved for qualified beginning farmers and ranchers.

- **Farm Operating Loans.** Farm operating loans are targeted to family farmers unable to obtain credit from private sources and are accompanied by supervisory assistance in farm and financial management.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry, and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other non-farm enterprises; and refinancing existing indebtedness.

Farm operating loans are for periods of 1 to 7 years depending on loan purposes. The loan limit is \$200,000 for a direct loan and \$899,000 for a guaranteed loan. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost of money to the Government plus up to 1 percent. However, loans to limited resource borrowers bear interest of not more than one-half of the Treasury rate for marketable obligations plus not more than 1 percentage point, with a floor of 5 percent. The interest rate for guaranteed loans is negotiated by the lender and borrower and may be subsidized under the interest assistance program. In addition, the interest rate assistance program may also be sufficient to allow moderate-income borrowers to move from the direct loan program to the guaranteed loan program.

The Agricultural Credit Improvement Act of 1992, Public Law 102-554, requires at least 35 percent of the amounts available for direct farm operating loans be reserved for qualified beginning farmers and ranchers during the first 9 months of the fiscal year.

- **Emergency Loans.** Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared a disaster by the President or designated for emergency loan assistance by the Secretary of Agriculture.

Emergency loans are made to established, eligible, family-size farmers, ranchers, and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, provided they are primarily engaged in agricultural or aquaculture production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to \$500,000 or the calculated actual loss; whichever is less, for each disaster, at an interest rate of 3.75 percent.

Actual loss loans may be made to repair, restore, or replace damaged or destroyed farm property, livestock and livestock products, and supplies and to compensate for disaster-related loss of income based on reduced production of crops and/or livestock products. Eligible farmers may use actual loss loan funds to pay costs incident to reorganizing a farming system to make it a sound operation that is approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies, and equipment may be scheduled for repayment for up to 7 years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security

when a loan term of more than 7 years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

- **Indian Tribe Land Acquisition Loans.** These loans allow Native Americans to repurchase tribal lands and maintain ownership for future generations. They are limited to acquisition of land within the defined boundaries of a tribe's reservation. To be eligible, a tribe must be recognized by the Secretary of the Interior or be a tribal corporation established pursuant to the Indian Reorganization Act; in addition, a tribe must be without adequate funds to acquire the needed land and be unable to obtain sufficient credit elsewhere for the purchase. The tribe must also have a satisfactory management and repayment plan. Loans are made at 5 percent interest for a period not to exceed 40 years.
- **The Boll Weevil Eradication Loans.** Boll weevil eradication loans provide assistance to producer associations and State governmental agencies to eradicate boll weevils. Loans are made in major cotton producing States.
- **Credit Sales of Acquired Property.** Loans are authorized for the sale of security properties previously acquired by FSA during the servicing of its loan portfolio. Loans for sales of acquired property have been financed under the direct farm ownership loan program since separate funding for credit sales has not been appropriated.

State Mediation Grants: Section 502 of the Agricultural Credit Act of 1987, P.L. 100-233, authorized the Secretary of Agriculture to help States develop and operate mediation programs to assist agricultural producers, their creditors, and other persons directly affected by the actions of USDA in resolving disputes confidentially, efficiently, and cost effectively compared to administrative appeals, litigation, and bankruptcy. Under the program, FSA makes grants to States to support mediation programs established under State statute and certified by FSA. Grants can be up to \$500,000 annually, or 70 percent of the State's cost of operating its program for the year.

Originally designed to address farm loan disputes, the program was expanded by the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, to include other agricultural issues such as wetland determinations, conservation compliance, rural water loan programs, grazing on National forest system lands, and pesticides. The Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, clarified that certified State programs can provide mediation training and consulting services to producers, lenders, and USDA agencies.

The program was extended through fiscal year 2010 by P.L. 109-17, enacted June 29, 2005.

Emergency Conservation Program (ECP): ECP is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334). ECP provides emergency cost-sharing assistance to farmers and ranchers to help rehabilitate farm or ranch land damaged by natural disasters and to carry out water conservation measures during periods of severe drought. Subject to the availability of funds, FSA County Committees, in consultation with State Committees, are authorized to implement ECP for eligible farmers for all disasters except drought. In the event of a drought, the determination to implement ECP is made by the Deputy Administrator for Farm Programs. Cost-sharing may be offered only for emergency conservation practices to restore farmland to a condition similar to that existing prior to the natural disaster.

Dairy Indemnity Program (DIP): Since its inception under the Economic Opportunity Act of 1964, DIP has been extended in various farm bills, most recently in the 2002 Act. The program indemnifies dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because of residues of chemicals that have been approved by the Federal Government and certified as safe for use. The program also reimburses dairy

farmers for milk removed from commercial markets because of nuclear radiation, fallout, or certain other toxic substances. Current authority for this program expires on September 30, 2007.

Tree Assistance Program (TAP): TAP originated as a cost-share program for orchard and vineyard growers who replanted or rehabilitated orchard trees and vineyards lost to damaging weather. The program was funded by the FY 1997 supplemental appropriation, P.L. 105-18, and the FY 1998 supplemental appropriation, P.L. 105-174. The FY 1999 Appropriations Act, P.L. 105-277, authorized the use of unobligated FY 1998 TAP funds for losses due to specified disasters.

TAP was reauthorized, with some modifications, by the Farm Security and Rural Investment Act of 2002, P.L. 107-171. Cost-share payments of up to 75 percent are authorized to eligible growers who replant or rehabilitate orchard trees and vineyards lost due to natural disasters including plant disease, insect infestation, fire, freeze, flood, lightning, drought, tornado, earthquake, and other occurrences as determined by the Secretary. "Tree" is defined as tree, bush, and vine. The total amount of payments that a grower is entitled to receive may not exceed \$75,000 or an equivalent value in tree seedlings. Total acres planted to trees or tree seedlings for which a grower may receive payments cannot exceed 500 acres.

Grassroots Source Water Protection Program (GSWPP): The Grassroots Source Water Protection Program was reauthorized by the 2002 Farm Bill. This program is a joint project by the Farm Service Agency and the nonprofit National Rural Water Association designed to help prevent source water pollution through voluntary practices installed by producers at the local level. GSWPP will use onsite technical assistance capabilities of each State rural water association that operates a wellhead or groundwater protection program in the State. State rural water associations can deliver assistance in developing source water protection plans within priority watersheds for the common goal of preventing the contamination of drinking water supplies. This program will expire on September 30, 2007.

Commercial Warehouse Activities: Commercial warehouse activities are governed by the CCC Charter Act, as amended through P.L. 104-130, April 9, 1996; and by the U.S. Warehouse Act (USWA), first enacted in 1916 and most recently reauthorized by the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472. The CCC Charter Act provides that, in purchasing, selling, warehousing, transporting, processing, and handling agricultural commodities, CCC shall utilize usual and customary channels of trade and commerce. The USWA authorizes the Secretary of Agriculture to license warehouse operators who store agricultural products. The USWA is considered a "permissive regulatory act – " permissive because it applies to warehouse operators who voluntarily apply, and regulatory because licensees must operate under its provisions and are subject to its regulations. The USWA also authorizes the Secretary to license qualified persons to sample, inspect, weigh, and grade agricultural products. Commercial warehouse operators, those regulated by the USWA and those who elect to enter into a storage agreement with CCC to store Government-owned or producer-owned commodities pledged to CCC as loan collateral, are required to meet minimum financial standards and maintain physical warehouse facilities capable of handling and storing applicable agricultural commodities.

FSA personnel periodically make unannounced examinations of the facilities, commodities, and warehouse records to ensure protection of all depositors, including the U.S. Government, against potential losses in quality and quantity of the stored commodities and to ensure compliance with the USWA and any CCC storage agreements. These examinations provide the foundation for industry-wide confidence in the integrity of warehouse receipts and facilitate the orderly marketing of agricultural products. Examination functions are supported by fees from the warehouse industry and CCC.

End-Use Certificate Program: FSA monitors Canadian wheat imports under end-use certificates. The certificates track Canadian wheat imports and how the imports are consumed. Congress enacted the program February 27, 1995, as a result of the North American Free Trade Agreement legislation to ensure foreign wheat does not benefit from U.S. export programs. Under the program, importers of Canadian

wheat, regardless of ultimate use, must complete the end-use certificate. Transactions subsequent to entry must be reported, and all purchasers must continue to report any consumption.

Domestic and Export Commodity Procurement Activities: Procurement activities are governed by the following legislation: National School Lunch Act, Sections 6 (a) and (e), 13 and 17; Emergency Food Assistance Act of 1983, as amended; Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480, Title II), as amended; Food for Progress Act of 1985, as amended; and the Agricultural Act of 1949, Section 416(b), as amended.

- **Domestic Nutrition and Feeding Programs.** FSA procures commodities for domestic food programs administered by the Food and Nutrition Service. These programs include the National School Lunch Program; elderly, disaster, and emergency feeding programs; food aid to Native Americans living on reservations, and other programs that help individuals in need. FSA also donates surplus Government-owned commodities for use in feeding programs, using CCC authority, when these products are available.
- **Foreign Food-Aid Humanitarian and Developmental Assistance Programs.** FSA procures commodities on behalf of the Agency for International Development and the Foreign Agricultural Service for overseas humanitarian and developmental use under Title II of P.L. 480, Food for Progress, and Section 416(b) programs.
- **Surplus Removal and Disaster and Food Assistance Programs.** FSA procures commodities under Executive Order and congressional mandate for surplus removal and disaster and food assistance programs. In response to natural disasters, FSA distributes Government-owned food from warehouses and may make special purchases of food as part of the disaster relief effort.

Agency Structure: FSA delivers its programs through approximately 2,350 USDA Service Centers and 51 State offices, including Puerto Rico. This network has enabled FSA to maintain close relationships with Agency customers and address customer needs quickly. FSA is seeking to improve the Service Center system and optimize the organization, thereby reducing overhead and indirect costs. A comprehensive review is under way to identify potential improvements. 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. In addition to providing management oversight of State and Service Center program delivery, personnel at Washington headquarters and the Kansas City complex are principally responsible for acquiring, merchandising, and disposing of CCC commodities for domestic and international food assistance programs.

FSA's permanent, full-time, end-of-year Federal employment as of September 30, 2006, was 1,077 for headquarters and 4,107 for field offices. FSA non-Federal permanent employment in Service Centers was 8,713.

OIG Reports:

Number	Title	Report Date
064010020FM	Monitoring the Audit of CCC's Fiscal Year 2005 Financial Statements	11/09/2005
030160002TE	Farm Service Agency Debt Forgiveness Restrictions on Borrower Eligibility for Farm Loan Programs	03/31/2006
036010011AT	Minority Participation in FSA's Farm Loan Programs	11/17/2005
036010013CH	FSA – USDA's Progress to Implement the Improper Payments Information Act of 2002	03/06/2006
036010044TE	FSA Improper Payments – Finality Rule and Misaction/Misinformation	03/27/2006

GAO Reports:

Number	Title	Report Date
GAO-06-1002R	Managerial Cost Accounting Practices: Department of Agriculture and the Department of Housing and Urban Development	09/21/2006
GAO-06-856R	Department of Agriculture, Farm Service Agency: Emergency Conservation Program	07/10/2006
GAO-06-912R	Farm Loan Programs: GAO Reports on USDA Lending Practices	06/28/2006
GAO-06-796R	Department of Agriculture, Farm Service Agency: 2005 Section 32 Hurricane Disaster Programs	06/22/2006
GAO-06-878T	Crop Insurance: More Needs To Be Done to Reduce Program's Vulnerability to Fraud, Waste, and Abuse	06/15/2006

FARM SERVICE AGENCY

Available Funds and Staff Years
2006 Actual and Estimated 2007 and 2008

Item	Actual 2006		Estimated 2007		Estimated 2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries & Expenses:						
Direct Appropriation.....	\$1,030,000,000	2,112	\$965,801,000	2,023	\$1,228,662,000	2,079
Rescission, P.L. 109-148.....	-10,300,000	--	0	--	0	--
Credit Reform Transfers:						
P.L. 480 Program Account.....	3,217,000	28	2,651,000	24	2,761,000	24
CCC Export Loans Program Account.....	1,839,000	2	1,821,000	2	359,000	2
Transfer to FAS.....	-1,480,000	0	-1,480,000			
ACIF Program Account.....	304,591,000	2,837	301,545,000	2,935	311,737,000	2,935
Rescission, P.L. 109-148.....	-3,096,000	--	0	--	0	--
Farm Storage Facility Loans Program Account.....	0	--	0	--	4,660,000	--
Subtotal, Salaries and Expenses.....	1,324,771,000		1,270,338,000		1,548,179,000	
Transfer from Congressional Affairs.....	277,000	--	0	--	0	--
Emergency ADP Supplemental, P.L. 106-246.....	122,000	--	21,000	--	0	--
Unobligated balance carried forward - PY and FY 2000-2005 balances.....	69,886,000	--	77,452,000	--	0	--
Unobligated balance to be carried forward.....	-77,473,000	--	0	--	0	--
Unobligated balances lapsing.....	-10,035,000	--	0	--	0	--
Total, Salaries and Expenses.....	1,307,548,000	4,979	1,347,811,000	4,984	1,548,179,000	5,040
ACIF Program Account:						
Subsidy.....	149,787,000	0	149,787,000	0	152,333,000	0
Administrative Expenses:						
Non-Recoverable Loan Costs.....	7,920,000	0	7,920,000	0	7,920,000	0
State Mediation Grants.....	4,208,000	0	4,208,000	0	4,000,000	0
Emergency Conservation Program.....	161,800,000	0	0	0	0	0
Grassroots Source Water Conservation Program.....	3,712,500	0	3,712,000	0	0	0
Total, Above.....	1,634,975,500	0	1,513,438,000	0	1,712,432,000	0
Obligations under other USDA appropriations:						
Foreign Agricultural Service.....	5,133,000	56	5,133,000	58	5,382,000	58
Risk Management Agency.....	2,000,000	16	2,000,000	24	2,253,000	24
Office of the Chief Information Officer (GIS).....	30,231,000	50	4,549,000	56	0	0
Commodity Operations Expenses (Sec. 11).....	4,084,000	42	4,338,000	42	4,400,000	42
Food & Nutrition Service.....	5,175,000	21	2,970,000	20	1,974,000	20
Agricultural Marketing Service.....	1,348,000	11	867,000	9	909,000	9
Flying Contracts.....	11,679,000	0	8,500,000	0	8,500,000	0
Service Centers.....	2,435,000	0	2,435,000	0	0	0
Miscellaneous.....	67,414,000	0	50,579,000	0	50,323,000	0
Total, Other USDA Appropriations.....	129,499,000	196	81,371,000	209	73,741,000	153
Total, Agriculture Appropriations.....	1,764,474,500	5,175	1,594,809,000	5,193	1,786,173,000	5,193
Obligations under Other Federal Funds:						
Sales of Aerial Photographs.....	511,000	9	859,000	9	939,000	9
Miscellaneous.....	29,581,000	0	0	0	0	0
Total, Other Federal Funds.....	30,092,000	9	859,000	9	939,000	9
Obligations under Non-Federal Funds:						
Loan Service Fee Financing.....	8,892,000	0	7,500,000	0	7,500,000	0
Producer Measurement Service.....	4,133,000	0	4,500,000	0	4,500,000	0
Warehouse Examinations.....	2,900,000	32	3,039,000	32	3,192,000	32
Sales of Aerial Photographs.....	1,079,000	19	1,796,000	19	1,981,000	19
Total, Non-Federal Funds.....	17,004,000	51	16,835,000	51	17,173,000	51
Total, Farm Service Agency.....	1,811,570,500	5,235	1,612,503,000	5,253	1,804,285,000	5,253

FSA Non-Federal county staff years (S/Y) are as follows:

	Direct	Reimbursable	Total S/Y
FY 2006	8,598	1,071	9,669
FY 2007	9,172	253	9,425
FY 2008	9,181	244	9,425

FARM SERVICE AGENCY
Permanent Positions by Grade and Staff Year Summary
 2006 Actual and Estimated 2007 and 2008

Grade	2006			2007			2008		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	14	0	14	14	0	14	14	0	14
GS 15	52	54	106	52	54	106	52	54	106
GS 14	114	30	144	114	30	144	114	30	144
GS 13	241	599	840	241	599	840	241	599	840
GS 12	82	1,523	1,605	82	1,529	1,611	82	1,470	1,552
GS 11	25	740	765	25	740	765	25	740	765
GS 10	1	0	1	1	0	1	1	0	1
GS 9	19	263	282	19	263	282	19	263	282
GS 8	17	61	78	17	61	78	17	61	78
GS 7	46	1,068	1,114	46	1,073	1,119	46	1,023	1,069
GS 6	25	97	122	25	97	122	25	97	122
GS 5	7	55	62	7	55	62	7	55	62
GS 4	2	27	29	2	27	29	2	27	29
GS 3	1	3	4	1	3	4	1	3	4
GS 2	1	2	3	1	2	3	1	2	3
Ungraded Positions.....	3	12	15	3	12	15	3	12	15
Total Permanent Positions.....	650	4,534	5,184	650	4,545	5,195	650	4,436	5,086
Total, Permanent Full-Time Employment, end-of-year.....	650	4,534	5,184	650	4,545	5,195	650	4,436	5,086
Staff-Year Estimate.....	1,274	3,961	5,235	1,256	3,997	5,253	1,256	3,997	5,253

Farm Service Agency
Size, Composition, and Annual Cost

Fiscal Year	Number of Vehicles by Type										Annual Operating Costs (\$ in 000)
	Sedans and Station Wagons	Light Trucks, SUV's and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Vehicles			
		4X2	4X4								
FY 2005	311	114	196	12	0	0	0	633			\$4,075
Change from 2005	29	43	13	-3	0	0	0	85			
FY 2006	340	157	209	9	0	0	0	718			\$4,539
Change from 2006	0	0	0	0	0	0	0	0			
FY 2007 1/	340	157	209	9	0	0	0	718			\$4,652
Change from 2007	0	0	0	0	0	0	0	0			
FY 2008 1/	340	157	209	9	0	0	0	718			\$4,764

1/ FY 2007 and FY 2008 are estimates.

The majority of the State Offices use GSA Motor Pool services within their State for travel purposes. These vehicles are used for different types of travel such as site visits, information meetings, training, speech and presentation, conference attendance, relocation, entitlement, special mission, emergency and other travel. These vehicles are obtained from the nearest GSA Motor Pool with the approval of Management Services Division (MSD). Each State is assigned a Billing Office Address Code (BOAC) number, fund code and sales code by MSD.

FSA owns all-terrain vehicles in Puerto Rico and Hawaii. Neither private contractors nor the GSA Interagency Fleet Management System provides or maintains these types of vehicles.

The change represents the needs of the State Offices. When vehicles are replaced they are sometimes replaced with a different type of vehicle to service the need of the State. The increase in dollars represents increased gas prices nationwide. FY 2006 numbers are based on the Department's Federal Automotive Statistical Tool database. The numbers reflect what the States submitted to GSA for usage of vehicles and operating costs.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored):

Agricultural Credit Insurance Fund Program Account (Including Transfers of Funds):

For gross obligations for the principal amount of direct and guaranteed farm ownership (7 U.S.C. 1922 et seq.) and operating (7 U.S.C. 1941 et seq.) loans, Indian tribe land acquisition loans (25 U.S.C. 488), and boll weevil loans (7 U.S.C. 1989), to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, \$1,423,857,000, of which \$1,200,000,000 shall be for unsubsidized guaranteed loans and \$223,857,000 shall be for direct loans; operating loans, \$1,879,595,000, of which \$1,000,000,000 shall be for unsubsidized guaranteed loans, \$250,000,000 shall be for subsidized guaranteed loans and \$629,595,000 shall be for direct loans; Indian tribe land acquisition loans, \$3,960,000; and for boll weevil eradication program loans, \$59,400,000: Provided, That the Secretary shall deem the pink bollworm to be a boll weevil for the purpose of boll weevil eradication program loans.

For the cost of direct and guaranteed loans, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, \$14,762,000, of which \$4,800,000 shall be for unsubsidized guaranteed loans and \$9,962,000 shall be for direct loans; operating loans, \$137,446,000, of which \$24,200,000 shall be for unsubsidized guaranteed loans, \$33,350,000 shall be for subsidized guaranteed loans, and \$79,896,000 shall be for direct loans; and Indian tribe land acquisition loans, \$125,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, \$319,657,000, of which \$311,737,000 shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses".

Funds appropriated by this Act to the Agricultural Credit Insurance Program Account for farm ownership and operating direct loans and guaranteed loans may be transferred among these programs: Provided, that the Committees on Appropriations of both Houses of Congress are notified at least 15 days in advance of any transfer.

FARM SERVICE AGENCY
AGRICULTURAL CREDIT INSURANCE FUND

	Loan Level	Subsidy	Administrative Expenses	Total Budget Authority
Estimate, 2007.....	\$3,555,977,000	\$149,787,000	\$309,465,000	\$459,252,000
Budget Estimate, 2008.....	3,366,812,000	152,333,000	319,657,000	471,990,000
Change in Appropriation.....	<u>-189,165,000</u>	<u>2,546,000</u>	<u>10,192,000</u>	<u>12,738,000</u>

Summary of Increases and Decreases
(On basis of appropriation)

<u>Item of Change</u>	<u>2007 Estimated</u>	<u>Program Changes</u>	<u>2008 Estimated</u>
Loan Levels:			
Farm Ownership.....	222,750,000	1,107,000	223,857,000
Farm Operating.....	647,613,000	-18,018,000	629,595,000
Indian Land.....	3,960,000	0	3,960,000
Boll Weevil.....	59,400,000	0	59,400,000
Total Direct Loans.....	933,723,000	-16,911,000	916,812,000
Farm Ownership - Unsubsidized.....	1,200,000,000	0	1,200,000,000
Farm Operating - Unsubsidized.....	1,150,000,000	-150,000,000	1,000,000,000
Farm Operating - Subsidized.....	272,254,000	-22,254,000	250,000,000
Total Guaranteed Loans.....	2,622,254,000	-172,254,000	2,450,000,000
Total Loans.....	<u>3,555,977,000</u>	<u>-189,165,000</u>	<u>3,366,812,000</u>
Budget Authority:			
Direct Loan Subsidy.....	87,006,000	2,977,000	89,983,000
Guaranteed Loan Subsidy.....	62,781,000	-431,000	62,350,000
Total Subsidy.....	<u>149,787,000</u>	<u>2,546,000</u>	<u>152,333,000</u>
Administrative Expenses.....	309,465,000	10,192,000	319,657,000
Total Budget Authority.....	<u>459,252,000</u>	<u>12,738,000</u>	<u>471,990,000</u>

FARM SERVICE AGENCY
 AGRICULTURAL CREDIT INSURANCE FUND
 Project Statement by Program
 (On basis of appropriation)
 (Dollars in Thousands)

Program:	2006 Actual			2007 Estimated			Increase or Decrease			2008 Estimated		
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct loans:												
Farm Ownership	\$274,920	\$14,076	\$222,750	\$9,333	\$1,107 (1a)	\$629	\$223,857	\$9,962	\$223,857	\$9,962	\$223,857	\$9,962
Farm Operating	670,354	66,516	647,613	75,706	-18,018 (1b)	4,190	629,595	79,896	629,595	79,896	629,595	79,896
Indian Land Acquisition	2,000	80	3,960	838	0	-713	3,960	125	3,960	125	3,960	125
Boll Weevil Eradication	100,000	0	59,400	1,129	0	-1,129	59,400	0	59,400	0	59,400	0
Total Direct Loans and Subsidies	1,047,274	80,672	933,723	87,006	-16,911	2,977	916,812	89,983	916,812	89,983	916,812	89,983
Guaranteed Loans:												
Farm Ownership, Unsubsidized	1,236,000	5,933	1,200,000	6,960	0	-2,160	1,200,000	4,800	1,200,000	4,800	1,200,000	4,800
Farm Operating, Unsubsidized	963,572	29,196	1,150,000	28,405	-150,000 (1c)	-4,205	1,000,000	24,200	1,000,000	24,200	1,000,000	24,200
Farm Operating, Subsidized	271,886	33,986	272,254	27,416	-22,254 (1d)	5,934	250,000	33,350	250,000	33,350	250,000	33,350
Total Guaranteed Loans and Subsidies	2,471,457	69,115	2,622,254	62,781	-172,254	-431	2,450,000	62,350	2,450,000	62,350	2,450,000	62,350
Subtotal, Loans Regular Appropriation:	3,518,731	149,787	3,555,977	149,787	-189,165	2,546 (2)	3,366,812	152,333	3,366,812	152,333	3,366,812	152,333
Administrative expenses	0	309,465	0	309,465	0	10,192 (3)	0	319,657	0	319,657	0	319,657
GRAND TOTAL	3,518,731	459,252	3,555,977	459,252	-189,165	12,738	3,366,812	471,990	3,366,812	471,990	3,366,812	471,990

FARM SERVICE AGENCY
AGRICULTURAL CREDIT INSURANCE FUND
 Project Statement by Program
 (On basis of available funds)
 (Dollars in Thousands)

	2006 Actual		2007 Estimated		Increase or Decrease		2008 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Program:								
Direct loans:								
Farm Ownership	\$274,604	\$14,060	\$222,750	\$9,333	\$1,107	\$629	\$223,857	\$9,962
Farm Ownership - Carryover	0	0	0	0	0	0	0	0
Subtotal	274,604	14,060	222,750	9,333	1,107	629	223,857	9,962
Farm Operating	640,652	63,745	647,613	75,706	-18,018	4,190	629,595	79,896
Farm Operating - Carryover	0	0	1,578	184	-1,578	-184	0	0
Subtotal	640,652	63,745	649,191	75,890	-19,596	4,006	629,595	79,896
Emergency Disaster	0	0	0	0	0	0	0	0
Emergency Disaster - Carryover	51,525	5,637	59,423	7,000	-335	-412	59,088	6,588
Subtotal	51,525	5,637	59,423	7,000	-335	-412	59,088	6,588
Indian Land Acquisition	360	14	3,960	838	0	-713	3,960	125
Boll Weevil Eradication	22,000	0	59,400	1,129	0	-1,129	59,400	0
Total Direct Loans and Subsidies	989,141	83,456	994,724	94,190	-18,824	2,381	975,900	96,571
Guaranteed Loans:								
Farm Ownership, Unsubsidized	949,122	4,556	1,200,000	6,960	0	-2,160	1,200,000	4,800
Farm Ownership, Unsubsidized - Carryover	0	0	19,847	115	-19,847	-115	0	0
Subtotal	949,122	4,556	1,219,847	7,075	-19,847	-2,275	1,200,000	4,800
Farm Operating, Unsubsidized	937,655	28,411	1,150,000	28,405	-150,000	-4,205	1,000,000	24,200
Farm Operating, Unsubsidized - Carryover	0	0	71,800	1,773	-71,800	-1,773	0	0
Subtotal	937,655	28,411	1,221,800	30,178	-221,800	-5,978	1,000,000	24,200
Farm Operating, Subsidized	271,589	33,949	272,254	27,416	-22,254	5,935	250,000	33,350
Farm Operating, Subsidized - Carryover	0	0	4	0	-4	0	0	0
Subtotal	271,589	33,949	272,258	27,416	-22,258	5,935	250,000	33,350
Total Guaranteed Loans and Subsidies	2,158,366	66,915	2,713,905	64,669	-263,905	-2,318	2,450,000	62,350
Subtotal, Loans Regular Appropriation:	3,095,982	144,734	3,555,977	149,787	-189,165	2,546	3,366,812	152,333
Subtotal Carryover	51,525	5,637	152,652	9,072	-93,564	-2,484	59,088	6,588
Total, Loans and Subsidies Above	3,147,507	150,371	3,708,629	158,859	-282,729	62	3,425,900	158,921
Administrative expenses	0	309,465	0	309,465	0	10,192	0	319,657
GRAND TOTAL	3,147,507	459,836	3,708,629	468,324	-282,729	10,254	3,425,900	478,578

Justification of Increases and Decreases

- (1) A decrease of \$189,165,000 for the Agricultural Credit Insurance Fund (ACIF) loan program levels (\$3,555,977,000 available in 2007) consisting of:

- (a) An increase of \$1,107,000 for direct ownership loans to encourage beginning farmers to establish more productive farming operations (\$222,750,000 available in FY 2007).

A modest increase for direct ownership loans is projected that will assist approximately 5 additional farmers to purchase a farm. Although the increase is very modest, every loan made in this program is important in assisting family farmers.

- (b) A decrease of \$18,018,000 for direct farm operating loans to assist family farmers in maintaining productive farming operations (\$647,613,000 available in FY 2007).

FSA has obligated an average of \$633 million for direct operating farm loans over the last five years. Due to limited resources and competing demands in other loan programs, the requested level of \$630 million for FY 2008 is expected to be sufficient to meet the most critical demands for this program.

- (c) A decrease of \$150,000,000 for guaranteed farm operating unsubsidized loans to reflect lower demand (\$1,150,000,000 available in FY 2007).

A decrease of \$150,000,000 for guaranteed farm operating unsubsidized loans is indicative of this program's demand. The FY 2008 loan level of 1,000,000,000 will provide 5,650 loans, which is projected to be adequate to satisfy demand.

- (d) A decrease of \$22,254,000 for guaranteed farm operating subsidized loans that enable family farmers to obtain credit from commercial lenders in rural communities (\$272,254,000 available in FY 2007).

For FY 2008, the combination of low interest rates from commercial lenders and strength in the agricultural economy supports a minor reduction in funding authority in this loan program. The \$250 million in program level requested will provide about 1,238 loan guarantees in FY 2008.

- (2) A net increase of \$2,546,000 for the Agricultural Credit Insurance Fund (ACIF) loan subsidy (\$149,787,000) available in FY 2007):

The increase in subsidy reflects the amounts necessary to support the FY 2008 proposed direct and guaranteed loan levels of \$3.367 billion. The net increase is comprised of the following increases and decreases:

For direct loans, a \$2.98 million increase in subsidy to support proposed direct loan levels. The net increase is comprised of an increase of \$629,000 for direct ownership loan subsidy, an increase of \$4.2 million for direct operating loan subsidy, and decreases of \$1.1 million for boll weevil eradication loans and \$713,000 for Indian Land Acquisition loans, mainly due to changes in subsidy rates.

For guaranteed loans, a net decrease of \$431,000 in subsidy that reflects an increase of \$5.9 million in subsidized operating loans and decreases of \$4.2 million in operating unsubsidized loans and \$2.2 million in ownership loans.

- (3) An increase of \$10,192,000 for Agricultural Credit Insurance Fund (ACIF) administrative expenses (\$309,465,000 available in FY 2007):

This increase is attributable to increases in personnel compensation. See the FSA Salaries and Expenses section of these explanatory notes for further details.

AGRICULTURAL CREDIT INSURANCE FUND
DIRECT FARM OWNERSHIP PROGRAM
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated	2008 Estimated
Alabama	\$657,000	\$532,860	\$535,509
Alaska	0	0	0
Arizona	400,000	324,420	326,033
Arkansas	5,617,000	4,555,668	4,578,316
California	1,929,000	1,564,515	1,572,293
Colorado	1,825,000	1,480,166	1,487,525
Connecticut	0	0	0
Delaware	655,000	531,238	533,879
Florida	895,000	725,890	729,498
Georgia	2,263,000	1,835,406	1,844,531
Hawaii	200,000	162,210	163,016
Idaho	2,598,000	2,107,108	2,117,583
Illinois	9,697,000	7,864,751	7,903,851
Indiana	10,514,000	8,527,379	8,569,773
Iowa	31,107,000	25,229,331	25,354,758
Kansas	18,016,000	14,611,876	14,684,519
Kentucky	8,839,000	7,168,870	7,204,511
Louisiana	782,000	634,241	637,394
Maine	741,000	600,988	603,976
Maryland	200,000	162,210	163,016
Massachusetts	615,000	531,238	533,879
Michigan	7,674,000	6,223,997	6,254,940
Minnesota	20,324,000	16,483,779	16,565,324
Mississippi	674,000	546,648	549,365
Missouri	12,514,000	10,149,479	10,199,937
Montana	2,723,000	2,208,489	2,219,469
Nebraska	22,979,000	18,637,117	18,729,771
Nevada	68,000	55,151	55,426
New Hampshire	357,000	289,545	290,984
New Jersey	420,000	340,641	342,334
New Mexico	372,000	301,711	303,211
New York	3,611,000	2,928,701	2,943,261
North Carolina	1,934,000	1,568,571	1,576,369
North Dakota	7,992,000	6,481,911	6,514,136
Ohio	6,305,000	5,113,670	5,139,093
Oklahoma	17,115,000	13,881,120	13,950,130
Oregon	2,337,000	1,895,424	1,904,847
Pennsylvania	7,033,000	5,704,114	5,732,472
Puerto Rico	896,000	726,701	730,314
Rhode Island	0	0	0
South Carolina	4,078,000	3,307,462	3,323,905
South Dakota	13,546,000	10,986,483	11,041,102
Tennessee	3,586,000	2,908,425	2,922,884
Texas	9,831,000	7,973,432	8,013,072
Utah	3,005,000	2,437,205	2,449,322
Vermont	615,000	498,796	501,275
Virgin Islands	0	0	0
Virginia	1,841,000	1,493,143	1,500,566
Washington	1,879,000	1,523,963	1,531,539
West Virginia	2,024,000	1,641,565	1,649,726
Western Pacific Territories	65,000	52,718	52,980
Wisconsin	19,834,000	16,086,365	16,166,338
Wyoming	1,422,000	1,153,313	1,159,047
Total, Available or Estimate	<u>274,604,000</u>	<u>222,750,000</u>	<u>223,857,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
GUARANTEED FARM OWNERSHIP LOAN PROGRAM
 Geographic Breakdown of Obligations
 2006 Actual and Estimated 2007 and 2008

	<u>2006 Actual</u>	<u>2007 Estimated</u>	<u>2008 Estimated</u>
Alabama	\$34,266,000	\$51,430,821	\$50,594,027
Alaska	0	311,331	306,265
Arizona	778,000	2,821,695	2,775,786
Arkansas	74,166,000	88,653,538	87,211,122
California	18,667,000	24,686,462	24,284,806
Colorado	16,720,000	20,878,885	20,539,180
Connecticut	3,354,000	4,140,700	4,073,330
Delaware	1,190,000	2,079,690	2,045,853
Florida	4,638,000	9,334,737	9,182,858
Georgia	27,723,000	39,117,685	38,481,230
Hawaii	931,000	1,827,512	1,797,778
Idaho	18,178,000	23,811,622	23,424,201
Illinois	25,327,000	30,058,995	29,569,927
Indiana	37,876,000	43,684,909	42,974,144
Iowa	39,593,000	45,747,995	45,003,662
Kansas	16,740,000	24,349,187	23,953,019
Kentucky	22,724,000	26,103,017	25,678,314
Louisiana	8,405,000	10,813,559	10,637,619
Maine	2,220,000	2,560,177	2,518,523
Maryland	3,931,000	5,189,885	5,105,445
Massachusetts	3,214,000	3,993,337	3,928,365
Michigan	34,811,000	40,236,401	39,581,744
Minnesota	38,310,000	44,918,817	44,187,976
Mississippi	14,778,000	19,839,040	19,516,254
Missouri	34,710,000	44,090,677	43,373,309
Montana	12,089,000	16,424,778	16,157,543
Nebraska	38,925,000	45,347,415	44,609,601
Nevada	666,000	1,024,279	1,007,613
New Hampshire	0	1,178,906	1,159,725
New Jersey	2,185,000	2,476,118	2,435,831
New Mexico	5,363,000	8,740,095	8,597,891
New York	18,304,000	22,501,957	22,135,844
North Carolina	37,981,000	47,458,239	46,686,080
North Dakota	16,019,000	20,493,873	20,160,432
Ohio	74,820,000	88,055,783	86,623,092
Oklahoma	43,556,000	66,906,040	65,817,461
Oregon	10,953,000	17,261,221	16,980,376
Pennsylvania	15,581,000	17,896,336	17,605,158
Puerto Rico	537,000	3,782,670	3,721,125
Rhode Island	852,000	1,302,401	1,281,210
South Carolina	32,953,000	46,308,390	45,554,940
South Dakota	20,045,000	26,421,612	25,991,726
Tennessee	10,525,000	12,189,641	11,991,312
Texas	21,262,000	29,244,346	28,768,532
Utah	7,379,000	9,226,809	9,076,686
Vermont	5,280,000	6,132,180	6,032,408
Virgin Islands	0	311,331	306,265
Virginia	8,632,000	17,244,616	16,964,042
Washington	10,998,000	14,180,083	13,949,369
West Virginia	1,659,000	4,260,044	4,190,732
Western Pacific Territories	0	311,331	306,265
Wisconsin	65,689,000	76,783,289	75,534,242
Wyoming	3,619,000	5,702,544	5,609,762
Total Available or Estimate	949,122,000	1,219,847,000	1,200,000,000

AGRICULTURAL CREDIT INSURANCE FUND
DIRECT FARM OPERATING LOAN PROGRAM
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated	2008 Estimated
Alabama	\$5,394,000	\$5,588,725	\$5,420,024
Alaska	151,000	402,561	390,409
Arizona	1,887,000	1,987,277	1,927,289
Arkansas	37,396,000	37,463,699	36,332,823
California	13,700,000	14,167,201	13,739,551
Colorado	5,194,000	6,268,169	6,078,959
Connecticut	249,000	252,337	244,720
Delaware	92,000	173,789	168,543
Florida	3,043,000	3,544,500	3,437,506
Georgia	17,720,000	17,885,490	17,345,600
Hawaii	900,000	886,616	859,853
Idaho	11,986,000	11,976,680	11,615,153
Illinois	13,583,000	13,524,085	13,115,848
Indiana	4,976,000	5,109,579	4,955,342
Iowa	34,981,000	35,573,626	34,499,804
Kansas	20,022,000	20,358,785	19,744,237
Kentucky	18,264,000	18,806,471	18,238,780
Louisiana	15,925,000	16,240,881	15,750,635
Maine	2,311,000	2,661,812	2,581,463
Maryland	346,000	477,182	462,778
Massachusetts	1,789,000	1,959,785	1,900,627
Michigan	13,818,000	13,787,222	13,371,043
Minnesota	42,076,000	41,458,871	40,207,398
Mississippi	12,719,000	12,575,612	12,196,006
Missouri	14,966,000	15,383,720	14,919,349
Montana	5,202,000	5,117,434	4,962,959
Nebraska	44,139,000	44,125,592	42,793,621
Nevada	1,422,000	1,519,913	1,474,033
New Hampshire	1,440,000	1,548,387	1,501,648
New Jersey	1,868,000	2,011,823	1,951,094
New Mexico	2,074,000	2,500,787	2,425,299
New York	16,819,000	16,919,343	16,408,618
North Carolina	10,565,000	10,475,422	10,159,212
North Dakota	25,856,000	25,717,755	24,941,442
Ohio	4,620,000	4,817,968	4,672,533
Oklahoma	21,973,000	22,105,507	21,438,232
Oregon	10,280,000	10,649,211	10,327,755
Pennsylvania	24,598,000	24,508,109	23,768,309
Puerto Rico	591,000	588,132	570,378
Rhode Island	159,000	192,444	186,635
South Carolina	13,923,000	14,666,536	14,224,230
South Dakota	31,026,000	30,724,239	29,796,800
Tennessee	8,078,000	8,503,855	8,247,159
Texas	31,093,000	31,503,833	30,552,861
Utah	9,585,000	9,607,461	9,317,451
Vermont	8,779,000	8,766,993	8,502,353
Virgin Islands	20,000	48,111	46,659
Virginia	3,842,000	4,606,869	4,467,806
Washington	14,793,000	14,960,540	14,508,943
West Virginia	6,440,000	6,601,018	6,401,760
Western Pacific Territories	105,000	131,569	127,597
Wisconsin	46,437,000	46,245,419	44,849,460
Wyoming	1,437,000	1,512,058	1,466,415
Total Available or Estimate	640,652,000	649,191,000	629,595,000

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING SUBSIDIZED LOAN PROGRAM
 Geographic Breakdown of Obligations
 2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated	2008 Estimated
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	\$1,184,000	\$1,185,635	\$1,088,708
California	559,000	559,772	514,010
Colorado	785,000	786,084	721,820
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	34,663,000	34,710,879	31,873,202
Indiana	6,063,000	6,071,375	5,575,029
Iowa	22,229,000	22,259,704	20,439,934
Kansas	10,349,000	10,363,295	9,516,077
Kentucky	0	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	2,270,000	2,273,135	2,087,303
Minnesota	28,490,000	28,529,352	26,197,027
Mississippi	0	0	0
Missouri	2,096,000	2,098,895	1,927,307
Montana	2,585,000	2,588,571	2,376,950
Nebraska	20,825,000	20,853,765	19,148,932
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	0	0	0
New Mexico	0	0	0
New York	583,000	583,805	536,078
North Carolina	1,266,000	1,267,749	1,164,108
North Dakota	50,621,000	50,984,326	46,816,266
Ohio	1,604,000	1,606,216	1,474,905
Oklahoma	38,669,000	38,722,412	35,556,786
Oregon	289,000	289,399	265,740
Pennsylvania	3,132,000	3,136,326	2,879,926
Puerto Rico	0	0	0
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	12,884,000	12,901,256	11,847,051
Tennessee	4,389,000	4,395,062	4,035,758
Texas	578,000	578,798	531,481
Utah	832,000	833,149	765,038
Vermont	41,000	41,057	37,700
Virgin Islands	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	0	0	0
Western Pacific Territories	0	0	0
Wisconsin	22,495,000	22,527,071	20,684,525
Wyoming	2,108,000	2,110,912	1,938,341
Total Available or Estimate	271,589,000	272,258,000	250,000,000

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING UNSUBSIDIZED LOAN PROGRAM
 Geographic Breakdown of Obligations
 2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated	2008 Estimated
Alabama	\$1,548,000	\$3,635,518	\$2,975,543
Alaska	0	450,219	368,488
Arizona	3,017,000	5,085,222	4,162,076
Arkansas	72,871,000	86,278,822	70,616,186
California	47,211,000	60,334,959	49,382,045
Colorado	10,269,000	14,946,142	12,232,892
Connecticut	2,772,000	4,121,754	3,373,511
Delaware	0	159,828	130,813
Florida	6,580,000	7,751,644	6,344,448
Georgia	35,691,000	45,665,702	37,375,773
Hawaii	17,000	1,125,547	921,221
Idaho	31,280,000	39,246,706	32,122,051
Illinois	16,407,000	20,362,275	16,665,807
Indiana	23,706,000	28,216,343	23,094,086
Iowa	36,317,000	44,195,737	36,172,659
Kansas	23,841,000	29,833,755	24,417,881
Kentucky	17,334,000	20,773,099	17,002,052
Louisiana	57,955,000	86,747,050	70,999,414
Maine	6,676,000	7,697,617	6,300,230
Maryland	1,018,000	1,993,344	1,631,482
Massachusetts	2,093,000	3,429,542	2,806,960
Michigan	28,586,000	37,458,211	30,658,231
Minnesota	56,161,000	67,926,775	55,595,680
Mississippi	14,946,000	23,373,114	19,130,073
Missouri	26,551,000	31,645,886	25,901,046
Montana	15,577,000	17,532,649	14,349,858
Nebraska	30,273,000	38,459,309	31,477,196
Nevada	2,760,000	3,726,687	3,050,162
New Hampshire	380,000	990,482	810,674
New Jersey	1,285,000	1,714,208	1,403,019
New Mexico	4,686,000	7,528,785	6,162,046
New York	16,874,000	21,889,642	17,915,904
North Carolina	21,700,000	32,612,731	26,692,375
North Dakota	36,492,000	44,077,555	36,075,931
Ohio	17,698,000	25,187,496	20,615,081
Oklahoma	24,720,000	30,269,341	24,774,393
Oregon	16,713,000	22,548,087	18,454,818
Pennsylvania	10,963,000	16,201,127	13,260,053
Puerto Rico	0	1,125,547	921,221
Rhode Island	717,000	1,575,766	1,289,709
South Carolina	11,612,000	15,533,677	12,713,769
South Dakota	24,021,000	29,386,912	24,052,156
Tennessee	17,995,000	21,577,866	17,660,725
Texas	74,848,000	96,272,556	78,795,706
Utah	1,383,000	2,986,077	2,443,999
Vermont	5,991,000	7,750,518	6,343,527
Virgin Islands	0	112,555	92,122
Virginia	2,612,000	5,383,492	4,406,199
Washington	37,672,000	55,680,821	45,572,797
West Virginia	1,361,000	1,903,300	1,557,785
Western Pacific Territories	0	450,219	368,488
Wisconsin	32,555,000	41,642,996	34,083,330
Wyoming	3,920,000	5,224,790	4,276,307
Total Available or Estimate	937,655,000	1,221,800,000	1,000,000,000

AGRICULTURAL CREDIT INSURANCE FUND
EMERGENCY LOAN PROGRAM
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

	2006 Actual	2007 Estimated*	2008 Estimated*
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	\$3,588,000	0	0
California	1,791,000	0	0
Colorado	525,000	0	0
Connecticut	49,000	0	0
Delaware	0	0	0
Florida	2,676,000	0	0
Virgin Islands	0	0	0
Georgia	702,000	0	0
Hawaii	1,000	0	0
Idaho	0	0	0
Illinois	1,375,000	0	0
Indiana	0	0	0
Iowa	1,905,000	0	0
Kansas	34,000	0	0
Kentucky	138,000	0	0
Louisiana	4,509,000	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	33,000	0	0
Michigan	1,663,000	0	0
Minnesota	6,348,000	0	0
Mississippi	600,000	0	0
Missouri	407,000	0	0
Montana	77,000	0	0
Nebraska	297,000	0	0
Nevada	0	0	0
New Hampshire	50,000	0	0
New Jersey	310,000	0	0
New Mexico	0	0	0
New York	1,882,000	0	0
North Carolina	278,000	0	0
North Dakota	14,623,000	0	0
Ohio	206,000	0	0
Oklahoma	1,240,000	0	0
Oregon	1,136,000	0	0
Pennsylvania	708,000	0	0
Puerto Rico	0	0	0
Rhode Island	78,000	0	0
South Carolina	171,000	0	0
South Dakota	282,000	0	0
Tennessee	151,000	0	0
Texas	2,534,000	0	0
Utah	0	0	0
Vermont	0	0	0
Virginia	40,000	0	0
Washington	101,000	0	0
West Virginia	94,000	0	0
Western Pacific Territories	0	0	0
Wisconsin	923,000	0	0
Wyoming	0	0	0
Undistributed	0	\$59,423,000	\$59,088,000
Total Available or Estimate	51,525,000	59,423,000	59,088,000

* A geographic breakdown of Emergency Loan obligations is not projected due to the nature of the program.

AGRICULTURAL CREDIT INSURANCE FUND
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

BOLL WEEVIL ERADICATION LOAN PROGRAM

	<u>2006 Actual</u>	<u>2007 Estimated</u>	<u>2008 Estimated</u>
Texas	\$22,000,000	\$59,400,000	\$59,400,000
Total Available or Estimate	<u>22,000,000</u>	<u>59,400,000</u>	<u>59,400,000</u>

INDIAN LAND ACQUISITION LOAN PROGRAM

	<u>2006 Actual</u>	<u>2007 Estimated</u>	<u>2008 Estimated</u>
Oregon	\$360,000	0	0
Undistributed	0	\$3,960,000	\$3,960,000
Total Available or Estimate	<u>360,000</u>	<u>3,960,000</u>	<u>3,960,000</u>

FARM SERVICE AGENCY
Agricultural Credit Insurance Fund

Classification by Objects
2006 Actual and Estimated 2007 and 2008

Object Class	<u>2006</u>	<u>2007</u>	<u>2008</u>
25.3	\$309,465,000	\$309,465,000	\$319,657,000
41.0	150,371,000	158,859,000	158,920,000
99.0	<u>459,836,000</u>	<u>468,324,000</u>	<u>478,577,000</u>

AGRICULTURAL CREDIT INSURANCE FUND

STATUS OF PROGRAM

Current Activities:

Through the Agricultural Credit Insurance Fund (ACIF), FSA offers direct and guaranteed loans to farmers temporarily unable to obtain regular commercial credit. Under the guaranteed loan program, FSA guarantees up to 95 percent of the principal amount of loans made by conventional agricultural lenders. Applicants unable to qualify for a guaranteed loan may be eligible for a direct loan made and serviced by FSA loan officers, who also provide loan supervision and credit counseling.

- **Farm Ownership Loans** – FSA makes direct and guaranteed loans to family farmers to purchase farmland; restructure debts, including utilizing real estate equity to refinance heavy short-term debts; and modify their operations to comply with sanitation and pollution abatement requirements, keep up with advances in agricultural technology, better utilize their land and labor resources, or meet changing market requirements.
- **Farm Operating Loans** – Direct and guaranteed operating loans may be made to pay costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry, and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other non-farm enterprises; and refinancing existing indebtedness. Under the law, at least 35 percent of direct farm operating loan funding must be reserved for qualified beginning farmers and ranchers during the first 9 months of the fiscal year.
- **Emergency Loans** – Direct loans are made available in designated counties and contiguous counties where property damage and/or severe production losses have occurred as a result of natural disaster.
- **Indian Tribe Land Acquisition Loans** – Direct loans are made to eligible Native American tribes to assist them in repurchasing lands within the boundaries of their reservations and maintaining ownership for future generations.
- **Boll Weevil Eradication Loans** – Direct loans assist producer associations and State governmental agencies in cotton-producing States to carry out boll weevil eradication programs.

FSA uses the Farm Business Plan (FBP) to perform financial planning, analysis, and management of the loan portfolio. Several enhancements of the web equity FBP were put into service in fiscal year 2006. These include a youth loan credit action and availability of additional reports. A youth loan application was developed which simplified the process for rural youth seeking FSA Farm Loan assistance. In FY 2007, the FBP will be modified to enable credit reports to be ordered on applicants to expedite application processing.

FSA is continuing its comprehensive project to streamline all farm loan program regulations, handbooks, and information collections. This is a major effort to streamline the program and reduce the burden for both applicants and the Agency, resulting in an improvement in loan processing efficiencies.

The following table reflects FY 2006 ACIF program activity:

**FY 2006 Actual Agricultural Credit Insurance Fund Loans and Obligations
(Dollars in Thousands)**

<u>Farm Loans Program:</u>	<u>Number of Loans</u>	<u>Obligations</u>
Direct Loans	17,915	\$989,200
Guaranteed Loans	<u>9,814</u>	<u>2,158,367</u>
Totals	<u>27,723</u>	<u>3,147,567</u>

Selected Examples of Recent Progress: Direct and guaranteed loan programs provided assistance totaling \$1.082 billion to beginning farmers during FY 2006, an increase of \$52 million above FY 2005. Loans for socially disadvantaged farmers totaled \$330 million, of which \$168 million was in the farm ownership program and \$162 million in the farm operating program. Lending to beginning farmers was well above target during FY 2006, especially in the direct farm operating program, which demonstrated a 22 percent increase compared to FY 2005. Lending to beginning farmers in the direct ownership program also increased dramatically, an increase of 21 percent as compared to FY 2005. Overall, lending to beginning farmers was 9 percent above the annual target for this group. Lending to minority and women farmers was a significant portion of overall assistance provided with \$330 million of loans and loan guarantees provided to these farmers.

PART Program Assessments

Agricultural Credit Insurance Fund – Direct Loans. The 2004 PART review determined that the program is moderately effective. The primary area of concern is whether the program has ambitious targets for its long-term, outcome-based performance goals. FSA continues to address this area of concern, including adjusting targets consistent with budget and resource limitations. FSA is also consolidating and streamlining all of its direct loan program regulations and processes to significantly reduce the administrative burden on field employees and customers while maintaining or improving program effectiveness. An independent evaluation of the Direct Farm Loan program was completed in FY 2005 by the University of Arkansas. The study found that current lending patterns, in terms of servicing targeted borrowers, are consistent with the program's goals. In addition, consistent with the program's intended design; the majority of borrowers use the program on a temporary basis and do not become permanent clients. FSA continues to address PART recommendations and associated milestones.

Agricultural Credit Insurance Fund – Guaranteed Loans. The 2003 PART review determined that the program is moderately effective. The assessment concluded that the program serves a clear need. The agency has improved administrative efficiencies, is comparatively cost-effective with low subsidy rates, and the delivery mechanism is consistent with program objectives. However, improvements to performance measures are still needed to demonstrate how the program is improving the economic viability of farmers and ranchers. In response to the PART findings and recommendations, FSA developed a new performance measure in FY 2006 to help determine how well it is reaching core components of its target audience – minorities, women, and beginning farmers. FSA is currently evaluating the feasibility of obtaining a similar independent review of the guaranteed loan program as was done with the direct loan program.

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FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored):

State Mediation Grants

For grants pursuant to section 502(b) of the Agricultural Credit Act of 1987, as amended (7 U.S.C. 5101-5106), \$4,000,000.

STATE MEDIATION GRANTS

Estimate, 2007.....	\$4,207,500
Budget Estimate, 2008	<u>4,000,000</u>
Decrease in Appropriation.....	<u>-207,500</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2007 Estimated</u>	<u>Program Changes</u>	<u>2007 Estimated</u>
State Mediation Grants	<u>\$4,207,500</u>	<u>-\$207,500</u>	<u>\$4,000,000</u>

PROJECT STATEMENT

(On basis of appropriation)

Project	2006 Actual	2007 Estimated	Decrease	2008 Estimated
State mediation grants.....	\$4,207,500	\$4,207,500	-\$207,500	\$4,000,000
Rescission.....	42,500	--		
Total appropriation.....	4,250,000	--		

Justification of Increases and Decreases

A decrease of \$207,500 for State Mediation Grants (\$4,207,500 available in 2007):

The proposed decrease will not significantly impact the activities of the program.

In FY 2006, 33 States received grants pro rated at 75 percent of their initial request. States budgeted over \$1.8 million in matching funds for the program. In fiscal year 2007, 33 to 36 States are expected to receive grants. In fiscal year 2006, grants to States ranged from \$17,495 to \$410,850, and in fiscal year 2007 grants are expected to range from about \$13,000 to \$345,000.

The following table shows the geographic breakdown of obligations for fiscal years 2006 - 2008.

State Mediation Program
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

State	2006 Actual	2007 Estimated	2008 Estimated
Alabama	\$156,002	\$142,552	\$135,355
Arizona	99,968	105,794	98,597
Arkansas	72,478	69,949	62,752
California	96,695	67,537	60,340
Colorado	59,134	48,920	41,723
Florida	52,355	55,555	48,358
Illinois	77,998	73,569	66,372
Indiana	94,977	105,356	98,159
Iowa	299,908	272,217	265,020
Kansas	410,850	343,877	336,680
Louisiana	238,498	153,682	146,485
Maine	39,081	38,372	31,175
Maryland	79,083	89,336	82,139
Massachusetts	111,692	122,479	115,282
Michigan	82,807	92,605	85,408
Minnesota	310,618	341,843	334,676
Missouri	17,852	38,422	31,225
Nebraska	136,769	128,689	121,492
Nevada	23,436	22,618	15,421
New Jersey	17,495	13,025	5,828
New Mexico	49,634	47,903	40,706
New York	103,540	262,431	255,234
North Carolina	94,984	59,977	52,780
North Dakota	233,803	225,647	218,450
Oklahoma	244,930	226,648	219,451
Rhode Island	52,286	72,502	65,305
South Dakota	133,403	95,860	88,663
Texas	282,347	239,043	231,846
Utah	17,852	17,229	10,032
Virginia	137,865	147,025	139,828
Washington	68,914	57,648	50,451
Wisconsin	237,754	182,747	175,550
Wyoming	72,492	76,443	69,217
Undistributed	0	170,000	200,000
Total, Available or Estimate	4,207,500	4,207,500	4,000,000

FARM SERVICE AGENCY
State Mediation GrantsClassification by Objects
2006 Actual and Estimated 2007 and 2008

	<u>Object Class</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
41.0	Grants, subsidies, and contributions	\$4,207,500	\$4,207,500	\$4,000,000
	Total direct obligations	<u>4,207,500</u>	<u>4,207,500</u>	<u>4,000,000</u>

STATE MEDIATION GRANTS

STATUS OF PROGRAM

Current Activities: During FY 2006:

- Grants were made to 33 States. Idaho, Pennsylvania, and Vermont are expected to become certified in FY 2007. Idaho had been certified but withdrew from the program and is now interested in participating again.
- States contributed over \$1.8 million in matching funds.
- Participating USDA agencies include FSA, Forest Service, Natural Resources Conservation Service, Risk Management Agency, and Rural Development.
- In addition to credit disputes, the most frequently mediated issues were Conservation Reserve Program payment eligibility/limitation, highly erodible land/water conservation program requirements, price support payments, and production flexibility contracts.
- Program Results Comparison:

	<u>FY 2005</u>	<u>FY 2006</u>
Number of cases mediated	6,361	7,093
Number of cases resolved	4,771	5,249
Percentage of cases resolved*	75%	74%
Average cost per case	\$711	\$718

*Target was 75 percent.

Selected Example of Recent Progress:

In New York State, the State Mediation Grant Program is involved in a partnership with State Government working with local nonprofit organizations to make agricultural mediation services widely available to producers throughout the State. New York began the program in 2001, and by 2006 had expanded to cover disputes involving not only agricultural credit but such issues as farm labor and disputes between producers.

The following table shows allocations and outlays by State for FY 2006.

State Mediation Grants
Grants and Outlays by State
Fiscal Year 2006

State	Grants	Outlays ^{a/}
Alabama	\$156,002	\$185,811
Arizona	99,968	93,907
Arkansas	72,478	105,914
California	96,695	105,828
Colorado	59,134	59,134
Florida	52,355	20,415
Idaho	0	1,076
Illinois	77,998	63,878
Indiana	94,977	105,174
Iowa	299,908	319,908
Kansas	410,850	469,602
Louisiana	238,498	505,502
Maine	39,081	52,033
Maryland	79,083	24,610
Massachusetts	111,692	83,998
Michigan	82,807	101,384
Minnesota	310,618	243,230
Missouri	17,852	17,852
Nebraska	136,769	71,236
Nevada	23,436	37,431
New Jersey	17,495	10,936
New Mexico	49,634	55,342
New York	103,540	194,470
North Carolina	94,984	0
North Dakota	233,803	217,723
Oklahoma	244,930	281,101
Rhode Island	52,286	10,000
South Dakota	133,403	76,761
Texas	282,347	90,730
Utah	17,852	14,411
Virginia	137,865	0
Washington	68,914	68,914
Wisconsin	237,754	239,468
Wyoming	72,492	50,972
Total	\$4,207,500	\$3,978,751

^{a/} Includes outlays from prior year obligations.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored):

Dairy Indemnity Program (Including Transfer of Funds):

For necessary expenses involved in making indemnity payments to dairy farmers and manufacturers of dairy products under a dairy indemnity program, \$100,000, to remain available until expended: Provided, That such program is carried out by the Secretary in the same manner as the dairy indemnity program described in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (Public Law 106-387, 114 Stat. 1549A-12).

DAIRY INDEMNITY PROGRAM

Estimate, 2007	\$100,000
Budget Estimate, 2008	<u>100,000</u>
Change in Appropriation	<u> --</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2007 Estimated</u>	<u>Program Changes</u>	<u>2008 Estimated</u>
Indemnity payments to dairy farmers and manufacturers	<u>\$100,000</u>	<u> --</u>	<u>\$100,000</u>

PROJECT STATEMENT

(On basis of appropriation)

Project	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
Indemnity payments to dairy farmers and manufacturers.....	\$100,000	\$100,000	--	\$100,000
Total appropriation	100,000	100,000	--	100,000

PROJECT STATEMENT

(On basis of available funds)

Project	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
Indemnity payments to dairy farmers and manufacturers.....	\$132,457	\$233,106	-\$133,106	\$100,000
Unobligated balance brought forward from prior years	-265,563	-233,106	+133,106	-100,000
Unobligated balance carried forward to next year	233,106	100,000	--	100,000
Total appropriation	100,000	100,000	--	100,000

Justification of Increases and Decreases

The amount of claims varies considerably from year to year, depending upon the nature and extent of problems encountered. It is therefore impossible to predict with any degree of accuracy what program needs will be in a given year. The FY 2008 requested level of \$100,000 together with any carryover from fiscal year 2007 would provide sufficient funding for emergency indemnification during a year when no major contamination problems occur. During the last 5 years, annual claims averaged \$320,092.

The following table shows the geographic breakdown of obligations for fiscal years 2006-2008

**Dairy Indemnity Program
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008**

State	2006 Actual	2007 Estimated	2008 Estimated
Arkansas	--	\$2,415	--
Illinois	\$526	--	--
Iowa	1,589	--	--
Missouri	1,221	--	--
New Mexico	52,356	--	--
Oklahoma	39,810	--	--
Texas	36,955	26,049	--
Undistributed	--	204,642	\$100,000
TOTAL	\$132,457	\$233,106	\$100,000

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FARM SERVICE AGENCY
Dairy Indemnity Program

Classification by Objects
2006 Actual and Estimated 2007 and 2008

	<u>Object Class</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
41.0	Grants, subsidies, and contributions	132,457	233,106	100,000
	Total direct obligations	<u>132,457</u>	<u>233,106</u>	<u>100,000</u>

DAIRY INDEMNITY PROGRAM**STATUS OF PROGRAM**

Current Activities: During FY 2006, 15 dairy farmers in 6 States filed claims totaling \$139,096 under the Dairy Indemnity Program. The claims resulted from losses incurred mostly from aflatoxin discovered in their cattle's milk. A total of \$132,457 was paid in FY 2006. Texas received an allocation of \$6,639 at the end of September, which will be paid during FY 2007.

Payments to dairy farmers since the program's inception in FY 1965 total \$19.6 million.

The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, 20 manufacturers have received indemnity payments totaling \$3.9 million.

Selected Examples of Recent Activity: The following tables show (a) allocations and outlays by State during FY 2006 and (b) payments and number of payees during fiscal years 1965 through 2006.

Dairy Indemnity Program
Allocations and Outlays by State
Fiscal Year 2006

State	Allocations	Outlays
Illinois	\$526	\$526
Iowa	1,589	1,589
Missouri	1,221	1,221
New Mexico	52,357	52,357
Oklahoma	39,810	39,810
Texas	43,593	36,954
TOTAL	\$139,096	\$132,457

Dairy Indemnity Program
 Payments and Number of Payees
 Fiscal Years 1965-2006

Fiscal Years	Payments to Dairy Farmers	Payments to Manuf. of Dairy Prod.	Total Payments	Number of Payees
1965 to 1974	\$1,648,663	141,427	1,790,090	449
1975	193,389	--	193,389	26
1976 a/	159,289	--	159,289	19
1977	40,284	--	40,284	8
1978	66,266	9,210	75,476	12
1979	64,267	--	64,267	13
1980	91,575	--	91,575	9
1981	42,231	--	42,231	15
1982	15,087	--	15,087	5
1983	6,121,374	--	6,121,374	18
1984	2,043,010	398,910	2,441,920	22
1985	50,070	--	50,070	5
1986	15	--	15	10
1987	4,871,724	3,361,892	8,233,616 b/	131
1988	449,543	--	449,543	4
1989	230,101	--	230,101	106
1990	112,405	--	112,405	52
1991	90,702	--	90,702	24
1992	131,651	--	131,651	51
1993	120,129	--	120,129	27
1994	387,358	--	387,358	27
1995	18,565	--	18,565	7
1996	207,867	--	207,867	22
1997	257,311	--	257,311	30
1998	416,622	--	416,622	42
1999	126,353	--	126,353	30
2000	36,407	--	36,407	7
2001	22,112	--	22,112	9
2002	124,309	--	124,309	19
2003	393,369	--	393,369	69
2004	601,092	--	601,092	86
2005	349,232	--	349,232	23
2006	132,457	--	132,457	15
Total	\$19,614,829	\$3,911,439	\$23,526,268	1,392

a/ Includes transition quarter.

b/ Includes payments totaling \$2,264,172 that were issued to producers and manufacturers in fiscal year 1986 but not reported to the National office and Treasury in time to appear as outlays in fiscal year 1986.

EMERGENCY CONSERVATION PROGRAM

Estimate, 2007	0
Budget Estimate, 2008	<u>0</u>
Change in Appropriation	<u><u>0</u></u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>2007 Estimated</u>	<u>Program Changes</u>	<u>2008 Estimated</u>
Emergency cost-sharing to farmers.....	<u>0</u>	<u>0</u>	<u>0</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	2006 Actual	2007 Estimated	Change	2008 Estimated
Appropriation:				
Emergency cost-sharing to farmers	\$145,620,000	0	0	0
Technical assistance	16,180,000	0	0	0
Total available or estimate ..	161,800,000	0	0	0
Transfer per P.L. 109-234:				
National Oceanic and Atmospheric Administration for oyster damage	38,000,000	0	0	0
Total appropriation.....	199,800,000	0	0	0

PROJECT STATEMENT
(On basis of available funds)

Project	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
Emergency cost-sharing to farmers	\$106,315,638	\$134,754,224	-\$134,754,224	--
Technical assistance	1,605,333	14,972,692	-14,972,692	--
Total available or estimate..	107,920,971	149,726,916	-149,726,916	--
Unobligated balance brought forward from prior years.....	-95,847,886	-149,726,916	+149,726,916	--
Unobligated balance carried forward to next year.....	149,726,916	--	--	--
Total appropriation.....	161,800,000	--	--	--

P.L. 109-148, the Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act, 2006, provided supplemental ECP funding to repair damage caused by hurricanes during calendar year 2005, including damage to nursery, oyster, poultry, and non-industrial forestland operations.

The following tables show (a) outlays by type of disaster for fiscal year 2006 and (b) geographic breakdown of obligations for fiscal years 2006-2008.

Emergency Conservation Program
Outlays by Type of Disaster
Fiscal Year 2006

STATE	Drought	Flood	Hurricane	Tornado	All Other	Technical Assistance	Total
Alabama			\$7,124,436	\$11,724		\$39,852	\$7,176,012
Arizona	\$3,969	\$249,825					253,794
Arkansas	1,856,462			78,473		\$66,473	2,001,408
California	10,653	2,709,283		625,293		70,230	3,415,459
Colorado	18,465	192,851			149,162	26,700	387,178
Connecticut		6,135					6,135
Florida			9,695,203			83,971	9,779,174
Georgia		322,066	701,709		16,852		1,040,627
Guam			40,704				40,704
Hawaii		189,143					189,143
Illinois	148,059	6,587		5,645		2,292	162,583
Indiana		146,389		11,507	2,895	1,670	162,461
Iowa		30,936		86,436	81,698	5,993	205,063
Kansas	490	128,210				5,125	133,825
Kentucky	300,996	29,933		132,487		45,308	508,724
Louisiana			14,409,414	6,481		4,427	14,420,322
Maine		191,428					191,428
Massachusetts		157,270				20,350	177,620
Michigan		4,581					4,581
Minnesota		39,809		8,592		146,199	194,600
Mississippi		5,993	26,484,822	25,281		6,375	26,522,471
Missouri	3,609,370			736,021		339,720	4,685,111
Montana	190,912	31,492			14,688	22,850	259,942
Nebraska		66,856		162,849	8,336	1,416	239,457
Nevada	20,770	183,259				2,807	206,836
New Hampshire		95,897				10,702	106,599
New Jersey		147,793			4,900	64,048	216,741
New Mexico		11,138					11,138
New York		818,382			1,154		819,536
North Carolina		389,082	814,293	44,000		49,850	1,297,225
North Dakota						1	1
Ohio	6,071	398,936	90,744		141,762		637,513
Oklahoma	1,915,069	64,456		124,376	412,810	4,283	2,520,994
Oregon	269,334	1,398				3,995	274,727
Pennsylvania	27,111	13,168	157,283			3,619	201,181
South Dakota	2,490,026					545,491	3,035,517
Tennessee	42,202		15,668	466,182		16,411	540,463
Texas	4,538	74,397	2,411,768		582,713	3,944	3,077,360
Utah		732,197				1,623	733,820
Vermont		11,918			470,274		482,192
Virginia		50,304	292,418				342,722
Washington	973,877				577	1,315	975,769
West Virginia	310,654	5,526	105,089				421,269
Wyoming					4,160	8,293	12,453
Prompt Payment							2,694
Undistributed							236,583
Total	12,199,028	7,506,638	62,343,551	2,525,347	1,891,981	1,605,333	88,311,155

The "All Other" column includes disasters as such hail, ice, severe storms, high winds, landslides, typhoon, and wildfires.

Emergency Conservation Program
Geographic Breakdown of Obligations
2006 Actual and Estimated 2007 and 2008

STATE	2006 Actual	2007 Estimated	2008 Estimated
Alabama	\$6,497,462	\$7,778,040	0
Arizona	-8,425	161,951	0
Arkansas	2,799,018	509,372	0
California	5,534,444	4,827,539	0
Colorado	495,183	-29,254	0
Connecticut	11,717	118,326	0
Florida	-8,412,299	36,204,390	0
Georgia	1,105,533	843,659	0
Guam	660	-7,699	0
Hawaii	1,031,175	468,745	0
Idaho	0	-350,393	0
Illinois	174,703	-215,751	0
Indiana	157,304	272,894	0
Iowa	-230,001	1,291,760	0
Kansas	194,656	1,281,784	0
Kentucky	786,626	174,691	0
Louisiana	23,004,806	16,117,067	0
Maine	341,989	146,605	0
Maryland	0	-20,737	0
Massachusetts	175,995	122,920	0
Michigan	4,581	204,744	0
Minnesota	124,687	-323,220	0
Mississippi	43,277,434	25,958,826	0
Missouri	6,405,778	804,341	0
Montana	-7,615	1,687,783	0
Nebraska	-28,446	481,356	0
Nevada	4,577	624,160	0
New Hampshire	318,877	164,123	0
New Jersey	-341,482	52,809	0
New Mexico	126,852	720,393	0
New York	-240,108	2,407,186	0
North Carolina	-553,460	2,673,878	0
North Dakota	47,419	188,105	0
Ohio	-323,347	161,257	0
Oklahoma	4,899,745	1,668,647	0
Oregon	38,183	96,717	0
Pennsylvania	133,309	1,977,437	0
Puerto Rico	-4,555	24,602	0
Rhode Island	0	100,000	0
South Carolina	-4,896	-3,382	0
South Dakota	4,662,542	1,023,954	0
Tennessee	1,646,996	950,659	0
Texas	13,684,987	9,864,926	0
Utah	56,748	78,930	0
Vermont	516,430	117,373	0
Virginia	-254,831	566,029	0
Washington	60,814	30,873	0
West Virginia	-95,055	361,476	0
Wyoming	105,867	1,716,394	0
Undistributed	-1,606,939	10,677,939	0
FSA, Subtotal	106,315,638	134,754,224	0
NRCS, Technical Assistance	1,605,333	14,972,692	0
Total, Available or Estimate	107,920,971	149,726,916	0

NOTE: Negative obligations represent deobligations of prior years' obligations

FARM SERVICE AGENCY
Emergency Conservation Program

Classification by Objects
2006 Actual and Estimated 2007 and 2008

	<u>Object Class</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
25.1	Advisory and assistance services	\$1,605,333	\$14,972,692	\$0
41.0	Grants, subsidies, and contributions	106,315,638	134,754,224	0
99.0	Total direct obligations	<u>107,920,971</u>	<u>149,726,916</u>	<u>0</u>

EMERGENCY CONSERVATION PROGRAM

STATUS OF PROGRAM

Current Activities: During FY 2006, 38 States participated in the program, involving an estimated 13,691,652 acres and approximately \$88,311,155 in cost-share and technical assistance outlays.

Selected Examples of Recent Activity: ECP funds totaling \$217,169,346 were allocated for the following activities in FY 2006:

Disaster	Number of States	Allocation
Drought	18	27,535,600
Flooding	21	13,798,400
High Winds	2	95,000
Hurricanes	6	149,938,175
Ice Storm	1	459,700
Landslide	1	263,000
Tornado	8	6,769,300
Wildfire	8	16,344,300
Adjustments for errors, appeals, and application omissions	8	1,965,871
TOTAL		\$217,169,346

PART PROGRAM ASSESSMENT

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and to carry out emergency water conservation measures in periods of several droughts. ECP was assessed in 2006 and the program received a rating of results not demonstrated. The PART assessment found that ECP shows effective targeting of approved program practices, ECP funds are used for their intended purposes, program improvements are regularly made based on the recommendations from audits, but that results cannot be effectively demonstrated because of a lack of measures to judge ECP performance.

Based on PART findings, FSA will: develop improved, outcome-based performance and efficiency measures to evaluate the program's cost effectiveness; develop a method of effectively prioritizing limited disaster recovery funds to farmers most in need of financial assistance; and develop efficiency measures that report on the performance and effectiveness of ECP program partners.

The tables that follow show (a) appropriations and outlays for fiscal years 1981 through 2006 and (b) FY 2006 allocations by State.

Emergency Conservation Program
Appropriations and Outlays
Fiscal Years 1981-2006

Fiscal Year	Appropriation	Outlays
1981	\$10,000,000	\$15,700,695
1982	8,800,000	4,400,132
1983	0	9,854,249
1984	19,000,000	15,488,359
1985	0	11,415,369
1986	5,000,000	7,098,964
1987	10,000,000	4,656,594
1988	1,000,000	4,763,344
1989	5,000,000	7,893,738
1990	29,927,000 1/	12,256,527
1991	9,999,870	13,245,469
1992	22,500,000 2/	8,854,177
1993	89,667,000 3/	27,431,669
1994	25,000,000 4/	34,139,167
1995	23,000,000 5/	27,206,940
1996	30,000,000 6/	25,405,741
1997	95,000,000 7/	31,921,356
1998	34,000,000 8/	26,458,921
1999	28,000,000 9/	40,263,070
2000	60,000,000 10/	64,985,108
2001	79,824,000 11/	37,740,788
2002	0	32,365,424
2003	0	46,979,673
2004	11,929,200 12/	23,099,983
2005	150,000,000 13/	57,123,442
2006	161,800,000 14/	88,311,155
TOTAL	\$909,447,070	\$679,060,054

NOTE: From fiscal years 1957 to 1980, \$250.5 million was provided under the Emergency Conservation Measures, authorized by P.L. 85-88, The Third Supplemental Appropriation Act of 1957. A total of \$219 million was outlayed during those years. The Emergency Conservation Program (ECP) was established by Title IV of the Agricultural Credit Act of 1978, P.L. 95-334.

1/ Includes \$10 million through a direct ECP appropriation and \$10 million transferred from the former SCS per the Dire Emergency Supplemental Appropriation Act, P.L. 101-302.

2/ Excludes \$10.5 million in contingency funds provided by P.L. 102-368, which was made available on December 30, 1992.

3/ Includes \$10.5 million in contingency funds provided by P.L. 102-368, which was made available on December 30, 1992; \$31.367 million transferred from CRP under the authority of 7 U.S.C. 2257; \$30 million provided by the FY 1993 Midwest Flood Supplemental; \$14.8 million transferred from the former FmHA; and \$3 million provided by P.L. 102-341.

4/ \$25 million in supplemental funding was provided by P.L. 103-211.

5/ Provided in the FY 1995 Agriculture Appropriations Act by transfer from the NRCS.

6/ \$30 million in supplemental funding was provided by P.L. 104-134.

7/ \$25 million in supplemental funding was provided by P.L. 104-208, and \$70 million in supplemental funding was provided by P.L. 105-18.

8/ \$34 million in supplemental funding was provided by P.L. 105-174, which included \$4 million for taps and tubing for maple producers.

9/ \$28 million in supplemental funding was provided by P.L. 106-31.

10/ \$50 million in supplemental funding was provided by P.L. 106-113, and \$10 million in supplemental funding was provided by P.L. 106-246 for the Los Alamos Fire in New Mexico.

11/ \$80 million in supplemental funding was provided by P.L. 106-387, and \$176 thousand was rescinded under P.L. 106-554.

12/ \$11.9 million in supplemental funding was provided by P.L. 108-199 for southern California.

13/ \$150 million in supplemental funding was provided by P.L. 108-324, including \$50 million in CCC funding.

14/ \$199.8 million in supplemental funding was provided by P.L. 109-148. \$38 million was transferred to NOAA by P.L. 109-234.

**EMERGENCY CONSERVATION PROGRAM
FY 2006 Allocations by State**

State	Disaster	Total Allocations
Alabama	Hurricanes/Tornado/Technical Assistance	\$10,590,050
Arizona	Flood	157,000
Arkansas	Drought/Tornado	4,514,640
California	Flood	3,165,800
Colorado	Drought/ Flood/Landslide/Wildfire	1,127,500
Connecticut	Flood	234,000
Florida	Hurricane/Technical Assistance	35,862,550
Georgia	Flood/Hurricanes/Tornado/High Winds	3,157,612
Hawaii	Flood	1,215,000
Illinois	Drought/Flood	441,600
Indiana	Tornado	261,500
Kansas	Drought/Flood	930,500
Kentucky	Tornado	3,218,600
Louisiana	Hurricanes/Technical Assistance	23,627,700
Maine	Flood	175,000
Massachusetts	Flood	383,000
Mississippi	Drought/Hurricanes/Technical Assistance	62,084,525
Missouri	Drought/High Winds/Tornado	4,382,200
Montana	Flood/Drought/Technical Assistance/Wildfire	2,146,850
Nebraska	Drought/Wildfire	513,000
Nevada	Flood	944,000
New Hampshire	Flood	806,000
New Mexico	Drought/Wildfire	1,272,000
New York	Flood	2,259,000
North Carolina	Flood	45,000
North Dakota	Drought	410,900
Ohio	Drouhgt/Flood	103,000
Oklahoma	Drought/Flood/Tornado/Wildfire	7,046,200
Oregon	Flood	292,000
Pennsylvania	Drought/Flood	2,330,069
Rhode Island	Flood	200,000
South Dakota	Drought	6,760,000
Tennessee	Drought/Tornado	3,639,800
Texas	Drought/Hurricane/Wildfire/Technical Assistance	29,802,050
Utah	Drought	160,000
Vermont	Flood/Ice Storm	859,700
Washington	Wildfire	293,000
Wyoming	Drought/Wildfire	1,758,000
Total		\$217,169,346

GRASSROOTS SOURCE WATER PROTECTION PROGRAM

Estimate, 2007.....	3,712,500
Budget Estimate, 2008	--
Decrease in Appropriation.....	<u>-3,712,500</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2007 Estimated</u>	<u>Program Changes</u>	<u>2008 Estimated</u>
Payments to State Rural Water Associations	<u>3,712,500</u>	<u>-3,712,500</u>	<u>--</u>

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>2006 Actual</u>	<u>2007 Estimated</u>	<u>Decrease</u>	<u>2008 Estimated</u>
Payments to State Rural Water Associations.....	\$3,712,500	3,712,500	-3,712,500 (1)	--
Rescission.....	37,500	--		
Total appropriation.....	3,750,000	3,712,500		

Justification of Increases and Decreases

- (1) A decrease of \$3,712,500 for Grassroots Source Water Protection Program (\$3,712,500 available in 2007):

The 2008 budget proposes no funding for this program. It expires on September 30, 2007.

FARM SERVICE AGENCY
Grassroots Source Water Protection Program

Classification by Objects
2006 Actual and Estimated 2007 and 2008

	<u>Object Class</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
41.0	Grants, subsidies, and contributions	3,712,500	3,712,500	0
	Total direct obligations	<u>3,712,500</u>	<u>3,712,500</u>	<u>0</u>

GRASSROOTS SOURCE WATER PROTECTION PROGRAM

STATUS OF PROGRAM

Current Activities: The Grassroots Source Water Protection Program (GSWPP) was reauthorized by the 2002 Farm Bill. This program is a joint project by the Farm Service Agency and the nonprofit National Rural Water Association designed to help prevent source water pollution in States through voluntary practices installed by producers at the local level. GSWPP uses onsite technical assistance capabilities of each State rural water association that operates a wellhead or groundwater protection program in the State. State rural water associations can deliver assistance in developing source water protection plans within priority watersheds for the common goal of preventing the contamination of drinking water supplies. This program will expire on September 30, 2007.

Selected Examples of Recent Progress: During FY 2006, \$3.7 million was provided by P.L. 109-97, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006. The 36 States participating in the GSWPP were chosen based on objective technical criteria relating to water quality and population. Thirty-five States received \$99,285 and one State received \$200,400 to operate the program; \$37,125 was transferred to the FSA Salaries and Expense account for administrative expenses associated with program implementation.

The program was implemented in the following States: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Vermont, Washington, and Wisconsin.

AGRICULTURAL CONSERVATION PROGRAM

Estimate, 2007.....	-
Budget Estimate, 2008	-
Change	-

PROJECT STATEMENT

(On basis of available funds)

Project	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
Unobligated balance brought forward from prior years	-\$199,108	-\$98,495	-	-\$98,495
Recoveries of prior year obligations	-1,700	-	-	-
Unobligated balance transferred to other accounts.....	100,000	-	-	-
Direct obligations incurred.....	2,313	-	-	-
Unobligated balance carried forward to next year	98,495	98,495	-	98,495
Total available or estimate	-	-	-	-

The Federal Agriculture Improvement and Reform Act of 1996, enacted April 4, 1996, repealed the ACP and incorporated its objectives into the Environmental Quality Incentives Program. The remaining funds of \$98,495 are available only for valid prior years' obligation adjustments. No additional obligations will be made for the program.

AGRICULTURAL CONSERVATION PROGRAM

STATUS OF PROGRAM

The Agricultural Conservation Program (ACP) is no longer an active program. Its objectives were incorporated into the Environmental Quality Incentives Program (EQIP) by the Federal Agriculture Improvement and Reform Act of 1996. EQIP is administered by the Natural Resources Conservation Service and funded by the Commodity Credit Corporation.

Farmers, ranchers, and woodland owners participated in the program by carrying out practices that help solve soil and water conservation problems identified in State and county ACP plans. ACP cost-sharing agreements were for up to 10 years and usually required a practice to be applied annually until the agreement expired. Each practice was maintained for another 5 to 10 years according to the contract specifications. ACP cost sharing was authorized in agricultural counties in all 50 States, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

Payments: Historically, unobligated ACP funds are used only for prior year obligation adjustments. However, in FY 2006 a transfer of \$100,000 in unobligated funds was made to the USDA Working Capital Fund as authorized in section 705 of P.L. 109-97, the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2006. Outlays to States in 2006 totaled \$2,312.57.

CONSERVATION RESERVE PROGRAM

Estimate, 2007	-
Budget Estimate, 2008	-
Change.....	-

PROJECT STATEMENT
(On basis of available funds)

Project	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
Unobligated balance brought forward from prior years	-\$250,363	-\$293,322	-	-\$293,322
Recoveries of prior year obligations	-42,959	-	-	-
Unobligated balance carried forward to next year	293,322	293,322	-	293,322
Total available or estimate	-	-	-	-

This program information is associated with the appropriated Conservation Reserve Program and depicts the use of unobligated balances of CRP appropriated funds. Program information for the CCC-financed CRP is shown under the Commodity Credit Corporation elsewhere in these Explanatory Notes.

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CONSERVATION RESERVE PROGRAM

STATUS OF PROGRAM

The Conservation Reserve Program (CRP) is operated by State and local Farm Service Agency committees, with technical assistance provided by appropriate agencies. The Federal Agriculture Improvement and Reform Act of 1996 changed the funding source from direct appropriation to the Commodity Credit Corporation (CCC). FY 2006 program information for the CRP is included in the CCC section of the Explanatory Notes.

TREE ASSISTANCE PROGRAM

STATUS OF PROGRAM

Current activities: The Consolidated Appropriations Act, 2004, P.L. 108-199, provided an annual appropriation of \$12.5 million to help with replanting or rehabilitating of mainly avocado and lemon trees damaged by wildfire in southern California. During FY 2004, \$4 million was obligated, \$6 million was transferred to the USDA Working Capital Fund per section 704 of P.L. 108-199, and the remaining \$2 million lapsed and will expire at the end of FY 2009.

During FY 2006, \$550,302 was paid to producers in southern California for losses due to wildfire.

For FY 2006, TAP funding was provided through the Commodity Credit Corporation (CCC). Additional information on TAP activity can be found under the CCC section of these Explanatory Notes.

FARM SERVICE AGENCY

The estimates include proposed changes in the language of this item as follows (new language underscored):

Salaries and Expenses (Including Transfers of Funds):

For necessary expenses for carrying out the administration and implementation of programs administered by the Farm Service Agency, \$1,228,662,000: Provided, That the Secretary is authorized to use the services, facilities, and authorities (but not the funds) of the Commodity Credit Corporation to make program payments for all programs administered by the Agency: Provided further, That other funds made available to the Agency for authorized activities may be advanced to and merged with this account.

FARM SERVICE AGENCY

Lead-Off Tabular Statement

SALARIES AND EXPENSES

Estimate, 2007.....	\$1,271,818,000
Budget Estimate, 2008.....	1,548,179,000
Increase in Appropriation.....	+ <u>276,361,000</u>
Adjustments in 2007:	
Estimate, 2007.....	\$1,271,818,000
Activities transferred to the Foreign Agricultural Service (FAS) a/.....	-1,480,000
Adjusted base for 2007.....	1,270,338,000
Budget Estimate, 2008.....	1,548,179,000
Increase over adjusted 2007.....	+ <u>277,841,000</u>

a/ Reflects the transfer to FAS of \$1,480,000 of the funds provided to FSA by the CCC Export Credit Guarantee Program Account administrative expenses appropriation.

FARM SERVICE AGENCY

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	2007		Program Changes	2008		
	<u>Estimated</u>	<u>Pay Costs</u>		<u>Estimated</u>		
Farm Loans.....	\$301,545,000	+	\$7,475,000	+	\$2,717,000	\$311,737,000
Income Support and Disaster Assistance.....	770,043,000	+	17,217,000	+	173,433,000	960,693,000
Conservation.....	135,573,000	+	3,906,000	+	51,662,000	191,141,000
Commodity Operations.....	63,177,000	+	891,000	+	20,540,000	84,608,000
Total Available.....	<u>1,270,338,000</u>	+	<u>29,489,000</u>	+	<u>248,352,000</u>	<u>1,548,179,000</u>

FARM SERVICE AGENCY

Project Statement By Program
(On basis of adjusted appropriation)

	2006 Actual		2007 Estimated		Increase or Decrease	2008 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Total S&E:							
Farm Loan Programs.....	\$301,545,000	2,928	\$301,545,000	3,259	+	\$10,192,000	\$311,737,000 3,215
Income Support and Disaster Assistance.....	769,400,000	8,071	770,043,000	8,709	+	190,650,000	960,693,000 8,681
Conservation Programs.....	176,302,000	2,221	135,573,000	1,847	+	55,568,000	191,141,000 1,984
Commodity Operations.....	60,301,000	357	63,177,000	341	+	21,431,000	84,608,000 341
Unobligated Balance.....	87,508,000	--	0	--		0	0 --
Total Available or Estimate.....	1,395,056,000	13,577	1,270,338,000	14,156	+	277,841,000 (1)	1,548,179,000 14,221
Transfer from Office of Congressional Affairs.....	-277,000	--	--	--			
Transfer to the Foreign Agricultural Service (FAS).....	1,480,000	--	1,480,000	--			
Rescission.....	13,396,000	--	--	--			
Total, Appropriation.....	1,409,655,000	13,577	1,271,818,000	14,156			

Project Statement
(On basis of available funds)

	2006 Actual	2007 Estimated	Increase or Decrease	2008 Estimated
Farm Loan Programs.....	\$301,545,000	\$301,545,000	+	\$10,192,000 \$311,737,000
Income Support and Disaster Assistance..... ^{a/}	769,400,000	770,043,000	+	190,650,000 960,693,000
Includes transfers from:				
P.L. 480 Program Account	(3,185,000)	(2,651,000)		(110,000) (2,761,000)
CCC Export Guarantee Account	(1,821,000)	(341,000)		(18,000) (359,000)
Farm Storage Facility Loans	0	0		(4,660,000) (4,660,000)
Conservation Programs.....	176,302,000	135,573,000	+	55,568,000 191,141,000
Commodity Operations.....	60,301,000	63,177,000	+	21,431,000 84,608,000
Total Available or Estimate.....^{a/}	\$1,307,548,000	\$1,270,338,000	+	\$277,841,000 \$1,548,179,000
Advances and Reimbursements (A&R):				
Loan Service Fees Transferred..... ^{b/}	8,892,000	7,500,000		0 7,500,000
Service Centers.....	2,435,000	2,435,000	+	-2,435,000 0
All Other Advances and Reimbursements.....	165,268,000	89,130,000	+	-4,777,000 84,353,000
Subtotal, A&R.....	176,595,000	99,065,000		-7,212,000 91,853,000
Total Net Obligations.....	1,484,143,000	1,369,403,000	+	270,629,000 1,640,032,000
Funds Forwarded From Prior Year..... ^{a/}	122,000	21,000		-21,000 0
Funds Forwarded From Prior Years..... ^{c/, d/, e/}	69,886,000	0		0 0
Funds Carried Forward to Next Year..... ^{a/, f/}	-77,473,000	77,452,000		-77,452,000 0
Change in Funds Carried Forward.....	-7,465,000	77,473,000		-77,473,000 0
Rescission.....	13,396,000	0		0 0
Total, Available Funds Basis.....	\$1,490,074,000	\$1,446,876,000	+	\$193,156,000 \$1,640,032,000

^{a/} FY 2001 Military Construction Appropriations (P.L. 106-246) provided \$77.560 million to remain available until expended. An unobligated balance of \$122,000 was carried forward in FY 2006, of which \$101,000 was obligated. The remaining \$21,000 was carried forward into FY 2007.

^{b/} Loan service fees are paid by producers who obtain CCC commodity loans. These fees partially defray the administrative costs of processing the loans and are held in an account for use by the FSA administrative expense account as needed.

^{c/} Sections 704 and 705, respectively, of Title VII - General Provisions of the 2000 and 2001 Appropriations Acts provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b).

^{d/} Section 705 of Title VII - General Provisions of the 2002 and 2003 Appropriations Acts provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b).

^{e/} Section 704 of Title VII - General Provisions of the 2004 and 2005 Appropriations Acts provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b).

^{f/} Section 704 of Title VII - General Provisions of the 2006 Appropriations Act provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b).

FARM SERVICE AGENCY
Salaries and Expenses by Source of Funding
(Dollars in Thousands)

Item	Direct Appropriation	ACIF	P.L. 480	Program Accounts			Total
				Export Credit	Farm Storage Facility Loans	CCC	
FY 2007 Estimate.....	\$965,801	\$301,545	\$2,651	\$1,821	\$0	\$1,271,818	
Transfer from FSA to FAS	0	0	0	-1,480	0	-1,480	
Adjusted FY 2007 Estimate.....	965,801	301,545	2,651	341	0	1,270,338	
FY 2008 Budget Estimate:							
Pay costs.....	22,489	6,921	69	10	0	29,489	
Within grades and promotions.....	8,704	1,230	12	1	0	9,947	
Change in Federal and non-Federal staff years.....	5,166	0	0	0	0	5,166	
Information technology--fixed operational expenses to support and maintain service center IT operations.....	23,805	0	0	0	0	23,805	
Information technology previously funded through the Office of the Chief Information Officer/Common Computing Environment Account (OCIO/CCE).....	64,175	0	0	0	0	64,175	
Restore funding for activities funded out of balances carried over from FY 2006 into FY 2007 that will not be available in FY 2008.....	77,473	0	0	0	0	77,473	
Change in operating expenses.....	61,049	2,041	29	7	4,660	67,786	
Change from FY 2007.....	262,861	10,192	110	18	4,660	277,841	
Total, FY 2008 Budget Estimate.....	\$1,228,662	\$311,737	\$2,761	\$359	\$4,660	\$1,548,179	

Justification of Increases and Decreases

- (1) An increase of \$277,841,000 for Farm Service Agency Salaries and Expenses (\$1,270,338,000 available in FY 2007) consisting of:

- (a) A total increase of \$156,789,000 for Federal Offices:

- (1) An increase of \$12,436,000 is for the proposed pay costs for 5,040 direct Federal staff years.

The FY 2008 proposed pay cost is for 5,040 direct Federal staff years. This includes \$2.4 million for annualization of the FY 2007 pay raise and \$10.0 million for the anticipated FY 2008 pay raise. The increase is necessary to fully support the staff required to administer farm programs such as direct and counter-cyclical payment (DCP) contracts and increased conservation programs; to properly service existing farm loans efficiently and effectively and analyze new loan requests; and to maintain the personnel required to meet key objectives related to commodity operations.

- (2) An increase of \$4,694,000 for 56 direct Federal permanent staff years.

An increase of \$4.7 million is needed for 56 FTE's that were previously considered reimbursable, but due to the realignment of the Office of the Chief Information Officer/Common Computing Environment (OCIO/CCE) funds, are now funded through direct appropriations.

- (3) An increase of \$6,892,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades and promotions for 5,040 direct Federal staff years. This increase is necessary to fully support the staff required to administer income support, conservation, farm loan, and commodity operation programs.

- (4) An increase of \$132,767,000 in other operating expenses.

An increase of \$64.2 million for activities previously funded through the Department's CCE account. This includes fixed operational expenses necessary to support and maintain current IT operations, including maintenance of legacy systems and web-based front end systems for legacy data bases as well as discretionary costs for contractor support for the annual operations and maintenance of FSA's automated IT systems across the entire FSA IT portfolio. Specifically, the \$64.2 million increase includes: \$32.8 million for consolidated Service Center managed projects; \$15.2 million for geographic information systems; \$9.0 million for telecommunications; \$4.7 million for consolidated enterprise architecture and common infrastructure; and \$2.5 million for consolidated farm loan program information and delivery systems.

An increase of \$23.8 million is critical for fixed operational expenses necessary to support and maintain current CCE IT operations for Service Center agencies (FSA, Rural Development, and the Natural Resources Conservation Service).

An increase of \$44.8 million to fund operating cost increases for Federal offices. Significant reductions will be made in FY 2007 to operate within a full year continuing resolution. Almost total reductions will be made to travel, training, supplies and materials and equipment, making it nearly impossible to provide service to the customers and making it very difficult to ensure that program regulations are complied with. In

order to ensure normal servicing and operations in FY 2008, restoration of \$26.2 million of operating expense base is requested as well as \$18.6 million in normal inflationary impacts.

(b) A total increase of \$121,052,000 in non-Federal county offices includes:

- (1) An increase of \$17,053,000 is for the proposed pay costs for 9,181 direct non-Federal staff years.

The FY 2008 proposed pay cost is for 9,181 direct non-Federal staff years. This includes \$3.3 million for annualization of the fiscal year 2007 pay raise and \$13.7 million for the anticipated fiscal year 2008 pay raise. The increase is necessary to fully support the staff required to administer farm programs such as direct and counter-cyclical payment contracts and increased conservation programs; and to properly service existing farm loans efficiently and effectively and analyze new loan requests.

- (2) An increase of \$472,000 for 9 non-Federal staff years, consisting of an increase of 3 permanent staff years and an increase of 6 temporary staff years.

An overall increase of \$472,000 for an additional 3 permanent staff years and 6 temporary staff years to fully support and staff FSA program areas of income support, conservation, farm loans, and commodity operations.

- (3) An increase of \$3,055,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades and promotions for 9,181 direct non-Federal staff years. This increase is necessary to fully support the staff required to administer income support, conservation, and farm loan programs.

- (4) An increase of \$100,472,000 in operating expenses.

An increase of \$77.5 million to restore funding for activities that were funded by balances carried over from FY 2006 into FY 2007 that will not be available in FY 2008. Without restoration of this funding in FY 2008, significant impacts to staffing levels will occur.

An increase of \$23 million to fund operating cost increases for non-Federal county offices. Significant reductions will be made in FY 2007 to operate within a full year continuing resolution. Almost total reductions will be made to travel, training, supplies and materials and equipment, making it nearly impossible to provide service to the customers and making it very difficult to ensure that program regulations are complied with. In order to ensure normal servicing and operations in FY 2008, restoration of \$19.7 million of operating expense base is requested as well as \$3.3 million in normal inflationary impacts.

FARM SERVICE AGENCY
Salaries and Expenses
Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

State	FY 2006		FY 2007		FY 2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	\$19,235,206	56	\$17,487,907	59	\$20,198,739	60
Alaska	1,229,300	7	979,955	7	1,075,486	7
Arizona	4,642,042	22	4,219,710	23	4,730,883	23
Arkansas	23,979,789	114	23,192,548	115	26,333,842	117
California	15,848,181	68	14,698,129	69	16,720,863	70
Caribbean	5,018,465	58	5,296,907	59	5,600,739	60
Colorado	14,394,080	44	13,200,997	45	15,264,767	46
Connecticut	1,986,037	8	1,700,377	8	1,924,699	8
Delaware	1,646,227	9	1,480,799	9	1,646,911	9
District of Columbia	303,358,000	1,189	333,534,000	1,165	474,549,000	1,165
Florida	11,774,837	48	10,508,686	49	11,984,616	50
Georgia	26,271,900	71	24,339,240	74	28,197,924	75
Hawaii	2,864,461	16	2,305,177	17	2,521,610	17
Idaho	12,440,529	59	12,441,907	59	14,158,739	60
Illinois	45,203,564	109	42,039,548	115	48,907,842	117
Indiana	30,665,316	77	27,813,662	75	32,345,137	76
Iowa	55,157,249	155	50,923,168	152	59,026,698	154
Kansas	43,253,665	123	39,690,659	120	46,024,904	122
Kentucky	33,148,458	118	30,698,815	118	35,282,479	120
Louisiana	20,550,950	99	18,462,261	93	20,889,959	94
Maine	6,244,131	34	5,472,931	33	6,090,007	33
Maryland	6,329,726	21	5,687,288	22	6,501,671	22
Massachusetts	3,288,516	20	3,080,865	21	3,393,459	21
Michigan	23,252,548	79	20,530,506	77	23,592,561	78
Minnesota	40,075,539	131	37,064,725	132	42,709,452	134
Mississippi	27,705,841	108	26,825,438	110	30,755,780	112
Missouri	63,925,346	375	57,455,393	375	64,445,541	377
Montana	21,538,709	68	20,088,506	77	23,063,561	78
Nebraska	38,101,499	126	34,984,503	122	40,359,328	124
Nevada	2,308,867	12	2,102,066	12	2,347,548	12
New Hampshire	2,112,607	10	1,947,644	11	2,177,336	11
New Jersey	3,771,364	20	3,137,599	18	3,504,822	18
New Mexico	7,477,230	36	6,960,353	34	7,857,219	34
New York	17,509,012	82	16,886,461	84	19,130,048	85
North Carolina	30,084,931	93	27,880,839	92	32,184,746	93
North Dakota	31,191,284	123	29,139,926	123	33,344,541	125
Ohio	28,001,495	68	25,656,863	66	29,889,226	67
Oklahoma	29,375,855	138	27,686,836	137	31,407,513	139
Oregon	10,478,208	45	9,379,997	45	10,688,767	46
Pennsylvania	17,070,317	65	16,630,662	75	18,950,137	76
Rhode Island	1,101,245	7	724,533	6	784,274	6
South Carolina	14,058,153	55	12,711,797	54	14,551,678	55
South Dakota	32,724,809	130	30,222,614	127	34,585,390	129
Tennessee	26,594,176	85	24,677,306	86	28,432,472	87
Texas	63,475,736	228	64,945,941	232	74,782,896	235
Utah	8,138,487	72	10,326,464	80	11,594,219	87
Vermont	4,496,211	29	3,686,710	23	4,091,883	23
Virginia	18,520,846	59	16,795,485	58	19,386,527	59
Washington	11,578,723	43	10,102,997	45	11,554,767	46
West Virginia	8,293,980	37	8,492,153	43	9,653,342	44
Wisconsin	30,053,289	105	28,174,327	105	32,353,506	106
Wyoming	6,001,064	25	5,863,820	28	6,628,945	28
Subtotal, Available or Estimate	1,307,548,000	4,979	1,270,338,000	4,984	1,548,179,000	5,040
Unobligated balance	87,508,000					
Total, Available or Estimate	1,395,056,000	4,979	1,270,338,000	4,984	1,548,179,000	5,040

FARM SERVICE AGENCY

CLASSIFICATION BY OBJECTS
Salaries and Expenses2006 Actual and Estimated 2007 and 2008

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Personnel Compensation:			
Washington D.C.	\$109,250,000	\$113,399,000	\$117,493,000
Field	221,064,000	232,320,000	243,401,000
11 Total personnel compensation.....	330,314,000	345,719,000	360,894,000
12 Personnel benefits.....	90,477,000	94,406,000	98,605,000
13 Benefits for former personnel.....	4,835,000	4,288,000	4,382,000
Total pers. comp. & benefits.....	425,626,000	444,413,000	463,881,000
Other Objects:			
21 Travel.....	15,784,000	0	17,364,000
22 Transportation of things.....	3,466,000	0	4,226,000
23 Rent, communications, and utilities.....	7,822,000	23,211,000	34,191,000
23.1 Rental Payments to GSA.....	453,000	781,000	796,000
24 Printing and reproduction.....	1,625,000	0	1,589,000
25 Other services.....	167,459,000	189,292,000	286,406,000
26 Supplies and materials.....	6,891,000	0	4,513,000
31 Equipment.....	2,765,000	0	1,561,000
41 Grants, subsidies, and contributions....	675,240,000	612,080,000	733,132,000
42 Insurance claims and indemnities.....	355,000	396,000	404,000
43 Interest and dividends.....	62,000	163,000	114,000
44 Refunds.....	0	2,000	2,000
Total other objects.....	881,922,000	825,925,000	1,084,298,000
Total direct obligations	1,307,548,000	1,270,338,000	1,548,179,000

Position Data:

Average Salary, ES positions	\$150,825	\$154,490	\$159,125
Average Salary, GS positions	\$66,341	\$69,366	\$71,606
Average Grade, GS positions	12.6	12.6	12.6

SALARIES AND EXPENSES

STATUS OF PROGRAM

Current Activities:

FSA's major program areas are:

- **Farm Loans** – FSA's farm loan programs provide loans or guarantees to family farmers who could not otherwise obtain agricultural credit. The programs improve access to capital and mitigate market losses, including those resulting from disasters, and thus contribute to the success of farms and ranches, market-based agriculture sector, and thriving agricultural communities.
- **Income Support and Disaster Assistance** – FSA's income support and disaster assistance programs are key components of USDA's efforts to provide America's farmers and ranchers with an economic safety net to help them maintain their operations during difficult times. The programs mitigate market losses, including those resulting from disasters, and thus contribute to the success of farms and ranches, a market-based agriculture sector, and thriving agricultural communities. The programs also contribute to affordable food and fiber, a secure supply of quality food and fiber, and effective food aid.
- **Commodity Operations** – FSA's commodity operations include management of the U.S. Warehouse Act and acquisition, procurement, storage, and distribution of commodities. The programs expand market opportunities for farmers and thus contribute to the success of farms and ranches, a market-based sector, and thriving agricultural communities. These programs also contribute to affordable food and fiber, a secure supply of quality food and fiber, and effective food aid.
- **Conservation** – FSA conservation programs help maintain and enhance the nation's natural resources and environment. Certain conservation programs mitigate losses from natural disasters and thus contribute to the success of farms and ranches, a market-based agricultural sector, and thriving agricultural communities. The programs target land to maximize conservation benefits and contribute to quality soil, water, wildlife habitat, and air.

FSA programs, activities, and workload indicators in FY 2006 are outlined in the following pages.

Farm Loans

Farm Loan Programs. In FY 2006, activity under the Agricultural Credit Insurance Fund included:

Number of direct loans	17,915
Dollar value of direct loans	\$989,200,000
Number of guaranteed loans	9,814
Dollar value of guaranteed loans	\$2,158,367,000

State Mediation Grants (SMG). In FY 2006, SMG activity included:

Number of State Mediation Grants	33
Dollar value of grants	\$4,207,500
Amount of SMG payments issued.....	\$3,978,751

Income Support and Disaster Assistance

Direct and Counter-cyclical Program (DCP). FY 2006 activity consisted of participant annual enrollment, contract maintenance, and payment processing.

Total number of FY 2006 DCP contracts.....1,912,406
 Dollar value of direct payments made in FY 2006 \$4,962,371,549
 Dollar value of counter-cyclical payments made in FY 2006..... \$4,355,611,632

Marketing Assistance Loans and Loan Deficiency Payments. Marketing assistance loans, loan deficiency payments, and other price support program activities in FY 2006 included:

Commodity	Marketing Assistance Loans		Loan Deficiency Payments (LDP's)	
	Number of Loans	Dollar Value (\$000)	Number of LDP's d/	Dollar Value (\$000)
Corn	39,327	\$2,003,743		\$4,042,455
Grain Sorghum	646	15,239		125,350
Barley	545	20,595		34,867
Oats	338	2,985		0
Wheat	8,854	339,031		14,281
Rice	9,389	810,020		49,287
Cotton a/	24,895	4,890,573		250,236
Soybeans	55,403	2,281,453		22,007
Minor Oilseeds	1,287	48,870		25,566
Sugar b/	529	794,209		N/A
Peanuts	17,444	769,594		582
Tobacco b/ c/	N/A	9		N/A
Honey	511	16,756		0
Pulse Crops	590	20,565		57,063
Wool & Mohair	9	136		7,862
Total	159,767	12,013,778	1,378,725	4,629,556

a/ Reflects loans made through the county offices. In addition, loans are made through cooperative associations; the number of those loans is not available.

b/ LDP's are not available for tobacco or sugar.

c/ The number of tobacco loans is not available at this time.

d/ With the advent of electronic Loan Deficiency Payments (eLDP), data on the number of LDP's by commodity is not available since two separate systems produce the data.

Re-inspections of farm-stored loans 149,683
 Number of farm-stored loans taken over 2,831
 Number of warehouse loans acquired (except cotton) 2,369

Farm Storage Facility Loans (FSFL). FSFL program activities in 2006 included:

Farm Storage Facility Loans closed.....	2,093
Amount of Farm-Storage Facility Loans.....	\$111,000,000

Quota Buyout for Peanuts. FY 2006 activity included:

Number of quota buyout payments issued	5,322
Amount of quota buyout payments issued	-\$2,924,350

Minus dollar figure represents a prior period credit adjustment.

Milk Income Loss Contract (MILC) Program. The MILC was authorized by the 2002 Farm Bill and has no set funding level. This program purpose is to financially compensate dairy producers when domestic milk prices fall below a specified level.

Number of MILC payments	481,028
Amount of MILC payments	\$350,115,623
Transition Payments	\$470,771
Temporary monthly/transition MILC payments	-\$592

Non-Insured Crop Disaster Assistance Program (NAP). NAP activity in FY 2006 included:

Number of actual production history records completed for NAP	87,609
Number of NAP applications for payment	79,902
Amount of NAP payments issued	\$66,268,319

FCIC Program Integrity. FY 2006 FSA activity to assist RMA included:

Possible violations referred and spot-checks completed	3,971
Producer claims audited	751

Livestock Assistance Program (LAP) including Feed Indemnity Program (FIP). LAP & FIP activity in FY 2006:

Number of LAP contracts	1,475
Amount of LAP payments.....	\$193,670,228
Number of FIP contracts	4,275
Amount of FIP payments.....	\$3,894,702

Livestock Indemnity Program (LIP). LIP activity in FY 2006:

Number of LIP applications and disapproved applications.....	1,966
Amount of LIP payments.....	\$16,705,888

Crop Disaster Program (CDP) and Hurricane Indemnity Program (HIP). CDP and HIP activity in FY 2006 included:

Number of CDP applications	40,682
Amount of CDP payments issued	\$160,760,890
Number of HIP applications.....	2,479
Amount of HIP payments issued.....	\$26,819,109

Ewe Lamb Replacement and Retention Payment Program (ELRRPP). Activity for FY 2006 included:

Number of ELRRPP applications.....	203
Amount of ELRRPP payments issued.....	\$221,481

Tree Indemnity Program (TIP) Activity for FY 2006 included:

Number of TIP applications	1,250
Amount of TIP payments issued.....	\$7,786,719

Tree Assistance Program (TAP). Activity for FY 2006 included:

Number of TAP applications.....	779
Amount of TAP payments.....	\$7,759,141

Commodity Operations

Commercial Warehouse Activities. During FY 2006, 1,000 U.S. Warehouse Act licenses were in effect at 2,882 locations. 88 Federal examiners performed onsite examinations at 1,308 grain, 345 cotton, and 113 miscellaneous commodity warehouses. In addition, CCC contract onsite examinations were performed at 1,068 grain, 303 cotton, 190 processed, and 101 miscellaneous commodity warehouses.

End-Use Certificate Program. FSA monitors Canadian wheat imports through the use of North American Free Trade Agreement (NAFTA) mandated end-use certificates. Almost 1.433 million metric tons (53.0 million bushels) of Canadian wheat entered the U.S. in FY 2006.

Upland Cotton Marketing Certificate Program. By the end of FY 2006, CCC made payments of \$71 million to domestic users and \$232 million to exporters. The statutory authority for the Upland Cotton Marketing Certificate Program expired on August 1, 2006.

Extra-Long Staple Cotton Competitiveness Program. In FY 2006, CCC payments of \$0.38 million to domestic users and \$22 million to exporters were obligated. Actual payments disbursed were \$22.38 million.

Domestic Nutrition and Feeding Programs. In FY 2006, FSA purchased and donated over 398.4 million pounds of commodities valued at approximately \$260.1 million for the National School Lunch Program, Emergency Feeding Programs, Commodity Supplement Feeding Program and other domestic feeding programs.

Foreign Food-Aid Humanitarian and Developmental Assistance Programs. In FY 2006, FSA procured more than 2.7 million metric tons of grains, processed grain products, vegetable oil, pulses (such as dried beans, peas, lentils), and other products valued at approximately \$639.8 million for food relief programs throughout the world.

ConservationEmergency Conservation Program (ECP). FY 2006 activity included:

Number of ECP applications.....	64,743
Number of ECP payment applications	40,030
Amount of ECP payments issued.....	\$88,311,155

Hazardous Waste Management Program: Carbon tetrachloride, formerly used as a pesticide to treat stored grain, has been detected above the Environmental Protection Agency Maximum Contaminant Level in

groundwater samples taken at over 60 former CCC grain storage facilities. Since FY 2003, Hazardous Waste Management funding from the Department has been greatly reduced and CCC has relied on its Section 11 borrowing authority. CCC is authorized to use its borrowing authority, not to exceed \$5 million, for site investigations, ongoing operations and maintenance, and remediation expenses.

Conservation Reserve Program (CRP) and Farmable Wetlands Pilot Program (FWPP). FY 2006 activity included:

Number of active CRP contracts.....	728,242
Number of CRP cost-share payments.	138,320
Amount of CRP cost-share and incentive payments.....	\$181,385,000
Number of CRP rental payments	875,481
Amount of CRP annual rental payments.....	\$1,730,661,555
Number of CRP acres approved for enrollment in FY 2006	1,330,000

Grasslands Reserve Program (GRP). FY 2006 activity included:

Number of GRP applications and contracts submitted	417
Number of GRP cost-share requests	3,156
Number of GRP active contracts	2,634

FARM SERVICE AGENCY

**Summary of Budget and Performance
Statement of Agency Goals and Objectives**

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, P.L. 103-354. FSA's mission is to equitably serve all farmers, ranchers, and agricultural partners by delivering effective, efficient, agricultural programs for all Americans.

FSA has three strategic goals and seven strategic objectives that contribute to three of the Department's Strategic Goals and four of the Department's Strategic Objectives.

USDA Strategic Goal / Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies</p> <p>USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers</p>	<p>Agency Goal 1: Supporting Productive Farms and Ranches</p>	<p><u>Objective 1.1:</u> Improving Access to Capital</p> <p><u>Objective 1.2:</u> Mitigating Market Losses</p> <p><u>Objective 1.3:</u> Mitigating Losses from Natural Disasters</p>	<p><u>Farm Loan Programs</u> All Programs</p> <p><u>Income Support and Disaster Assistance Programs</u> All Income Support Programs</p> <p>Noninsured Crop Disaster Assistance Program</p> <p>All Ad Hoc Disaster Assistance Programs</p> <p>Emergency Conservation Program</p> <p><u>Commodity Operations</u> Dairy Price Support Purchases</p> <p>CCC Inventory Management Operations</p> <p>ELS Cotton Competitiveness Program</p> <p>Canadian End Use Wheat Program</p> <p>Domestic and Foreign Food Assistance Purchases</p>	<p><u>Key Outcome 1:</u> Successful Farms and Ranches</p> <p><u>Key Outcome 2:</u> Market-Based Agricultural</p> <p><u>Key Outcome 3:</u> Thriving Agricultural Communities</p>

USDA Strategic Goal / Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>Continued – USDA Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies</p> <p>USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers</p>	<p>Agency Goal 2: Supporting Secure and Affordable Food and Fiber</p>	<p><u>Objective 2.1:</u> Providing Adequate, Secure Storage Capacity that Maintains Quality</p>	<p><u>Income Support and Disaster Assistance Programs</u> Farm Storage Facility Loan Program</p> <p>Sugar Storage Facility Loan Program</p> <p><u>Commodity Operations</u> US Warehouse Act - Licensing and Enforcement</p>	<p><u>Key Outcome 1:</u> Affordable Food and Fiber</p> <p><u>Key Outcome 2:</u> Secure Supply of Quality Food and Fiber</p> <p><u>Key Outcome 3:</u> Effective Food Aid</p>
<p>USDA Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment</p> <p>USDA Strategic Objective 6.1: Protect Watershed Health To Ensure Clean and Abundant Water</p> <p>USDA Strategic Objective 6.2: Enhance Soil Quality to Maintain Productive Working Cropland</p>	<p>Agency Goal 3: Conserving Natural Resources and Enhancing the Environment</p>	<p><u>Objective 3.1:</u> Improving Conservation Practices</p> <p><u>Objective 3.2:</u> Targeting Lands to Maximize Conservation Benefits</p> <p><u>Objective 3.3:</u> Mitigating Adverse Impacts from Agricultural Production</p>	<p><u>Conservation Programs</u> Conservation Reserve Program</p> <p>Grassroots Source Water Protection Program</p>	<p><u>Key Outcome 1:</u> Quality Soil</p> <p><u>Key Outcome 2:</u> Quality Water</p> <p><u>Key Outcome 3:</u> Quality Wildlife Habitat</p> <p><u>Key Outcome 4:</u> Quality Air</p>

Strategic Objective and Funding Matrix**FARM SERVICE AGENCY**

USDA Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies
USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers

USDA Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment
USDA Strategic Objective 6.1: Protect Watershed Health to Ensure Clean and Abundant Water
USDA Strategic Objective 6.2: Enhance Soil Quality to Maintain Productive Working Cropland

Strategic Objective and Funding Matrix

(On basis of appropriation)

(Dollars in Thousands)

FSA Programs or Major Program Areas that Contribute	<u>2006 Actual</u>		<u>2007 Budget</u>		<u>Increase or Decrease</u>		<u>2008 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
<u>Strategic Objective 2.3</u>								
Farm Loan Programs	764,537	2,928	773,026	3,259	20,289	(44)	793,315	3,215
Income Support and Disaster Assistance Programs	882,953	8,071	963,724	8,709	20,286	(28)	984,010	8,681
Commodity Operations	60,301	357	63,177	341	21,431	0	84,608	341
Total - Objective 2.3	1,707,791	11,356	1,799,927	12,309	62,006	(72)	1,861,933	12,237
<u>Strategic Objective 6.1</u>								
Conservation Programs	1,005,716	1,110	1,020,379	924	50,350	69	1,070,729	993
Total - Objective 6.1	1,005,716	1,110	1,020,379	924	50,350	69	1,070,729	993
<u>Strategic Objective 6.2</u>								
Conservation Programs	1,005,716	1,111	1,020,378	923	50,350	68	1,070,728	991
Total - Objective 6.2	1,005,716	1,111	1,020,378	923	50,350	68	1,070,728	991
Total Available	3,766,007	13,577	3,840,684	14,156	162,881	65	4,003,565	14,221

* **Note:** Administrative costs (direct and indirect), and FTE's cannot be specifically identified, but are captured and included within the Commodity Operations and Conservation respective portions of Strategic Objectives 2.3, 4.2, 6.1, 6.2. FY 2007 and FY 2008 ACIF includes carryover for Emergency Loans; FY 2007 also includes carryover for other programs.

Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

Major Program Areas:

Farm Loans: FSA's Farm Loan programs assist farmers and ranchers who have limited resources or who are temporarily unable to obtain commercial credit to establish and maintain profitable farms. These programs significantly contribute to successful farms and ranches and thriving agricultural communities.

Income Support and Disaster Assistance: FSA helps farmers manage market risk primarily through Income Support and Disaster Assistance Programs that help to protect farmers and ranchers from fluctuations in market conditions, as well as unexpected natural or man-made disasters. These programs significantly contribute to successful farms and ranches, thriving agricultural communities, and market-based agriculture.

Commodity Operations: Commodity Operations Programs handle the acquisition, storage and distribution of commodities, as well as the administration of the U.S. Warehouse Act (USWA). These programs enforce a uniform regulatory system for storing farm products and ensure the timely delivery of products for domestic and international food aid and market development programs. These programs also help achieve affordable food and fiber, a secure supply of quality food and fiber, and effective food aid.

Conservation: FSA's Conservation Programs offer agricultural producers a variety of economic incentives to conserve natural resources, including land, water, air and wildlife habitat.

Expected Accomplishments:

Strategic Goal 1: To achieve the desired key outcomes of "Successful Farms and Ranches," and "Thriving Agricultural Communities," FSA works with its partners to improve access to capital while mitigating market losses and losses to crops and property resulting from natural disasters.

FSA plans to use FY 2008 allocated funds in the following ways:

- The Noninsured Disaster Crop Assistance Program (NAP) will continue to be a risk tool for producers of noninsurable crops - crops that are unable to obtain crop insurance through an insurance product. A component of this goal is to increase the percentage of eligible crops with NAP coverage.
- Modernize information technology delivery systems and increase the availability of E-Government initiatives to allow producers 24-hour, 7-day-a-week access to farm programs. Current examples of FSA programs that can be accessed through the Internet include: electronic Loan Deficiency Payments (eLDPs) and the electronic Direct and Counter-Cyclical Payments Program (DCP). In addition, the Extended Milk Income Loss Contract Payments (eMILC-X) Program is using new software in the county offices that reduces processing time for producers to receive payments, and reduces paperwork and staffing needs.
- FSA will continue to publicize available program benefits to all eligible producers and work to improve access to information through use of Web pages, media mailing, FSA Service Center newsletters, and informational meetings for producers. Staff resources may be shifted to accomplish these specific tasks.
- Emergency Conservation Program (ECP) will provide cost-share assistance, as funds permit, to agricultural producers to provide emergency water for livestock in times of severe drought and for rehabilitation of farmland damaged by natural disasters.
- Collaborate with Cooperative State Research, Education and Extension Service (CSREES) to provide producers opportunities to learn commodity marketing skills and strategies to improve crop prices.

Strategic Goal 2: To achieve the desired key outcomes of “Affordable Food and Fiber,” “Secure Supply of Quality Food and Fiber,” and “Effective Food Aid,” FSA works with its partners to provide adequate secure storage capacity to maintains quality and improve the purchase and delivery of food aid. Food Assistance Purchases support domestic programs such as the National School Lunch Program and Emergency Assistance Food Program, as well as international food aid through the U.S. Agency for International Development and the World Food Program. Among the external factors impacting these key outcomes:

- The Farm Storage Facility Loan Program (FSFL) has seen increased interest in the past year mainly due to the expansion of ethanol plants in the Midwest. In FY 2005, the FSFL program had funded 1,717 loans totaling over \$65 million. In FY 2006, 2,406 loans were funded for over \$101 million. This was an increase of approximately 40 percent in the number of loans from FY 2005 to FY 2006, and 58 percent increase in financing provided over the same period. Ethanol plants are now being constructed in the South where there has also been increased interest in the FSFL program.

At the proposed FY 2008 resource level, FSA expects to support secure and affordable food and fiber by the following activities:

- The demand for FSFL program benefits in FY 2008 should remain at the 2007 FY levels of near 2,400 loans and may increase somewhat. On-farm grain storage offered by FSFL to individual producers is a way producers can segregate corn containing aflatoxin, a naturally occurring toxic fungus that can grow on corn under certain conditions, thus helping to protect the nation’s food supply.
- FSA provide receipts through the U.S. Warehouse Act. These receipts act as low-cost negotiable documents that can be used as security to obtain interim financing and improve marketing opportunities so producers can earn the best prices for stored commodities.

Strategic Goal 3: To achieve the desired key outcomes of Quality Soil, Water, Air and Wildlife Habitat, FSA works with its partners to improve conservation practices, maximize conservation benefits, targeting lands to maximize conservation benefits and mitigate adverse impacts from agricultural production.

Among the specific actions and results FSA will advance are:

- Enhanced wildlife populations – The 250,000 acre upland bird buffer and the 100,000 acre Duck Nesting Habitat Initiative will help target additional enrollment to enhance wildlife populations by expanded buffer widths to help restore high quality duck nesting habitats. This effort will increase both the amount of wetland acres restored and duck and ground nesting bird production.
- To advance the goals set in the President’s Wetland Initiative, CRP seeks to enroll an additional 70,000 acres in 2008. The acreage in water quality buffers is expected to reach 2.0 million acres in 2008.
- FSA is administering the Emergency Forestry Conservation Reserve Program (EFCRP) offered to designated counties affected by the 2005 hurricanes. To be eligible, producers must have lost 35 percent or more of the merchantable timber on private non-industrial forestland. Producers can choose from one of the nine conservation tree practices to re-establish their pre-hurricane stand.
- Offer a 250,000 acre initiative to restore longleaf pine. In the early 1700’s, over 90 million acres of longleaf pine ecosystem existed. Today, less than 4 million acres exist. Producers with cropland that is suitable for longleaf pine can submit an offer for enrollment into the CRP on a continuous basis.
- FSA is actively negotiating with eight State Governments and conservation partner teams to develop new or expanded Conservation Reserve Enhancement Program (CREP) Agreements.
- The goal for increased CRP riparian and grass buffers installed has been reduced to 70,000 additional acres for FY 2007 and 70,000 additional acres FY 2008. Targets are reduced because commodity prices have risen dramatically and will reduce landowner willingness to retire cropland into the CRP.

FARM SERVICE AGENCY

Summary of Budget and Performance - Key Performance Outcomes and Measures

The broad nature of FSA's goals necessarily requires FSA's programs to complement one another and FSA's offices to work together in support of America's farmers and ranchers. Although any one of FSA's strategic objectives can be aligned more closely with one or another of FSA's key outcomes, in reality each works in concert with the others to achieve FSA's goals.

Agency Goal 1: Supporting Productive Farms and Ranches

- Maintain or reduce average processing time for direct loans.
- Maintain or reduce average processing time for guaranteed loans.
- Increase percentage of program benefits delivered through a Web environment.
- Increase the percentage of eligible crops with NAP (Noninsured Crop Disaster Assistance Program) coverage.
- Increase percentage of loans made to beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA.

Key Outcome 1: Successful Farms and Ranches

FSA administers income support and ad hoc disaster assistance programs as mandated by Congress. In times of natural disaster, FSA's emergency loan program and disaster relief programs help return farms and ranches to their pre-disaster state as quickly as possible. These programs, along with NAP, are essential to the economic safety net that helps American farmers and ranchers maintain their operations during challenging times.

FSA's commodity operations include management of the U.S. Warehouse Act and acquisition, procurement, storage and distribution of commodities. The programs expand market opportunities for farmers and thus contribute to the economic success of agricultural producers.

Key Outcome 2: A Market-based Agricultural Sector

In an era of heightened global competitiveness, FSA must help American farmers and ranchers remain the leaders in the sale of agricultural products, domestically and abroad. To sustain and increase market share, it is critical that FSA assist the agricultural industry to minimize market volatility by mitigating losses from natural disasters and market fluctuations. The Agency's various income support programs provide financial assistance to agricultural producers when market prices fall below certain levels, and FSA's disaster assistance programs help farmers and ranchers to offset production losses and recover financially after natural disasters. The targeted commodities contributing to this outcome are wheat, and cotton.

Key Outcome 3: Thriving Agricultural Communities

FSA's farm loan programs provide agricultural credit to family farmers who can not obtain it otherwise. The programs improve access to capital, especially for those who have had difficulty in obtaining commercial credit – focusing outreach efforts on minority producers, beginning farmers, and women, and increasing access to credit and income support programs for minority farmers, racial and ethnic minority farmers, and women farmers financed by FSA.

Agency Goal 2: Supporting Secure and Affordable Food and Fiber

- Reduce the average time between warehouse examinations.

Key Outcome 1: Affordable Food and Fiber

The Nation's farmers and ranchers must continually adapt to market fluctuations and changing consumer demands to remain competitive. FSA programs help ensure that American farmers and ranchers have the

capacity and ability to satisfy consumer demand, adapt to global economic conditions, and stabilize farm incomes.

Key Outcome 2: Secure Supply of Food and Fiber.

FSA plays a vital role in providing a secure supply of quality food and fiber with its stewardship of Agency-administered programs. FSA's commodity operations include management of the U.S. Warehouse Act (USWA) and acquisition, procurement, storage and distribution of commodities. FSA's current responsibility is to ensure that there is an adequate capacity of approved and licensed storage facilities and reduce the amount of stored products that go out of condition.

FSA is focused on reducing the average time between warehouse examinations and to having warehouse examiners visit commercial warehouses more frequently (i.e., annually) in order to improve the security of the Nation's stored food supply and improve compliance with USWA regulations.

Agency Strategic Goal 3: Conserving Natural Resources and Enhancing the Environment

- Increase CRP acres of riparian and grass buffers.

Key Outcome 1: Quality Soil

The Conservation Reserve Program (CRP) protects millions of acres of American topsoil from erosion and is designed to safeguard America's natural resources. FSA requires agricultural producers to comply with Highly Erodible Land/Wetlands Conservation Provisions (also known as sodbuster and swampbuster regulations) as a condition for receiving USDA benefits. With conservation compliance through approved conservation plans, more erodible land is protected and there is less agricultural production on wetlands. Conservation programs typically have positive effects in more than one domain. For example, reducing erosion also keeps water cleaner, maintains wildlife habitat, and reduces air pollution.

Key Outcome 2: Quality Water

Riparian buffers and grass filters provide cleaner water by intercepting sediment and nutrients before they reach surface waters. This conservation method works in harmony with other programs to improve water quality. The number of CRP acres of riparian buffers and grass filter strips is expected to increase from 1.86 million acres in FY 2006 to at least 2.14 million acres of buffers by FY 2011. Furthermore, FSA plans to increase the number of acres managed under Continuous CRP contracts to 5.42 million acres by FY 2011, and increase the general CRP sign-up acreage to 15.2 to advance the Department's conservation and global change objectives. Targets are subject to external factors including volatile market crop prices.

Key Outcome 3: Quality Wildlife Habitat

FSA programs provide more than 2 million acres of wetlands and wetland buffers that increase prime wildlife habitat and water storage capacity, leading to a net increase in wetland acres on agriculture land.

Key Outcome 4: Quality Air

The Conservation Reserve Program remains the largest Governmental conservation program for private lands. Current enrollment is approximately 37 million acres, with CRP lands in all 50 States and Puerto Rico. The CRP continues to be acknowledged for its environmental benefits generated by long-term conservation contracts protecting air, soil, water, and wildlife resources. By establishing conservation covers on cropland for 10 to 15 years, CRP assures that Americans receive an environmental annuity.

Priority Activity (Key Outcome)	Performance Measure	Baseline*	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
FSA Goal 1: Supporting Productive Farms and Ranches								
Successful Farms and Ranches	Maintain or reduce average processing time for direct loans.	40.33 days (FY 2001-2003 avg.)	43	37	35	31	34.5	34
	Maintain or reduce average processing time for guaranteed loans.	14.67 days (FY 2001-2003 avg.)	15	14	14.5	12.63	14	13.75
	Maintain or increase percentage of program benefits delivered through a Web environment.	22% (FY 2005 Actual)	N/A ¹	N/A	22%	33% ²	33%	33%
	Increase percentage of eligible crops with NAP coverage. ³	12.82% (FY 2001-2003 avg.)	6.66%	11.12%	12.82%	12.7%	13%	13.3%
	Increase % of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA. ⁴	14.1% (FY 2002-2004 avg.)	14.2%	14.5%	15.0%	15.5%	16.0%	16.5%
FSA Goal 2: Supporting Secure and Affordable Food and Fiber								
Secure Supply of Quality Food and Fiber	Reduce average time between warehouse examinations.	399 days (FY 2004 Actual)	N/A ⁵	399	365	395	392	390
FSA Goal 3: Conserving Natural Resources and Enhancing the Environment								
Quality Soil, Quality Water, Quality Wildlife Habitat, and Quality Air	Increase CRP acres of riparian and grass buffers.	1.65 million acres (FY 2004 Actual)	1.45	1.65	1.75	1.86	1.93	2.00

¹ N/A: Not Applicable, because the measure was initiated in 2005, and no prior data collection is available.

² Flat performance targets are due to no increase in funding.

³ External factors affecting NAP targets include legislated linkage requirements for program benefits, the variability of disasters, and methodological differences in measuring data from external sources (RMA and NAASS).

⁴ Previously, proxy data was reported for this measure, which represented the percentage of FSA loan obligations that went to the targeted groups. Actual data for this measure was developed during FY 2006, based on information contained in the 2002 Census of Agriculture. The measure is now calculated as follows: The denominator is the total number of all principal farm operators identified as a minority, woman, or beginning farmer in the 2002 Census of Agriculture having \$10,000 or more in gross sales. This sales level was selected to exclude hobby farms, since this group is not the intended market for the FSA farm loan programs. This is consistent with criteria used in previous studies of the FSA farm loan programs. The numerator is the total number of beginning farmers, racial and ethnic minorities, and women currently in FSA's portfolio.

⁵ N/A: Not Applicable, because the measure was initiated in 2004, and no prior data collection is available.

FARM SERVICE AGENCY
Summary of Budget and Performance
Full Cost by Strategic Objective

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

PROGRAM	PROGRAM ITEMS	(Dollars in Thousands)		
		FY 2006	FY 2007	FY 2008
Farm Loans				
	Direct Farm Ownership Loans	14,060	9,333	9,912
	Direct Farm Operating Loans	63,745	75,890	79,896
	Guaranteed Farm Ownership Loans	4,556	7,075	4,800
	Guaranteed Farm Operating Loans, subsidized	33,949	27,416	33,350
	Guaranteed Farm Operating Loans, unsub.	28,411	30,178	24,200
	Emergency Disaster Loans	5,637	7,000	6,588
	Indian Tribe Land Acquisition	14	837	125
	Boll Weevil Eradication	0	1,129	327
	Program Loan Cost Expenses	8,000	8,000	8,000
	State Mediation Grants	3,156	3,156	3,000
	Administrative costs (direct)	267,178	272,850	277,174
	Indirect costs	<u>34,367</u>	<u>28,695</u>	<u>34,563</u>
	Total Costs¹	463,073	471,559	481,935
	FTEs	2,928	3,259	3,215
	Performance Measure: Reduce average processing time for direct and guaranteed loans			
	Direct Loans (# of days)	31.00	34.50	34.00
	Guaranteed Loans (# of days)	12.63	14.00	13.75
	Performance Measure: Increase % of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA			
	Percent	15.5	16.0	16.5
	¹ Reflects subsidy budget authority to support loan levels			
Income Support and Disaster Assistance				
	Price Support and Marketing Assistance Loans	12,013,778	11,347,362	10,066,290
	Loan Deficiency Payments	4,629,556	237,647	101,002
	Direct Payments	4,962,372	4,131,103	5,249,056
	Countercyclical Payments	4,355,612	2,803,040	982,935
	Milk Income Loss Contract Payments	351,505	325,000	0
	Tobacco Payments	966,797	960,000	960,000
	Other Direct Payments	384,125	15,000	0
	NAP Payments	66,268	327,744	325,000
	Crop Disaster Assistance	177,512	152,000	0
	American Indian Livestock Feed Program	7,202	0	0
	Emergency Livestock Assistance	193,670	95,000	0
	Tree Assistance Program	4,372	35,268	0
	CCC Interest Expenditures	411,971	494,784	307,767
	Dairy Indemnity Program	132	233	100
	Emergency Conservation Program	107,921	149,727	0
	Emergency Forestry Conservation Program	5,500	43,721	23,317
	Farm Storage Facility Loans	0	269,800	1,008,000
	Sugar Storage Facility Loans	0	0	24,500
	Administrative costs (direct)	686,882	673,215	747,657
	Indirect costs	<u>213,920</u>	<u>156,972</u>	<u>261,766</u>
	Total Costs	29,539,095	22,217,616	20,057,390
	FTEs	9,259	9,090	9,001
	Performance Measure: Increase % of eligible crops with NAP coverage			
	Percent	12.7	13.0	13.3
Commodity Operations				
	Cotton User Marketing Payments	349,271	0	0
	ELS Cotton Competitiveness Program	22,758	0	0
	Commodity Purchases and Sales	702,356	648,589	574,279
	Storage, Handling, Transportation, Processing, and Packaging	157,857	174,940	95,432
	CCC Interest Expenditures	45,775	54,976	34,196
	Bioenergy Program	56,016	0	0
	Dairy Price Support	55,250	0	59,615
	Administrative costs (direct)	87,708	88,323	119,551
	Indirect costs	<u>16,320</u>	<u>14,113</u>	<u>17,948</u>
	Total Costs	1,493,311	980,941	901,021
	FTEs	471	454	464
Total Costs for Objective 2.3 (program, direct, indirect)		31,495,479	23,670,116	21,440,346
	FTEs	12,658	12,803	12,680
	Performance Measure: Increase % of program benefits delivered through a Web environment			
	Percent	33	33	33
	Performance Measure: Reduce average time between warehouse examinations			
	Days	395	392	390

USDA Strategic Objective 6.1: Enhance Soil Quality to Maintain Productive Working Cropland

PROGRAM	PROGRAM ITEMS	FY 2006	(Dollars in Thousands)	
			FY 2007	FY 2008
Conservation				
	Conservation Reserve Program	915,182	950,209	974,658
	Grassroots Source Water Protection Program	1,857	1,857	0
	State Mediation Grants	526	526	500
	Other Conservation Payments	11,132	14,054	0
	Administrative costs (direct)	66,845	52,442	65,485
	Indirect costs	<u>22,054</u>	<u>15,177</u>	<u>25,203</u>
	Total Costs	1,017,596	1,034,265	1,065,846
	FTEs	1,123	937	1,000
	Performance Measure: Increase CRP acres of riparian and grass buffers			
	# of acres in millions	1.86	1.93	2.00
Total Costs for Objective 6.1 (program, direct, indirect)		1,017,596	1,034,265	1,065,846
	FTEs	1,123	937	1,000

USDA Strategic Objective 6.2: Protect Watershed Health to Ensure Clean and Abundant Water

PROGRAM	PROGRAM ITEMS	FY 2006	(Dollars in Thousands)	
			FY 2007	FY 2008
Conservation				
	Conservation Reserve Program	915,182	950,209	974,658
	Grassroots Source Water Protection Program	1,857	1,857	0
	State Mediation Grants	526	526	500
	Other Conservation Payments	11,132	14,054	0
	Administrative costs (direct)	66,846	52,442	65,485
	Indirect costs	<u>22,053</u>	<u>15,175</u>	<u>25,201</u>
	Total Costs	1,017,596	1,034,263	1,065,844
	FTEs	1,122	937	999
	Performance Measure: Increase CRP acres of riparian and grass buffers			
	# of acres in millions	1.86	1.93	2.00
Total Costs for Objective 6.2 (program, direct, indirect)		1,017,596	1,034,263	1,065,844
	FTEs	1,122	937	999
Total Costs for All Objectives (program, direct, indirect)		33,530,671	25,738,644	23,572,036
	FTEs	14,903	14,677	14,679