Statement by
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Mr. Chairman and members of the Committee, I appreciate this opportunity to provide information on the programs and accomplishments of the Farm and Foreign Agricultural Services (FFAS) mission area of the U.S. Department of Agriculture. The FFAS mission area is composed of the Farm Service Agency, the Risk Management Agency, and the Foreign Agricultural Service. Much of our work in the past two years has focused on implementing the Agricultural Act of 2014 (the 2014 Farm Bill) in record time, providing safety net assistance to producers in every state within just a few months of bill passage.

The Farm Service Agency (FSA)

FSA programs encompass five of the twelve Titles of the 2014 Farm Bill, including Title I – Commodities, Title II – Conservation, Title V – Credit, Title VIII – Energy, and Title XII – Miscellaneous. The 2014 Farm Bill made significant changes to FSA's commodity safety net programs, as well as many other key agency programs.

Commodity Programs

The 2008 Farm Bill's Direct and Counter-Cyclical Program (DCP) and the Average Crop Revenue Election (ACRE) program were repealed and replaced by two new programs: Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC). FSA has completed the ARC/PLC "election" process, 1.7 million producers made an election – exceeding the number of producers who participated in DCP/ACRE. The "election" period was open to producers from November 17, 2014, through April 7, 2015, when they had the opportunity to make a one-time election of ARC or PLC for their 2014-2018 crops. During this period, base acres could be re-allocated (although not increased) and program payment yields could be updated. We are currently in the "enrollment" phase, which ends on September 30, 2015, where producers are signing contracts associated with their 2014 and 2015 crops.

The first ARC/PLC payments – for the 2014 crop year – will be made in October 2015, shortly after marketing year average price data starts becoming available, and will continue through the fall as price data for additional commodities is published. Given the significant drop in commodity prices since passage of the farm bill, our current projection is that about $6.5 billion in 2014-crop payments will be made, largely to corn producers who signed up for ARC.

Implementing the 2014 Farm Bill in record time required an "all hands on deck" approach to reach producers, and close collaboration between our university and extension partners and, of course, the hard work of our dedicated FSA staff. We worked closely with our university partners at Texas A&M, the Food and Agricultural Policy Research Institute, the University of Illinois, and others, who developed on-line web-based decision tools so that farmers could input their own farm data and explore various scenarios associated with adopting

ARC or PLC, as well as the intersection of these programs with our crop insurance offerings.

Further, FSA worked with extension specialists in virtually every state on an extensive ARC/PLC education and outreach effort. Over 400,000 attendees participated in approximately 5,000 local ARC/PLC events that provided producers with valuable information on how to best manage risk on their farms. The ARC/PLC web tools were demonstrated at over 2,500 of these events and the tool developers hosted help desk "hotlines" for producers who needed additional help. In addition to collaboration with our university and extension partners, we worked closely with our media partners who produced over 1,000 news stories on ARC/PLC.

Under the 2014 Farm Bill, upland cotton is no longer a covered commodity and is not eligible to participate in ARC or PLC, but rather, is eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency. For counties where STAX was unavailable, upland cotton was eligible for the Cotton Transition Assistance Payments program (CTAP) for 2014 and 2015 crops. FSA paid about $540 million to over 184,000 farms for 2014 CTAP payments; 2015 CTAP payments dropped off dramatically because STAX was available for over 98 percent of cotton acres.

FSA has implemented the new Margin Protection Program for Dairy (MPP-Dairy) and over 23,000 producers – over half of all U.S. dairy operations – enrolled for calendar year 2015 coverage. We are now focused on 2016 calendar year enrollment, which closes on September 30, 2015, and FSA has an intensive mailing effort underway, just like last year, to encourage as much participation as possible. The new MPP-Dairy offers dairy producers catastrophic coverage to participating producers when the national dairy production margin is less than $4 per hundredweight (cwt), at no cost to the producer after an annual $100 administrative fee. Producers may also purchase higher coverage, for a premium, that provides payments when margins are between $4 and $8 per cwt. So far in 2015, producers who enrolled at the $8 coverage level received modest payments during three payment periods.

Disaster Assistance Programs

Immediately after the 2014 Farm Bill passage, FSA focused on implementing the livestock and tree disaster assistance programs – including the Livestock Forage Disaster Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP); and the Tree Assistance Program (TAP). These programs, which had been expired for nearly three years, were resumed within 60 days following enactment of the 2014 Farm Bill. This assistance benefitted a diverse array of producers who were hit hard by natural disasters, ranging from winter storms, to wildfire, to drought. So far, FSA has issued approximately 700,000 payments to producers since the spring of 2014, totaling over $5.6 billion. The LFP accounted for the bulk of these payments. Through its Livestock Forage Program, USDA projects it will provide at least $2 billion in assistance to livestock producers in fiscal year 2015.

The Noninsured Crop Disaster Assistance Program (NAP) was expanded in the 2014 Farm Bill to include protection at higher coverage levels, similar to provisions offered under the Federal crop insurance program. NAP continues to offer coverage at the catastrophic level based on 50 percent of expected production at 55 percent of the average market price for the crop. However, producers can now obtain additional coverage levels ranging from 50 to 65 percent of expected production, in 5 percent increments, at 100 percent of the average market price for the 2014-18 crops years. Beginning, limited resource, and other traditionally underserved farmers are now eligible for a waiver of the NAP service fee and a 50 percent reduction in premium for additional levels of coverage. The majority of 2015 NAP-eligible spring-seeded crops had an application closing date of March 15, 2015; additional crop application closing dates occur through the upcoming fall months as well.

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

Conservation Reserve Program

The Conservation Reserve Program (CRP), one of USDA's largest conservation programs, allows USDA to contract with landowners so that environmentally sensitive land is not farmed or ranched, but instead used for conservation benefits. For 30 years, CRP has helped participants establish long-term, resource-conserving cover. In return, FSA provides participants with annual rental payments, incentive payments, and cost-share assistance. Contract duration is between 10 and 15 years. CRP improves water quality, reduces soil erosion, and restores habitat for ducks, pheasants, turkey, quail, deer and other wildlife. In doing so, CRP spurs hunting, fishing, recreation, tourism, and other economic development across rural America.

Currently, 24.2 million acres are enrolled in CRP contracts, including 18.1 million acres under general sign-up enrollment authority and 6.1 million acres under continuous sign-up enrollment authority. CRP general sign-up is a competitive process conducted on a periodic basis, while CRP continuous sign-up occurs on an on-going basis throughout the year and does not involve a discrete sign-up period and is non-competitive. CRP contracts on 1.8 million acres (combined general and continuous) are set to expire on September 30, 2015; program payments total approximately $1.8 billion annually.

Earlier this year, the Secretary announced that the next CRP general signup offer period will begin on December 1, 2015, and that continuous sign-up for the new grassland component will begin on September 1, 2015. We will enroll sufficient CRP acreage to meet as closely as possible, but not exceed, the 24 million acre enrollment cap set in the 2014 Farm Bill, which is to be reached by fiscal year 2017. General sign-up program participants with contracts expiring September 30, 2015, and less than 15 years in duration, have the option of a one-year extension. Those with continuous sign-up contracts are eligible to re-enroll in CRP.

We are proud of the impact that CRP has had on the rural landscape. Since its inception, we estimate that CRP has prevented more than 8 billion tons of soil from eroding and reduced nitrogen and phosphorous runoff by 95 percent and 85 percent, respectively, on enrolled lands.

In addition, CRP has sequestered an estimated average of 50 million tons of greenhouse gases annually since 2008, which is equal to taking 8 million cars off the road each year.

Farm Loan Programs

Most farm loan programs are permanently authorized through the Consolidated Farm and Rural Development Act. However, the 2014 Farm Bill made several program changes, such as providing more favorable interest rates for joint financing arrangements, providing a larger percent guarantee on guaranteed conservation loans, increasing the loan limits for the down payment loan program, making youth loans available in urban areas, and eliminating term limits for guaranteed operating loans. All of these changes were implemented in the spring of 2014.

Since then, FSA has implemented additional loan program changes authorized in the 2014 Farm Bill, such as increasing the maximum amount for direct farm ownership loans from $225,000 to $300,000, and eliminating the rural residency requirement for youth loans. FSA raised the borrowing limit of its popular microloan program from $35,000 to $50,000; updated the "farming experience" loan eligibility requirement to include military leadership positions, advanced agricultural education, or other nonfarm management experience; and FSA is in the process of implementing a relending program to help Native American producers purchase fractionated interests of land.

Farm loan programs through FSA constitute the Department's largest investment in beginning farmers. Since 2009, FSA has provided over $13 billion in direct and guaranteed loans to beginning farmers. Beginning farmer loans now comprise over 55 percent of the Agency's direct loan portfolio, and the portfolio continues to grow. At the same time, loans to beginning farmers continue to perform well, with delinquencies below the portfolio average.

FSA's work on microloans – of which 70 percent has gone to beginning farmers – was initiated prior to farm bill passage and has been a resounding success, due in part to the streamlined paperwork required of applicants. Microloan financing focuses on the farm operating needs of a wide variety of operations, most notably small, beginning, niche, and non-traditional farm operations, such as farms participating in direct marketing and farmers' markets. The microloan debt limit is $50,000 per borrower. Demand is up 58 percent over last year, and soon we will make our 15,000th microloan, just two and a half years after program initiation. Fifty-five percent of microloans go to first-time FSA customers.

FSA also provides low-interest financing through our Farm Storage Facility Loan program, which helps producers build or upgrade storage and handling facilities, and it was announced in mid-August that we will now include dairy, flowers and meats as eligible commodities. Since 2000, more than 35,000 loans have been approved totaling $2 billion in rural investments. On average, about 1,600 new loans are made each year.

Energy Programs

Supporting the bio-based economy is also a focus of FSA. U.S. farmers are producing record amounts of feedstocks for renewable fuels, although lower commodity prices have created uncertain times. FSA announced this June the availability of up to $100 million in grants under the Biofuels Infrastructure Partnership to support the renewable fuel infrastructure and build the market for ethanol. USDA announced finalists for awards on September 10th, 2015; additional details will be announced later in the month. Interest in this program was very high and funding requests well exceeded the $100 million limit, with only a one month application period.

In addition, FSA announced that enrollment began for farmers and forest owners seeking assistance for growing biomass for energy or bio-based products within designated projects areas under the Biomass Crop Assistance Program (BCAP), which was reauthorized by the 2014 Farm Bill. Biomass energy facilities or groups of producers may submit proposals for new BCAP project areas through November 6, 2015. In addition, FSA will allocate $7.7 million to four existing BCAP project areas in New York, North Carolina, Ohio/Pennsylvania and Kansas/Oklahoma for biomass establishment and maintenance payments through Sept. 25, 2015. Overall, BCAP has provided incentives for producers across more than 48,000 acres in 71 counties and 11 different project areas since the program was first authorized by the 2008 Farm Bill.

The Risk Management Agency (RMA)

RMA provides crop insurance to America's farmers and ranchers through a partnership with private insurance companies. In the year and a half since the passage of the 2014 Farm Bill, RMA has implemented almost all of Title XI (crop insurance provisions). From implementing the Actual Production History (APH) Yield Exclusion to offering a Whole Farm Revenue Protection insurance product that will be available in every county in the United States, I am proud of the accomplishments RMA has achieved over the past 18 months. While there is still work to be completed, farmers and ranchers have begun to take advantage of the new crop insurance options.

The Supplemental Coverage Option and STAX

The Supplemental Coverage Option (SCO) and Stacked Income Protection Plan for Upland Cotton (STAX) were made available for the 2015 crop year. SCO was available for corn, cotton, cottonseed, grain sorghum, rice, soybeans, spring barley, spring wheat, and winter wheat in selected counties for the 2015 crop year – representing over 80 percent of the program acres covered in the Federal crop insurance program. RMA has continued expansion of SCO for the 2016 crop year with expansion to many fruit and nuts. RMA continues to research additional crops for suitability under SCO and will make additional announcements as the data becomes available.

STAX is currently available in every county that had an existing crop insurance policy for cotton, representing over 99 percent of cotton acres in the United States. STAX is expected to be available for the remaining "traditional" cotton producing areas for the 2016 crop year.

Additional New 2014 and 2015 Offerings

RMA was able to develop and release the APH Yield Exclusion option for 11 crops for the 2015 crop year. As a result, nearly three quarters of all program acres and liability in the Federal crop insurance program was covered under this new option for the 2015 crop year. RMA has already announced expansion of APH Yield Exclusion for the 2016 crop year for many crops, including winter wheat. RMA continues to research additional crops for suitability under APH Yield Exclusion and will make additional announcements as the data becomes available.

A Peanut Revenue Policy was also made available for the 2015 crop year. This policy was approved by the Federal Crop Insurance Corporation Board of Directors less than a year after the 2014 Farm Bill became law. As a result, peanut farmers now have the ability to manage risk for both yield and revenue losses.

The beginning farmers and ranchers incentives authorized in the 2014 Farm Bill were made available to farmers and ranchers for fall planted wheat in 2014. To date, over 13,500 new and beginning farmers and ranchers have taken advantage of these incentives on almost 49,000 policies. Beginning farmers and ranchers have saved over $14 million in premiums and administrative fees because of this provision.

The 2014 Farm Bill required RMA to offer a plan of insurance to cover diversified farms. Prior to the passage of the 2014 Farm Bill, RMA had already begun development of the Whole Farm Revenue Protection (WFRP) pilot policy and the Federal Crop Insurance Corporation Board of Directors approved the policy shortly after the 2014 Farm Bill was enacted. As a result, WFRP was available for purchase for the 2015 crop year. This option has been generally well received when presented to specialty crop and organic growers around the country. After reviewing comments from growers, RMA intends to make additional improvements to WFRP for the 2016 crop year. In addition, WFRP will be available in every county in the United States – a first for any policy under the Federal crop insurance program.

RMA is also making progress in offering organic price elections for all crops, as required by the 2014 Farm Bill. Since 2010, RMA has eliminated the organic surcharge, added price elections for over 42 crops, and created the contract price addendum, which is available for 62 crops.

The 2014 Farm Bill linked the ability of a producer to receive a Federal crop insurance premium subsidy to USDA highly erodible land (HEL) and wetland conservation (WC) compliance. In an effort to ensure that producers continue to receive the Federal crop insurance premium subsidy, RMA worked with the Natural Resource Conservation Service (NRCS) and FSA to develop comprehensive guidelines for farmers to comply with USDA conservation requirements. The three agencies collaborated to provide information to the respective field offices and developed material for all three agencies to inform Federal crop insurance customers of the new requirements. Successful outreach efforts continued well into this summer, and 98 percent of producers participating in the Federal crop insurance program have certified or requested determinations to comply with HEL and WC requirements.

Each one of the aforementioned 2014 Farm Bill items was completed by RMA within the past 18 months.

The Foreign Agricultural Service (FAS)

The Foreign Agricultural Service (FAS) is USDA's lead international agency, linking U.S. agriculture to the world to enhance export opportunities and global food security.

The efforts of FAS employees, both in Washington and around the globe, combined with 2014 Farm Bill authorized market promotion programs, and collaboration with the U.S. agricultural community, have contributed to the strongest six years in history for U.S. agricultural trade. From fiscal years 2009 to 2014, U.S. agricultural exports totaled $771.7 billion. For many American products, foreign markets now represent more than half of total sales. U.S. agricultural exports support about one million jobs here at home, a substantial part of the 11.7 million jobs supported by all exports across our country. Credit for record exports belongs to America's hardworking farm and ranch families.

FAS supports those producers through a network of agricultural economists, marketing experts, negotiators, and trade specialists in Washington, D.C. and 95 international offices covering 167 countries. We are proud that our role in opening and maintaining markets has resulted in billions of dollars of additional U.S. agricultural exports. FAS also contributes to the Department's goal of enhancing global food security. The food assistance programs, technical assistance, and capacity building activities administered by FAS have provided assistance that has helped millions of people worldwide.

Trade policy, trade promotion, and capacity building are the core functions at the heart of the programs and services that FAS provides to U.S. agriculture.

Trade Policy

FAS expands and maintains access to foreign markets for U.S. agricultural products by removing trade barriers and enforcing U.S. rights under existing trade agreements. Our personnel have been instrumental in resolving numerous sanitary, phytosanitary, and technical barriers to trade. FAS works with foreign governments, international organizations, and the Office of the U.S. Trade Representative (USTR) to establish international standards and rules to improve accountability and predictability for agricultural trade.

FAS trade negotiators are currently advocating on behalf of U.S. agriculture in two major negotiations: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (T-TIP). FAS experts are an integral part of the negotiating team and USDA's economic analysis supports the negotiating strategy on agriculture. The TPP and T-TIP are opportunities to address not only market access commitments, but also non-tariff Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) issues that impede our agricultural exports. Once these agreements are in place, the United States will enjoy improved access to markets representing two-thirds of the global economy.

Trade Promotion

Over numerous farm bills, Congress has authorized and refined an effective combination of agricultural market development and export credit guarantee programs. These programs that are designed to develop markets, facilitate financing of overseas sales, and resolve market access barriers dovetail with the FAS mission. We must open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live. FAS partners with 75 cooperator groups representing a cross-section of the U.S. food and agricultural industry and manages a toolkit of market development programs to help U.S. exporters develop and maintain markets for hundreds of products.

The largest market development program operated by FAS is the Market Access Program (MAP). MAP is a cost-share program that uses funds from USDA's Commodity Credit Corporation (CCC) to aid in the creation, expansion, and maintenance of foreign markets for hundreds of U.S. agricultural products. Through MAP, FAS partners with non-profit U.S. agricultural trade organizations, U.S. agricultural cooperatives, non-profit State Regional Trade Groups, and small-sized U.S. commercial entities to share the costs of overseas marketing and promotional activities, such as consumer promotions, market research, and trade show participation. A range of U.S. commodities from Texas beef and cotton, to Minnesota pork and soybeans, to California grapes and tree nuts, and apples and pears from the Pacific Northwest, all benefit from MAP. The 2014 Farm Bill makes available $200 million of CCC funds annually for MAP; that amount is matched with industry contributions.

The Foreign Market Development Program (FMD) is another market development program reauthorized by Congress in the 2014 Farm Bill. FMD is a cost-share program that aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The 2014 Farm Bill makes available $34.5 million of CCC funds annually for FMD. The program fosters a market development partnership between USDA and U.S. agricultural producers and processors who are represented by non-profit commodity or trade associations known as Cooperators. Under this partnership, USDA and each Cooperator pool their technical and financial resources to conduct overseas market development activities. FMD-funded projects generally address long-term opportunities to reduce foreign import constraints or expand export growth opportunities. For example, FMD supported projects might include efforts to reduce infrastructural or historical market impediments, improve processing capabilities, modify codes and standards, or identify new markets or new uses for the agricultural commodity or product. FAS has allocated funds to 22 trade organizations that represent U.S. agricultural producers in FY 2015. The organizations on average contribute nearly triple the amount they receive in federal resources.

Working with our agricultural cooperator partners, the programs have been shown to be highly effective. An independent study released in 2010 found that the programs provide $35 in economic benefits for every dollar spent by government and industry on market development.

Building Capacity and Food Security

FAS leads USDA's efforts to help developing countries increase food security, improve their agricultural systems, and build their trade capacity. FAS's non-emergency food aid programs help meet recipients' nutritional needs and also support agricultural development and education.

The McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole) provides agricultural commodities and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries committed to universal education. In August, USDA announced funding for seven school feeding projects to be supported by the McGovern-Dole in fiscal year 2015 that will benefit more than 2.5 million children in Africa and Central America. For FY 2015, FAS is donating U.S.-produced corn, corn-soy blend, lentils, green and yellow split peas, fortified rice, vegetable oil and pinto beans. The seven new McGovern-Dole projects are in addition to 28 projects ongoing in 21 countries. For FY 2016, USDA is requesting McGovern-Dole funding be maintained at $191.6 million. Since the program was established in 2002, it has benefited more than 30 million children in 38 countries.

Sustainability is an important aspect of McGovern-Dole. FAS and its partner organizations work to ensure that the communities served by the program can ultimately continue the sponsored activities on their own or with support from other sources such as the host government or local community. For example, the Government of Bangladesh has increasingly taken over responsibility for McGovern-Dole school feeding projects, pledging from 2015 onward to spend $49 million annually. By 2017, the Government of Bangladesh will manage school feeding in 50 percent of the schools currently receiving food under McGovern-Dole.

Since Congress established the Food for Progress (FFPr) program in 1985, it has been a cornerstone of USDA's efforts to support sustainable agricultural production in developing nations that are committed to free enterprise in the agriculture sector. Under FFPr, proceeds from the sale of donated U.S. agricultural commodities are used to fund projects that improve agricultural market systems and trade capacity. The 2016 Budget request includes an estimated program level of $135 million for this CCC-funded program. This year, FAS will donate more than 200,000 metric tons of U.S.-produced corn, rice, soybean meal and vegetable oil. The proceeds will assist six organizations that will work with local farmers, cooperatives, exporters and others on projects to improve agricultural production, food processing, food safety and quality, and marketing and distribution. The six new FFPr projects being supported by FAS in fiscal year 2015 are in addition to 66 projects ongoing in 26 countries.

For example, at the request of the Government of Jordan, USDA announced in May a FFPr agreement to provide 100,000 MT of U.S. wheat, valued at approximately $25 million. The Jordanian government will use proceeds from the sale of the wheat to improve the country's agricultural productivity, specifically through water conservation (over 20 percent of Jordanians are water insecure). As one of our most steadfast partners in the Middle East, the Government of Jordan will be able to access the expertise of USDA to improve its agricultural productivity and therefore relieve some of the economic burden that it is facing as a result of nearly 630,000 refugees from Syria living in Jordan.

USDA looks forward to implementing the new Local and Regional Purchase (LRP) program provided in the 2014 Farm Bill, based on the success of the LRP Pilot implemented under the previous farm bill. The Department's FY 2016 budget request includes $20 million to support the LRP program. LRP would provide for local and regional procurement of food aid commodities to complement existing food aid programs – especially McGovern-Dole – and unexpected emergencies. In a non-emergency situation, an LRP pilot implementing partner, Land O'Lakes, worked with local processors in Bangladesh who made cereal bars from chickpeas, peanuts, rice, and sesame seeds to supplement a school feeding program. Today, local processors have commercialized the cereal bar and are reportedly now sourcing from 15,000 farmers in Bangladesh, instead of importing ingredients. Requested funding is expected to support three to four development programs.

I am very pleased with the outstanding 2014 Farm Bill implementation work performed by all FFAS mission area employees. This concludes my testimony. I will be happy to answer any questions you may have.