

**Testimony of Thomas J. Vilsack**  
**Secretary of Agriculture**  
**Before the House Committee on Agriculture**  
**April 21, 2010**

Mr. Chairman, Ranking Member and Members of the Committee, thank you for the opportunity to appear here today to discuss the implementation of the Food, Conservation and Energy Act of 2008, as well as to discuss future directions for farm policy. This hearing provides us with a chance to reflect on the many successes of the 2008 Farm Bill and discuss its implementation, all while thinking ahead to its reauthorization in 2012. I look forward to working with Members of this Committee, and other Members of the House and Senate, to help develop future policies, programs, and initiatives.

Let me start off by acknowledging the hard work of the Members of this Committee and your staff. Having worked diligently with my own staff across the country over the past 15 months to implement the bill, I can now fully appreciate the months of hard work that went into crafting this important piece of legislation. You are all to be commended for the strong bipartisan bill that overcame multiple obstacles before becoming law.

As you know, the breadth and depth of the Farm Bill is incredible. With the programs and authorities that Congress provided to USDA in the 2008 Farm Bill, we are in turn working to ensure that America's farmers and ranchers have the tools that they need to remain viable and on the farm. It is also with these authorities that we work to fund rural hospitals, schools and fire stations, maintain a safe food supply, and sustain export markets for the commodities produced by our nation's farmers and ranchers. Congress has given USDA an amazing opportunity to assist not only rural America with these tools and authorities, but the world.

Let me begin by focusing on the subject of the hearing and why I am here before you today, to review the status of implementation of the Food, Conservation and Energy Act of 2008.

## **2008 Farm Bill Implementation**

The Food, Conservation, and Energy Act of 2008 was enacted into law on June 18, 2008. Since that time, USDA has worked diligently to draft and clear final Farm Bill regulations. Upon enactment of the 2008 Farm Bill, USDA began developing rules, procedures and policies to make efficient use of taxpayer resources and maximize program benefits to production agriculture and other rural constituents.

I believe that the United States Department of Agriculture and our partnership delivery system have an excellent story to tell in terms of implementing the 2008 Farm Bill. When I became Secretary I inherited the job of implementing the Farm Bill roughly six months after its enactment into law. I believe that USDA has taken aggressive action on every aspect of program delivery, with impressive results for our customers.

Mr. Chairman, you and Members of this Committee are to be commended for your work and vision on the many key provisions and policy modifications contained in the 2008 Farm Bill. While there are many excellent programs, initiatives, and provisions contained in the bill, I wanted to take a moment to highlight a few provisions that I feel are worth noting. The 2008 Farm Bill set a new course for agricultural research at USDA and substantially reorganized our structure in interacting with the academic community on key research initiatives. These provisions of the 2008 Farm Bill are far-reaching and provided the opportunity to better focus our scientific efforts on key priorities for agriculture and for the nation.

I am pleased to report that development and launch of the new National Institute of Food and Agriculture, authorized by the 2008 Farm Bill is complete. This exciting new organization is now under the capable and visionary leadership of Dr. Roger Beachy who is working to strategically apply resources, funding and staffing to effectively meet the most high priority research objectives. Just two weeks ago, NIFA announced an important round of grant competition aimed at addressing critical issues such as climate change mitigation and adaption, sustainability, and development and transfer of key

agriculture technologies. These steps could not have happened without the foresight and action of this committee during development of the 2008 Farm Bill.

A second example is the authorization of a new Office of Advocacy and Outreach at USDA. As you are aware, this Administration has taken clear and decisive action in settling the *Pigford* case and associated claims against the United States Department of Agriculture on the grounds of Civil Rights. In my time as Secretary, it is clear that in addition to getting serious about addressing Civil Rights complaints, USDA must have a firm commitment everyday toward better customer service, and improved customer outreach and support. In the 2008 Farm Bill, Congress authorized the creation of a new Office of Advocacy and Outreach at USDA. The mission of this new entity is to do a better job up front of assisting a diverse customer base and to better tailor the Department's services and activities toward meeting unique needs of communities and individuals. By better connecting with customers, we feel assured that fewer complaints will be filed in the future as the Department and its customers are better connected in a better working relationship. I am proud that USDA has taken aggressive and proactive steps to launch the new Office of Advocacy and Outreach. This new entity is now a visible part of the USDA leadership structure at our National Headquarters office and has been staffed by experienced and trained veterans of the USDA. By drawing upon the expertise and unique experiences of a diverse group of trained professionals, USDA has sent a clear message that the mission, roles, and functions of this office be central to the mission of the Department.

Beyond the implementation of special initiatives under tight timeframes at the beginning of this Administration, I am proud of the overall speed and through implementation record of our Department on the Farm Bill. For example, turning to our Commodity programs, USDA quickly published regulations in the Federal Register pertaining to key provisions of the 2008 Farm Bill. These provisions included all Title I provisions related to cotton, the Milk Income Loss Contract (MILC) program, and Farm Loan Programs. We also published regulations related to the Direct/Counter-Cyclical Payment Program (DCP) and the Average Crop Revenue Election (ACRE) Program, as well as payment limitation reform.

In 2009, USDA published nine Farm Bill regulations in the Federal Register, including all Title I sugar provisions, Marketing Assistance Loans and Loan Deficiency Payments (MAL & LDP), and the Biomass Crop Assistance Program (BCAP) Notice of Fund Availability, as well as the Conservation Reserve Program, Livestock Indemnity Program, Farm Storage Facility Loan Program, Emergency Livestock Assistance Program (ELAP), Livestock Forage Program (LFP), and the Supplemental Revenue Assistance Payments Program (SURE).

Mr. Chairman, the volume, complexity, and public policy impact of these provisions are great. Beyond the sheer number of rules and provisions that have been developed, deployed, and implemented, a massive volume of work has gone into appropriately weighing the voices of farmers, ranchers, and other constituents. In addition, economic analyses and environmental impact considerations, as well as an assessment of civil rights and business impacts, have been thoroughly considered. Combined with these efforts, the achievements of our Department in successfully delivering these key programs to farmers and ranchers are all the more impressive.

USDA was given the opportunity by Congress to implement fifteen titles and many special provisions. A full appraisal of the current implementation of those titles is attached as an appendix to this testimony. I am proud of the dedicated professional staff of the United States Department of Agriculture at all levels of the organization, and pleased to be working in partnership with Congress and our Nation's producers, ranchers and a wide array of stakeholders on these important programs.

Beyond ensuring that rules are published and programs are made available through our field office delivery system, we have made great strides in ensuring that better policies for accountability are adopted. An example of this is a change in policy on base acreage calculations for key commodity programs. This change will formally reverse the decision by the prior Administration to eliminate base acres on Federally-owned land. The decision by the prior Administration adversely impacted the market/rental value of Federally-owned lands by eliminating the ability of buyers/renters to enroll in counter cyclical and crop revenue election programs.

Mr. Chairman, through successive Farm Bill legislation, Congress has provided the critical tools to ensure that America has access to a safe, affordable food supply and basic building blocks of the American economy. You and all of the Members of this Committee are to be commended for your staunch support and advocacy for rural America. The results of your work truly affect every American every day. And I would advocate that the 2008 Farm Bill has a more extensive impact on Americans than any other statute.

### **The Importance and Challenges of Rural America and its Future**

Regardless of the positive impacts of the Farm Bill, many American's continue to question the efficacy of dedicating current levels of federal resources and support through Farm Bill legislation. I believe that there is an important story that must be told regarding the importance of rural America, which serves as a basic building block for the rest of the economy. Despite the hardships, rural America is strong. At a time when our nation is experiencing one of the worst economic times in our history, it's our rural farm and ranch families that are working every day to provide food, feed, fiber and fuel for the rest of our Nation.

In fact, it's our American farmers and ranchers who are responsible for a trade surplus at a time when our country talks only of trade deficits. American agricultural products represent a trade surplus, which provides \$22.5 billion to the U.S. economy. Moreover, estimates show that agriculture is responsible for one out of every twelve jobs in the nation.

In addition, the actions that rural Americans take and their stewardship of the land directly impact water quality. As a result, rural Americans have a critical role in protecting the safety and security of our drinking water and the quality of our nation's rivers, lakes, and streams.

Rural America represents so much more than farming and ranching alone. Rural America also plays a critical role in our national security. For example, even though only one in six citizens call rural America home, forty-five percent of our nation's military

is composed of Americans from rural areas. By providing food and fiber, a clean water supply, and security to our great nation, rural America truly serves as our backbone. In many ways, the welfare of rural America – its infrastructure, health, and education – is of vital importance to the success and well being of all Americans.

In the past 40 years, the United States lost more than 1 million farmers and ranchers. During that period, income from farming operations, as a percentage of total farm household income, plunged to half of the previous level. Today, only 11 percent of family farm income comes from farming. In order to maintain viable households, rural Americans have been forced to seek alternative sources of support, and benefits such as health insurance. These factors have changed the face of rural America.

From the perspective of employment and income, recent studies indicate that the per capita income in rural America is approximately \$11,000 below the urban and suburban workforce. In addition, job loss rates are higher in rural areas, and rural Americans are finding it more difficult to find and maintain quality jobs. Specifically, loss of employment in light manufacturing sectors has been more severe in rural areas, meaning that rural families have reduced access to the key benefits that these quality jobs provide.

The difficulties for rural America mean that young rural people have fewer opportunities. Without viable employment opportunities, secure healthcare, modern infrastructure, and the growth of new industries, young people are choosing to leave their rural homes in search of jobs and opportunities elsewhere. As a result of these factors, the population of rural America faces significant challenges. The challenges described above and the nearly two decades of recession for rural America can seem overwhelming, but with the tools that Congress provided to USDA in the 2008 Farm Bill we are working to make rural America stronger. These needs can be even further addressed in the next Farm Bill.

We need to reverse population declines, increase educational opportunities and opportunities for our young people in rural America. It's not just about the economic connections that rural America provides, but it's about the value system that it provides. We need to develop new strategies to bring prosperity back to rural America in a sustainable and significant way.

I believe one model for the kinds of new creative approaches we can take in the next Farm Bill is found in USDA's new Regional Innovation Initiative. This new and innovative regional and collaborative approach will center on 5 separate pillars promoted by the Administration and arising from USDA's programs that assist rural America. Major emphasis will be placed on the following five key areas:

- Broadband,
- Renewable Energy and Bio-fuels,
- Regional Food Systems and Supply Chains,
- Forest Restoration and Private Land Conservation,
- Ecosystem Market Incentives.

USDA will work with federal and private partners to develop metrics to measure and demonstrate the success of the approach. Based upon the sustained economic difficulties that rural America has faced, USDA will begin by measuring job development and preservation, along with growth of income. It is vitally important that rural America not only become a desired place for young people to secure long-term, quality employment. But even more importantly, rural America must become an attractive place for young people to establish homes and raise families. As such, the measures of success will be expanded to also track and report on population changes in rural places. In order to be truly successful in this endeavor, rural America must be at the heart of a thriving 21<sup>st</sup> Century American economy.

Another critical component of the next Farm Bill must be a continued focus on energy. Clearly energy conservation, development, and energy use policies have played an increasingly important role in agricultural and rural policy. I believe that the approach this Committee took in the 2008 Farm Bill was both visionary and very innovative. The mixture of research initiatives, grants for technology development and transfer are critical. In addition, program development and modifications that encourage the development of alternative and renewable energy sources is quite impressive. While

many of the basic tools are in place, I would suggest that as a next step we need to better weave and integrate all of the tools into a more strategic framework. It is important to ensure that all of our authorities, program implementation practices, and future directions on energy and greenhouse gas issues are all working in concert. In addition, it will be important that we work on these issues within the framework of emerging ecosystem markets and thoroughly integrate these factors together along with public and private sector considerations. We will be doing a significant amount of work in the coming months to better assess and identify the kinds of changes that might best assist in this endeavor, and I look forward to working with this Committee on a holistic approach to energy in rural America.

### **Working Toward the Next Farm Bill**

Mr. Chairman, as we move forward toward development of the next Farm Bill, it is important that we approach this new legislation with an eye toward truly making a difference in the future of the lives of millions of rural Americans. If we set our goals appropriately, we can properly assist and strengthen production agriculture, while also building and reinforcing the future of rural communities. Every opportunity for bettering rural America should be considered. We need to adopt innovative approaches and listen to the needs of production agriculture and rural communities. Again, I believe it is important to be ambitious and set our goals as high as possible. Rural America deserves no less from the next Farm Bill.

Over the past year, I embarked on a rural tour. During this process, I traveled more than 45,000 miles and met with countless local farmers, ranchers, town leaders, teachers, etc. While the process took time and involved very difficult travel, I came away with a greater appreciation for the will and determination of rural America to succeed. I also came away with a stronger appreciation for the needs and challenges that rural America faces.

In the coming months as we engage in development of the next Farm Bill, I look forward to bringing the experiences of these rural Americans, and others I have worked with to

the table. I also look forward to offering the insights and expertise of our professional USDA staff, who have had the experience and pleasure of partnering with and learning firsthand about the needs of producers in the field. It is my pledge to appropriately assist, provide technical assistance and help better frame and push the debate toward the topics and issue areas that are most important to our constituents. I look forward to working with you, Mr. Chairman, and every Member of the Committee on that endeavor.

I would be happy to respond to any questions that Members might have.

Thank you.

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## TITLE I – Commodity Programs

Nearly all Title I provisions have been implemented through either interim or final rules. The Department is actively moving to address public comments received on the interim rules in final rules. Recent progress on Title I programs include:

**Payment Limitations and Payment Eligibility (Sec 1603, 1604):** A final rule was published in the *Federal Register* on January 7, 2010. The rule addresses the over 5,000 public comments received on the interim rule published in December 2008.

**Partnership with IRS (Non-Farm Bill):** On December 31, 2009, USDA announced a partnership with the Internal Revenue Service to reduce fraud in farm programs. The actions are intended to strengthen the integrity and defensibility of USDA farm safety net programs and help the agricultural industry to meet requirements included in the 2008 Farm Bill. USDA has finalized a Memorandum of Understanding with the Internal Revenue Service to establish an electronic information exchange process for verifying compliance with the adjusted gross income provisions, of the 2008 Farm Bill, for programs administered by USDA's FSA and Natural Resources Conservation Service. The electronic process that USDA developed with IRS reviews data from tax returns and compares these values to the AGI limitations from the 2008 Farm Bill. FSA and NRCS will receive a record that indicates whether or not the program participant appears to meet the income limits. Written consent will be required from each producer or payment recipient for this process. No actual tax data will be included in the report that IRS sends to USDA. As part of the review and evaluation process, participants whose AGI may exceed the limits will be offered an opportunity to provide third party verification or other information to validate their income.

**Durum Wheat Quality Incentive (Sec 1613):** Provision authorized appropriations for payments of up to 50 percent of the actual cost of fungicides to control Fusarium head blight on durum wheat. The 2010 Appropriations Act provided funding for this program. A final rule implementing the program is under development and is expected to be published in June 2010.

**Geographically Disadvantaged Farmers and Ranchers (Sec 1621):** Final rule is currently in Agency clearance and is expected to go to the Office of General Counsel during the next few weeks. Program will reimburse producers in Alaska, Hawaii, and U.S. territories and protectorates for high costs associated with transporting agricultural commodities and production supplies.

**Base Acres on Federally-Owned Land (Sec 1603):** Final rule was on display at the *Federal Register* on April 13, 2010, and effective the same day. The final rule makes several technical corrections and will also amend existing regulations for DCP/ACRE to formally reverse the decision by the prior Administration to eliminate base acres on Federally-owned land. The decision by the prior Administration adversely impacted the market/rental value of Federally-owned lands by eliminating the ability of buyers/renters to enroll in the DCP/ACRE programs. The restriction has been waived for the 2009 and subsequent crop years allowing producers to maintain eligibility for DCP/ACRE.

**Dairy Import Assessment (Sec 1507)**: Required that dairy promotion and research assessments apply to all States, DC, Puerto Rico and importers. The assessment rate was set at 15 cents per hundredweight for domestic milk and 7.5 cents per hundredweight for imported dairy products. The proposed rule was published May 19, 2009, with a comment deadline of June 18, 2009. A final rule is being prepared.

**Dairy Commission (Sec 1509)**: Created a Commission to conduct a comprehensive review and evaluation of the current Federal Milk Marketing Order (MMO) system and the other non-Federal MMO systems. The establishment of the commission was subject to the availability of appropriations and no funding has been provided. However, on January 6, 2010, USDA announced the selection of 17 members to a Dairy Industry Advisory Committee (DIAC), which will provide the Secretary with guidance on future dairy industry policy. The first meeting of the DIAC occurred in Washington, DC. on April 13-15, 2010.

## **TITLE II – Conservation**

Nearly all Title II provisions have been implemented through either interim or final rules. The Department is actively moving to address public comments received on the interim rules and final rules. Recent progress on Title II programs include:

**Wetlands Reserve Program (WRP) (Subtitle C – Sec 2201)**: An interim rule was published in the *Federal Register* on January 15, 2009. An amendment was published on June 2, 2009, to ensure NRCS is able to restore all lands enrolled in the program despite events subsequent to enrollment, corrected the eligibility criteria related to closed basin lakes and potholes, and notified the public of the agency's continued dedication to proactive restoration. The amendment reopened the public comment period. A final rule is under development that responds to public comment received on the 7-year ownership requirement, riparian land eligibility, pothole eligibility, property transfers, various program definitions, and payment limitations.

**Wetlands Reserve Enhancement Program (Subtitle C – Sec 2206)**: A notice of funding availability for FY 2010 was published April 9, 2010.

**Conservation Stewardship Program (CSP) (Subtitle D – Sec 2301)**: An interim rule was published in the *Federal Register* on July 29, 2009. The public comment period closed September 28, 2009, but was extended 30-days on September 21, 2009 to October 28, 2009. A final rule is under development.

**Farm and Ranch Lands Protection Program (FRPP) (Subtitle E – Sec 2401)**: An interim rule was published in the *Federal Register* on January 16, 2009. A correction was published on July 2, 2009, that clarified the "contingent right of enforcement" and reopened the public comment period. A final rule is under development to respond to public comment on the contingent right of enforcement, federal appraisal reviews, certification process, forest management plans, impervious surface limitation, national ranking criteria, credit for public access, and hazardous materials review.

**Grassland Reserve Program (GRP) (Subtitle E - Sec 2403):** An interim rule was published in the *Federal Register* on January 21, 2009. An amendment was published on August 21, 2009, that clarified the “contingent right of enforcement” language, removed the prohibition of producing energy for off farm use, and reopened the public comment period for 30 days from date of publication. A final rule is under development that responds to public comments on various program definitions, wind power, native species, landowner contributions, long-term management funding, ranking priorities, State level priorities, and the terms and conditions of the GRP deed.

**Environmental Quality Incentive Program (EQIP) (Subtitle F – Sec. 2501):** An interim rule was published in the *Federal Register* on January 15, 2009. The interim rule was both corrected and amended. A correction was published on March 12, 2009, that corrected the application of payment limitation provisions as they apply to joint operations. An amendment was published on May 29, 2009 that reestablished policy that enables certain producers, who lease public lands, to be able to use EQIP funds on the public lands. A final rule is being developed to respond to public comment received on the following topics, public land eligibility, payment limitation, water rights, organic conservation assistance, at-risk species, and national priorities.

**Agriculture Water Enhancement Program (AWEP) (Subtitle F – Sec. 2510):** A notice of request for proposals for FY 2010 was published April 2, 2010. The FY 2009 notice was published March 26, 2009.

**Wildlife Habitat Incentive Program (WHIP) (Subtitle G – Sec. 2601):** An interim rule was published in the *Federal Register* on January 16, 2009. The interim rule was both corrected and amended. A correction was published on March 12, 2009, that corrected the application of payment limitations as they apply to joint operations. An amendment was published on July 15, 2009, that expanded the definition of agricultural lands to enable producers to enroll all lands included in their farming operation.

**Chesapeake Bay Watershed Program (Subtitle G – Sec. 2605):** A notice of funding availability for FY 2010 was published March 12, 2010. The FY 2009 notice was published January 22, 2009.

**Regional Equity (Subtitle H – Sec. 2703):** An interim rule was published in the *Federal Register* on January 13, 2009. This rule incorporated changes required by the 2008 Act and formalized agency regional equity provisions to establish consistency and certainty with implementation. NRCS evaluated the public comments and published a final rule in the *Federal Register* on December 4, 2009. The final rule responds to public comment received on the allocation process, contributing programs, obligation thresholds, and established deadlines.

**Cooperative Conservation Partnership Initiative (CCPI) (Subtitle H – Sec. 2707):** A notice of request for proposals for FY 2010 was published April 2010. The FY 2009 notice was published March 10, 2009.

**State Technical Committees (Subtitle H – Sec. 2711):** An interim rule was published in the *Federal Register* on November 28, 2008. The National policy, Standard

Operating Procedures was published in the *Federal Register* on April 7, 2009. The final rule responds to public comment received on committee responsibilities, composition of local working groups and the State Technical Committee, communication, subcommittees and other issues related to matters of discretion and meeting organization. The final rule was published December 17, 2009.

**Technical Service Provider Assistance (TSP) (Subtitle H – Sec. 2706):** A final rule was published in the *Federal Register* on February 12, 2010. The rule included changes required by the 2008 Act, clarified the agency's role with training TSPs, and established a process to ensure fair and reasonable payment rates and responded to public comments on TSP agreements, certification, definitions, evaluating TSPs, general program rules, outreach, payments, procurement and socially-disadvantaged producers.

**Conservation Practice Technical Assistance (Subtitle H – Sec. 2706):** A notice that provided the results of a preliminary review of technical assistance and requests comments about how to improve the conservation practice standards was published in June 2009 with an initial 60 day comment period. An additional 30 days was subsequently added to the comment period.

**Agricultural Management Assistance Program (AMA) (Subtitle I – Sec. 2801):** An interim rule was published in the *Federal Register* on November 20, 2008. This rule incorporated changes required by the 2008 Act and incorporated changes to improve program administration and align program implementation with other financial assistance programs. A correction related to the application of payment limitation provisions was published on March 12, 2009. NRCS evaluated the public comments and published a final rule in the *Federal Register* on December 8, 2009. The final rule responds to public comment on program purposes and applicability, various program definitions, national priorities, program requirements, State Technical Committee applicability to the program, payments, reestablishing failed practices, violations, agency access to operating units, and other minor clarifications.

**NRCS Compliance with NEPA (Non-Farm Bill):** An interim rule was published in the *Federal Register* on July 13, 2009, that identified additional categorical exclusions applicable to NRCS programs, which are actions that NRCS has determined do not individually or cumulatively have a significant effect on the human environment and, thus, should not require preparation of an environmental assessment (EA) or environmental impact statement (EIS) under the National Environmental Policy Act (NEPA). A final rule addressing comments received on the interim rule was published in the *Federal Register* on February 10, 2010.

**Conservation Reserve Program (CRP) (Subtitle B – Sec 2101-2111):** An interim rule implementing mandatory CRP provisions was published in the *Federal Register* on June 29, 2009, and was effective on that day as well. On October 7, 2009, the distribution of CRP rental payments of \$1.7 billion for FY 2010 was announced. A second interim rule implementing Farm Bill provisions pertaining to transition incentives is being developed. The rule is targeted for publication in spring 2010. FSA is in the process of completing a Supplemental Environmental Impact Statement (SEIS) for the remaining CRP provisions as required under the National Environmental Policy Act (NEPA). The SEIS must be completed before the remaining provisions can be implemented.

### **TITLE III – Trade**

**Consultative Group (Sec 3205):** On September, 23 2009, Agriculture Secretary Vilsack appointed 13 members to the Consultative Group to Eliminate the Use of Child Labor and Forced Labor in Imported Agricultural Products. The group represents a diverse set of government, private sector and non-governmental organization entities, and has been charged with developing and making recommendations to the Secretary of Agriculture regarding guidelines to reduce the likelihood that agricultural products imported into the United States are produced with the use of child or forced labor.

The Group has been meeting monthly in order to develop recommendations which are due to Secretary Vilsack by June 2010. An open meeting to provide an opportunity for public input was held on March 29. By June 18, 2011, the Secretary is required to release guidelines for a voluntary initiative to enable entities to address the issues raised by the Trafficking Victims Protection Act of 2000 (22 U.S.C. 7101 et seq.). The guidelines must be published in the *Federal Register* and made available for public comment for a period of 90 days. The Consultative Group will terminate on December 31, 2012.

**Local and Regional Food Aid Procurement (Sec 3206):** In FY 2009, USDA awarded a total of \$4.75 million under the Local and Regional Food Aid Procurement Pilot Project to the UN World Food Program for field-based projects in Mali, Malawi and Tanzania. In FY 2010, USDA has an additional \$25 million available to fund field-based projects. The majority of this funding will be used in emergency programs to expedite the provision of food assistance to populations affected by food crises and disasters in sub-Saharan Africa. To date, four proposals for funding have been received. Two of the proposals were from a Private Voluntary Organizations and two were from WFP. USDA is in the process of reviewing these proposals and expects to award all of the available funding by the end of the fiscal year.

### **TITLE IV – Nutrition**

**Programmatic Provisions:** All Title IV mandatory programmatic provisions were implemented by States pursuant to the statute's October 1, 2008 deadline. USDA

provided statutory information and responded to technical questions, and monitored States to assure timely implementation. FNS will be following up with rulemaking to formalize the directives in 2010, as well as implement certain administrative provisions.

**Healthy Incentive Pilot Projects and Evaluation (Sec 4141):** Authorizes and provides \$20 million for pilot projects to determine if incentives at the point-of-sale increase the purchase of fruits, vegetables, or other healthful foods among SNAP participants. FNS has solicited (1) applications from State SNAP agencies to administer the Healthy Incentives Pilot and (2) proposals to evaluate the Pilot. Links to the solicitations and related information is on the project web page at (<http://www.fns.usda.gov/snap/hip/>).

**Reports:** FNS is working on a number of reports, including:

- **School Food Purchase Study (Sec 4307):** This study will collect data for fiscal year 2009 food purchases under the National School Lunch Program. A data collection notice was published in the *Federal Register* Dec. 22, 2008. The study is intended to provide statistically valid national estimates of the types, amounts, and costs of food acquisitions (both purchased foods and USDA donated commodities) made by public school districts participating in the National School Lunch Program. The contract for data collection has been awarded and work is underway.
- **Fresh Fruit and Vegetable Program Evaluation (Sec 4304):** This study will assess the impact of the FFVP, which was expanded to high-poverty schools across the nation by the FCEA, on fruit and vegetable consumption. A contractor has been selected and work is underway.
- **Study on Comparable Access to Supplemental Nutrition Assistance for Puerto Rico (Sec 4142):** This study will examine the potential cost, policy and operational implications of transitioning Puerto Rico from their block grant for nutrition assistance to the SNAP. FNS expects to submit the report to Congress in May 2010.
- **Commodity Procurement (Sec 4404):** Directed USDA to make Section 32 specialty crop purchases of (in addition to the 2002 farm bill amounts): \$190 million for 2008, \$193 million for 2009, \$199 million for 2010, and \$203 million for 2011, and \$206 million for 2012 and thereafter. AMS purchased \$390.3 million in specialty crops in FY 2008 and \$472.8 million in FY 2009. As of March 26, AMS has purchased \$203 million in specialty crops for FY 2010.

## TITLE V – Credit

**Loan Servicing Activities (Sec 5304, 5305, 14002):** A proposed rule was published in the *Federal Register* on August 7, 2009. FSA has a target publication of a final rule in Summer 2010.

**Loan Making Activities (includes land contract guarantees), Conservation Loan and Loan Guarantees, Highly Fractionated Indian Lands (Sec 5002, 5005, 5501):** Proposed regulations are under development and are expected to be published in the *Federal Register* by fall 2010. The agency is conducting consultations with Native American Tribal Governments in the development of the regulations.

## TITLE VI – Rural Development

Most provisions in Title VI were implemented for 2009 through a Notice of Funding Availability (NOFA). The Department is developing regulations for these programs for 2010.

**Broadband (Sec 6110):** Rural Development is drafting a rule that would implement the Farm Bill's broadband provisions. Revised regulations will be completed once Recovery Act funding has been fully utilized. Priority is being given to applications received under the NOFA implementing the broadband provisions of the Recovery Act. This work is being done in close coordination with the Department of Commerce, which also has funding for a similar program. Over 2,200 applications were received in response to the first NOFA for Recovery Act funding that was published in the *Federal Register* on July 9, 2009. Over \$1.067 million in awards have been made to 68 broadband projects. Rural Development published a second NOFA in the *Federal Register* on January 22, 2010; the application window closed on March 29, 2010.

**Rural Micro-entrepreneurship Assistance Program (Sec 6022):** This is a new program for providing both loans and grants for intermediaries to establish revolving funds to make small loans to micro-entrepreneurs and grants for technical assistance. Rural Development published a proposed rule to implement this provision October 7, 2009. Rural Development received over 400 comments, which were used to develop the interim rule. Funding will be made available after the final regulations are published.

**Value-Added Producer Grants (Sec 6202):** A NOFA making available \$18 million for FY 2009 was published in the *Federal Register* on May 6, 2009. However, that NOFA was withdrawn due to concerns related to certain new restrictions, including a \$500,000 limit of producer income and scoring preference for innovative projects. A revised NOFA was published on September 1, 2009; the application window closed on November 30, 2009. Rural Development received 550 applications in response to the FY 2009 NOFA. The applications are currently under review and awards will be made in the third quarter of FY 2010. USDA is currently revising regulations for the value added program as required by the 2008 Farm Bill.

**Rural Transportation Study (Sec 6206)**: Required USDA and DOT to conduct a study of transportation issues regarding the movement of agricultural products, domestically produced renewable fuels, and domestically produced resources for the production of electricity for rural areas of the U.S., and economic development in those areas. A cooperative agreement with Washington State University has been approved. The report is being finalized for submission to Congress.

## TITLE VII – Research and Related

**Veterinary Medicine Loan Repayment Program (VMLRP) (Sec 7105)**: An interim rule was published in the *Federal Register* on July 9, 2009. A Solicitation for Veterinarian Shortage Situations was published in the *Federal Register* on January 22, 2010. On March 25, 2010 NIFA submitted a final rule which establishes the process and procedures for designating veterinary shortage situations and administering the VMLRP as authorized by the National Veterinary Medical Services Act. In April 2010, NIFA anticipates simultaneously publishing in the *Federal Register* the Notice of Selected Veterinarian Shortage Situations and the Request for Applications for participation in the VMLRP which will be solicited for a 60-day period. NIFA expects to make loan repayment offers prior to the end of the fiscal year.

**High Priority Research and Extension Areas (Sec 7204)**: The Annual Report on Response to Honey Bee Colony Collapse Disorder was sent to Congress in June 2009.

**Organic Agriculture Research and Extension Initiative (OREI) (Sec 7206)**: In FY 2009 OREI funded twenty-seven awards, totaling \$17.2 million. Further, the FY 2010 RFA was posted on Grants.gov on November 18, 2009, and closed on February 9, 2010. Total program funding of \$19 million will be competitively awarded in FY 2010.

**Specialty Crop Research Initiative (SCRI) (Sec 7311)**: In FY 2009 SCRI funded thirty-five awards, totaling \$46.6 million. Further, the FY 2010 RFA was posted November 3, 2009 and closed on January 14, 2010. Total program funding of \$47.3 million will be competitively awarded in FY 2010.

**Beginning Farmer and Rancher Development Program (BFRDP) (Sec 7410)**: In FY 2009, \$17.2 million was available to fund BFRDP. The competitively awarded FY 2009 BFRDP request for applications (RFA) closed on May 13, 2009. Twenty-nine (29) awards, totaling \$17.2 million were processed prior to the end of the year. Further, the FY 2010 RFA was posted February 5, 2010 and will close on April 6, 2010. Total program funding of \$18 million will be competitively awarded in FY 2010.

**Agriculture and Food Research Initiative (AFRI) (Sec 7406):** In FY 2009, approximately \$185 million was available to fund AFRI projects. Awards totaling \$92 million were processed prior to the end of the year and \$93 million was carried forward to FY 2010. On March 23, 2010, Dr. Beachy hosted a webcast to announce the availability of \$262 million in FY 2010 for the AFRI Program as well as the release of six requests for applications (RFAs). One RFA calls for research projects addressing the six AFRI priority areas. The other five RFAs address these five societal challenge areas: childhood obesity, climate change, food safety, global food security, and sustainable bioenergy. In addition, a single, separate NIFA Fellowship Grant Program RFA to fund opportunities for pre- and postdoctoral fellowships will be released shortly. NIFA also will publish joint RFAs utilizing FY 2010 AFRI funds (e.g., Joint Climate Change Prediction Research Program with the Department of Energy (DOE) and the National Science Foundation (NSF)).

**Hispanic-serving Agricultural Colleges and Universities (HSACUs) (Sec 7129):** NIFA anticipates the publication of proposed rules associated with the HSACU certification process by June 30, 2010, and the HSACU Endowment Program by July 31, 2010.

**Study and Report on Food Deserts (Sec 7527):** A study assessing the incidence and prevalence of food deserts was sent to Congress in June 2009.

**REE Roadmap (Sec 7504):** The Roadmap was delivered to the House and Senate Agriculture Committees on Wednesday, March 31, 2010.

**National Institute of Food and Agriculture (Sec 7511):** On October 1, 2009, Cooperative State Research, Education, and Extension Service (CSREES) became the National Institute of Food and Agriculture (NIFA). Dr. Roger Beachy, founding president of the Donald Danforth Plant Science Center, was introduced as the first director of NIFA on October 8, 2009. NIFA will be publishing revised delegations in the *Federal Register* to reflect the authorities that were transferred to the Institute from CSREES.

**Plan of Work (Sec 7505):** In 2010, NIFA will convene a Panel of Experts chosen with input from the Regional Executive Directors for Research and Extension. The panel will be run in a manner similar to the external Portfolio Review panels NIFA convenes every five years to assess specific program portfolios, except as a collaborative effort with members from both the Land-Grant Universities and NIFA.

This membership on this panel will include a total of approximately ten persons from the Land-Grant University partners; at least two from each of the five regions for both research and extension. Of the approximately 10 regional representatives, the panel will include at least two directors of research and two directors of extension. Other regional members of the panel from the Land-Grant University partners will include persons responsible for writing the Plans of Work in the state from research and extension, accountability and evaluation specialists, and budget officers. Membership on the panel from NIFA will include Planning and Accountability staff, Policy staff,

National Program Leaders, and Information Technology staff. The Accountability and Reporting Leader from the Office of Planning and Accountability will provide primary panel support.

This Plan of Work and Annual Report of Accomplishments panel of experts will assess the relevance, quality, and usefulness of the performance data received from the Plan of Work and Annual Report of Accomplishments and Results beginning with the FY 2007 Plan of Work. Moreover, the panel will focus on, and make recommendations for improving and further streamlining the Plan of Work and Annual Report. These improvements include, but are not limited to, citing specific data elements for inclusion and exclusion. The panel will complete a written report to NIFA with these recommendations for implementation. Every five years a panel of experts will reconvene to further assess the relevance, quality, and usefulness of the performance data received from the Plan of Work and Annual Report of Accomplishments and Results and make recommendations to further its improvement if necessary.

## **TITLE VIII – Forestry**

**Forest Resource Coordinating Committee (Sec 8005):** The charter for the FRCC was signed by former Secretary Schafer. The nomination period ended on January 6, 2009 and the Forest Service received over 45 nominations. Once selections are made, selected members will be notified and a press release drafted. The target is to have the first meeting of the committee in 2010.

**State Assessments and Strategies (Sec 8002):** State Forestry agencies are actively working on these documents which are due to be completed and submitted to the Forest Service by June 18, 2010. The Deputy Chief for State and Private Forestry will approve the Assessments and Strategies. They will define forest conditions, issues, and strategies for each State and will be used in to develop and implement programs and policies for the protection, conservation, and enhancement of forest resources.

**Community Forest and Open Space Conservation Program (Sec 8003):** The FY2010 budget included \$500,000 to initiate implementation of the new Community Forest and Open Space Conservation Program. The Forest Service completed drafting the proposed rule for this program in February 2010. The working title for the Community Forest and Open Space Conservation Program is the Community Forest Program (CFP).

**Cultural and Heritage Cooperation Authority (Sec 8101-8107):** The Forest Service Office of Tribal Relations is coordinating agency efforts to implement all provisions of the Cultural and Heritage Cooperation Authority. Three provisions (8103, 8104, and 8105) will require updates to direction provided in the agency's manual and handbook. While agency direction is updated, National Forest System units are accepting applications from Tribes wishing to utilize the new authorities on a case-by-case basis.

**Temporary Closure for Traditional and Cultural Purposes (Sec 8104)**: A revision to the regulation at 36 CFR 261 and updates to Forest Service Manual 2300 and 2330 and FS Handbook 2309.13, Chapter 50, are under development.

**Reburial of Human Remains and Cultural Items (Sec 8103)**: The Reburial Interim Directive has been issued providing guidance to field employees. A final directive will be issued once consultation with Tribes is completed.

**Green Mountain National Forest Boundary Adjustment (Sec 8301)**: The Green Mountain National Forest (Vermont) completed a boundary modification in 2008 to include 13 designated expansion units as authorized in Section 8031.

**Lacey Act (Sec 8204)**: The Lacey Act places strict controls on trade and domestic commerce in any plant, with some limited exceptions, taken or traded in violation of the laws of the United States or a U.S. State or most foreign laws. The Act also makes it unlawful to import certain plants and plant products without a plant import declaration. APHIS, in cooperation with other agencies, has taken a phased approach to enforcement of the declaration requirement and has taken into account comments received from foreign governments as well as commercial and environmental interests. On September 2, 2009, APHIS published a notice to inform the public of the Federal Government's revised plan to phase in enforcement of the plant import declaration requirement and other implementation plans. Among other issues addressed, the revised plan responds to earlier, comments stating that the requirement to identify the plant genus and species in composite and recycled or reused materials would be difficult and in some cases impossible. In response, enforcement of the declaration for such commodities has been delayed. Review of experience implementing the declaration is underway and rule making to define exemptions for common food crops and common cultivars is in process.

**Healthy Forests Reserve Program (HFRP) (Sec 8205)**: A final rule was published in the *Federal Register* on February 10, 2010. The rule included changes required by the 2008 Act, made minor administrative adjustments, and responded to public comment received during the 2006 interim rule comment period. The final rule also responds to public comment on landowner protections, ranking and funding allocations, compatible use authorizations, appraisals, carbon sequestration, coordination with State agencies, environmental credits, native species, conservation practices, restoration plan modifications, State-listed species, and other program requirements. HFRP is administered by the Natural Resources Conservation Service.

## TITLE IX – Energy

**Biobased Markets Program (Sec 9002):** A proposed rule to establish a voluntary labeling program for biobased programs was published on July 31, 2009. The comment period closed on September 29, 2009, and 35 comments were received. USDA is currently developing the final rule.

**Biorefinery Assistance (Sec 9003):** In response to a Notice of Funding Availability (NOFA) that was published on November 20, 2008, USDA approved a conditional commitment for an \$80 million guarantee for a cellulosic ethanol plant in Soperton, Georgia on January 16, 2009. The recipient, Range Fuels, also received a \$76 million grant from Department of Energy (DOE) for this plant on November 6, 2007. Construction of the plant is underway. A second loan for \$25 million was awarded and since cancelled after the applicant was unable to secure alternative private sector financing when the original lender pulled out of the project. A third loan was recently approved for Sapphire Energy for \$54.5 million, in conjunction with a \$50 million grant from DOE. A NOFA was published on March 12, 2010, making the residual amount of funding from the FY 2009 available. Rural Development anticipates the publication of permanent regulations in September 2010. A proposed rule was published in the *Federal Register* on April 16, 2010.

**Repowering Assistance (Sec 9004):** The Farm Bill provided \$35 million in 2009. A NOFA for \$20 million to make payments for the conversion of biorefinery heating and power systems to renewable biomass was published in the *Federal Register* on June 12, 2009. Five applications for \$13.2 million in funding were received in response to the NOFA. The applications are located in Minnesota, Kansas and Iowa. All applicants were ethanol facilities and use natural gas, electricity or coal for heat and power. A NOFA was published on March 12, 2010, making the residual amount of funding, \$6.8 million, available. The application window closes on June 15, 2010. A proposed rule was published in the *Federal Register* on April 16, 2010.

**Bioenergy Program for Advanced Biofuels (Sec 9005):** The Farm Bill provided \$55 million in 2009. A Notice of Contract Proposals for \$30 million to make payments to biorefineries for the production of advanced biofuels (other than kernel corn starch) was published in the *Federal Register* on June 12, 2009. USDA has provided 161 tentative contracts for execution by applicants; payments can be made to biorefineries for the production of advanced biofuels (other than kernel corn starch) by the end of December 2009. A NOFA was published on March 12, 2010, making the remaining funding from the 2009 NOFA available, \$15.5 million; the application window closes on May 30, 2010. A proposed rule was published in the *Federal Register* on April 16, 2010.

**Biodiesel Fuel Education Program (Sec 9006):** The \$1 million in funding available for FY 2009 has been obligated by the National Institute of Food and Agriculture (NIFA) to the National Biodiesel Board and the University of Idaho. NIFA awarded continuation grants for an initial project period of one year and agreed to support the efforts for a predetermined period contingent upon the availability of appropriated funds and the

satisfactory progress of this project. If these elements are met, additional support will be provided to the funded project in each of FYs 2010 through 2012.

**Rural Energy for America Program (REAP) (Sec 9007):** A Notice of Solicitation of Applications (NOSA) soliciting applications for about \$2.4 million in grants for energy audits was published in the *Federal Register* on March 11, 2009. A NOSA for the remaining portion of the \$60 million available for FY 2009 was published in the *Federal Register* on May 26, 2009. This funding may be used for guaranteed loans and grants for a wide range of energy efficiency improvements and renewable energy systems and grants for energy audits and feasibility studies. Over 1,500 awards for grants, loan guarantees and loan guarantee/grant combinations were made in the 4<sup>th</sup> quarter of 2009. The 2010 Appropriation Act provided \$39 million in funding for grants and loan guarantees in addition to the \$60 million of Farm Bill mandatory funding. The combination of mandatory and discretionary funding will provide \$408 million in program level in 2010. A NOSA to solicit application for grants and loan guarantees is under development. A proposed rule to incorporate the audit and feasibility provisions into the current regulation will be published soon.

**Biomass Research and Development Initiative (BRDI) (Sec 9008):** Awards totaling \$25 million were provided at the end of fiscal year (FY) 2009 from USDA and DOE's Office of Biomass Programs. The BRDI board met in March 2010 and was briefed on the development of the FY 2010 Notice of Solicitation of Applications. The 2008 Farm Bill provides \$28 million for grants for FY 2010, in addition to \$5 million of funding provided by DOE for a total of \$33 million available in FY 2010. Grants funds are provided to eligible entities to research, develop, and demonstrate biomass projects for (1) Feedstocks Development, (2) Biofuels & Biobased Products Development, and (3) Biofuels Development Analysis. Administration of the BRDI grants program was delegated to NIFA. NIFA expects to release the RFA shortly.

**Feedstock Flexibility Program (Sec 9010):** The program is on standby status until such time as the Commodity Credit Corporation acquires an inventory of sugar.

**Biomass Crop Assistance Program (BCAP) (Sec 9011):** On June 11, 2009, FSA published a Notice of Funding Availability (NOFA) implementing BCAP provisions pertaining to payments for the collection, harvest, storage, and transportation (CHST) of biomass material delivered to an eligible biomass conversion facility. The CHST portion of BCAP operated under this NOFA until its termination with the publication of the proposed rule. CHST payments were authorized to continue through March 31, 2010, pending completion of regulatory development. FSA published a proposed rule, on February 8, 2010, implementing the BCAP program, the 60 day public comment period closed on April 9, 2010. The public comments are undergoing review and will be taken into consideration in the development of a final rule which is expected to be published later this year. A draft Programmatic Environmental Impact Statement (PEIS) was published in August 2009 with a 45 day comment period. The comments will be addressed in the final PEIS which will be published in the near future. Payments for CHST in FY 2009 were about \$14.5 million and \$165 million in FY 2010.

**Forest Biomass for Energy Program (Sec 9012)**: This program included an authorization to appropriate up to \$15 million per year from 2009 through 2012. No funding has been appropriated. The FY 2011 budget requests \$15 million to implement this program.

**Community Wood Energy Program (Sec 9013)**: This program included an authorization to appropriate up to \$5 million per year from 2009 through 2010. No funding has been appropriated. The FY 2011 budget requests \$5 million to implement this program.

## **TITLE X – Horticulture and Organic Agriculture**

**Section 32 Study (Sec 10101)**: Required USDA to arrange for an independent study and evaluation of the purchasing processes principally devoted to perishable agricultural commodities provided in Section 32. AMS signed a cooperative agreement with the University of California at Davis on Sept. 19, 2008. The report will be released shortly.

**Quality Requirements for Clementines (Sec 10102)**: Added clementines to the list of products in Section 8e of the Agricultural Adjustment Act. Section 8e provides that whenever specified domestically produced commodities are regulated under a Federal marketing order, imports of the commodity must meet the same or comparable grade, size, quality and maturity requirements. Industry must request the establishment of a Federal clementines marketing order for the Farm Bill language to be implemented. No such request has been made.

**Mushroom Promotion and Research (Sec 10104)**: Allowed for the development of a program for good agricultural practices and good handling practices under the Mushroom Promotion, Research and Consumer Information Order, as well as reapportioned the membership of the Mushroom Council to reflect shifts in domestic mushroom production. AMS published the final rule implementing these provisions in the *Federal Register* on October 2, 2009.

**Farmers' Market Promotion Program (FMPP) (Sec 10106)**: Extended the FMPP through 2012 and provided \$33 million in CCC funds: \$3 million in 2008, \$5 million in 2009 and 2010, and \$10 million in 2011 and 2012. Sec. 10106 specified statutorily the categories of farmer-to-consumer direct marketing activities eligible for funding under the program, and required that not less than 10 percent of the funds used to carry out the program in a fiscal year are to be used to support the use of electronic benefits transfers (EBT) at farmers' markets. AMS issued a Notice of Funding Availability (NOFA) on March 13, 2009 and AMS awarded 86 grants totaling more than \$4.5 million covering 37 States for FY 2009. The 86 awards went to 65 nonprofit organizations, 16 local governments, 2 agriculture cooperatives, 2 Tribal governments, and 1 producer network. Thirty (30) of the 86 grants promote the use of new EBT projects. AMS is developing regulations for FY 2011 and subsequent years and anticipates publication of a final rule in December 2010. The 2010 NOFA was announced in the *Federal Register* on March 1, 2010.

**Specialty Crops Market News Allocation (Sec 10107):** Authorized \$9M for each FY08-12, to remain available until expended, to carry out market news activities for fruits and vegetables. Although funding was not appropriated, AMS continues to carry out specialty crop market news activities as the Agency collects information on the current supply, demand and prices on nearly 400 domestic and 70 foreign grown fruits, vegetables, nuts, ornamental and specialty crops.

**Expedited Marketing Order for Hass Avocados (Sec 10108):** Provided for an expedited marketing order for Hass avocados relating to grades and standards. The order is to become effective within 15 months of the date that the Department began the procedures for determining if the order should proceed. AMS has not yet received an industry proposal that would start the process.

**Specialty Crop Block Grants (Sec 10109):** Provided the following CCC funding levels: \$10 million in 2008, \$49 million in 2009, and \$55 million for 2010 - 2012. The section also: amended the definition of specialty crops by adding horticulture; added Guam, American Samoa, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands to the list of "states" eligible to apply for grants; and changed the grant allocation formula. These changes required AMS to undertake rulemaking which was completed on March 27, 2009 with the publication of the final rule in the *Federal Register*. AMS awarded 56 grants totaling \$9.5 million in fiscal year 2008 and approximately \$49 million for 745 projects in fiscal year 2009. The 2010 NOFA (approximately \$55 million) was released on January 29, 2010.

**National Organic Certification Cost-Share Program (Sec 10301):** Provided \$22 million for FY 2008 for cost share activities to remain available until expended and increased the cost share reimbursement from \$500 to \$750. USDA is required to submit by each March 1 an annual report to Congress on program expenditures. The required report to Congress was delivered on March 20, 2009. For fiscal year 2008, \$3,905,000 was allocated to the states while in fiscal year 2009 \$4,320,000 was allocated to the states. On September 30, 2009, USDA announced the availability of funds for the cost share program for fiscal year 2010 at \$4,660,000. The 2009 report was delivered to Congress on March 20, 2009. The 2010 report will be released shortly.

**Organic Production and Market Data Initiatives (Sec 10302):** Directed USDA to collect data on production, pricing, and marketing of organic agricultural products. The Farm Bill provided \$5 million in mandatory funding which was to remain available until expended and authorized additional appropriations of up to \$5 million for each FY 08-12. The Farm Bill required a report to Congress within 180 days of enactment on the progress made implementing these activities and identifying additional production and marketing data needs. The report was delivered to Congress on Dec. 29, 2008 detailing how the money was allocated and would be used by each agency - AMS (\$3.5 million), NASS (\$1.0 million), and ERS (\$0.5 million). AMS Market News (MN) has improved existing reporting of organic products and has planned for further enhancement of organic reporting and the development of additional organic market

information tools. Specifically, AMS is undertaking modifications to the Market News Information System (MNIS) to: segregate organic data from conventional data; allow for input of data specific to organic commodities; migrate existing organic data from disparate systems; and create new reports and modify existing reports for presentation of organic market information.

**National Honey Board (Sec 10401)**: Made a number of amendments to the Honey Research, Promotion, and Consumer Information Act. First, the Farm Bill directed AMS to consider a national research and promotion program for honey packers and importers. AMS received a proposal for this packers and importers program and conducted a referendum on that proposal from April 2 – 16, 2008. In the referendum, 78 percent of those voting, representing 92 percent of the volume of those voting in the referendum; approved the program. The program became effective on May 22, 2008; one day after the final rule was published in the *Federal Register*. The first board meeting took place on September 4, 2008. With the approval of this new program, the collection of assessments under the Honey Research, Promotion and Consumer Information Order -- authorized under the Honey Research, Promotion and Consumer Information Act -- was suspended. A termination order for that program was published in the *Federal Register* on April 17, 2009.

The second major requirement under Sec. 10401 directed USDA to consider establishing a research and promotion program for domestic producers. On July 14, 2009, AMS published a proposed rule and solicited comments through September 14, 2009 for a domestic honey producer program. AMS reviewed the comments it received and determined that a program is warranted. As a result, AMS has drafted referendum procedures which are currently awaiting publication in the *Federal Register*. The referendum will be held May 10-28. A final rule will be published if the program is approved in the referendum.

**Honey COOL (Sec 10402)**: Provided country of origin labeling (COOL) requirements for honey that bears any official certificate of quality, grade mark or statement, continuous inspection mark or statement, sampling mark or statement or any combination of the certificates, marks, or statements of USDA. The Interim Rule was published in the July 8, 2009 *Federal Register* with comments due by September 8. This rule, which became effective October 6, 2009, would establish a new regulation addressing country of origin labeling for packed honey bearing any official USDA mark or statement and would add a new cause for debarment from inspection and certification service for honey. The final rule is under development.

**Plant Pest and Disease Management and Disaster Prevention Program (Sec 10201)**: APHIS hosted several stakeholder meetings from May - September, 2009, to seek input on the allocation of \$45 million in Farm Bill funds to build and preserve critical plant health safeguarding infrastructure nationally for fiscal year 2010. Funding will be distributed to enhance state and national efforts for pest detection and mitigation as well as ensure the viability of small farms and specialty crops through protection from economically devastating plant diseases and pests. APHIS has allocated funding to more than 50 state cooperators, universities, federal agencies, and non-profit

cooperators, supporting over 200 projects that will not only enhance pest detection and mitigation but will benefit both technology development and job creation.

**National Clean Plant Network (NCPN) (Sec 10202):** By July 2009, two specialty crops; fruit trees (including apples, pears, peaches, plums, cherries and other stone fruits) and grapes (including table, juice, raisin, and wine fruit) were fully operational under the NCPN banner. As a result, five associated clean plant centers located in California, Missouri, New York, South Carolina, and Washington received \$3.1 million in NCPN funding in September 2009 for pathogen diagnostics, therapy, and establishing disease free foundation plantings. Three other specialty crops are anticipated to be fully operational in FY 2010. They are citrus (serving both the fresh fruit and juice industry), berries (including strawberries, the blueberry/cranberry group, and raspberries, blackberries, and other bramble fruit), and hops. In FY 2010 it is anticipated that NCPN funding of around \$5 million may support 5 specialty crop groups involving pathogen detection to produce disease free plants at 10-12 clean plant centers located in 9-10 States.

From July 2009 to January 2010, NCPN stakeholders also met on numerous occasions to advance several critical issues impacting the network. This included establishing a new grape clean plant foundation in the Middle Atlantic States and working towards strengthening audit-based State nursery certification programs to ensure that NCPN-developed clean plant material provided to industry remains uninfected as it moves through plant nursery systems.

The 3<sup>rd</sup> NCPN Annual Stakeholders meeting is planned for May 11-13, 2010 at the University of California at Davis. Since initiating the NCPN stakeholder database in FY 2007, the number of persons enrolled has increased from 125 to over 350 scientists, regulators, extension agents, and industry supporters in FY 2010. It is anticipated that 75-100 of these stakeholders shall attend the FY 2010 annual meeting and represent fruit trees, grapes, citrus, berries, and hops as well as potatoes, sweet potatoes, olives, roses, and other specialty crops.

**Pest and Disease Revolving Loan Fund (Sec 10205):** Due to the absence of a suitable partner to act as the loan agent for the program the proposed rule for the Pest and Disease Revolving Loan fund has been withdrawn from the regulatory calendar.

**Biotechnology Regulations (7 CFR Part 340) (Sec 10204):** In response to the proposed revision of plant-related biotech regulations, APHIS received over 66,000 comments from members of the public, which includes over 15,000 comments from an earlier open comment period last fall. APHIS is continuing to analyze those comments and working with policy officials to determine next steps.

**Biotechnology Quality Management System (BQMS) (Sec 10204):** BQMS is a voluntary, audit-based compliance assistance program that assists universities, small businesses, and large companies develop sound management practices to enhance compliance with regulatory requirements for field trials and movement of regulated genetically engineered organisms. The draft audit standard for the BQMS was

published on June 3, 2009, with a comment period which closed on October 23, 2009. BQMS pilot registration audits were successfully completed for all five pilot participants. APHIS is currently evaluating the pilot, including public comment and feedback from the pilot participants, to inform future iterations of the BQMS program.

## TITLE XI – Livestock

**Notification, Documentation, and Recordkeeping Requirements for Inspected Establishments Proposed Rule (Sec 11017):** Requires official establishments to 1) prepare and maintain current, written procedures for the recall of meat and poultry products produced and shipped by the establishment for use should it become necessary for the establishment to remove product from commerce; 2) document reassessments of their process control (HACCP) plans and; 3) notify FSIS if they have reason to believe adulterated or misbranded product is in commerce. The proposed rule was published in the *Federal Register* on March 25, 2010. Comments are due by May 24, 2010.

**Catfish Inspection Proposed Rule (Sec 11016):** USDA is working to finalize the proposed rule establishing a mandatory catfish inspection program.

**Catfish Grading (Sec 11016):** Directed USDA to establish a voluntary fee based grading program for catfish. AMS has conducted several meetings with representatives of the catfish industry, one meeting with National Marine Fisheries Service officials, and with FSIS officials to discuss grading and inspection services. AMS is drafting proposed standards, which will be published in the *Federal Register*.

**Federal-State Interstate Shipment Cooperative Meat and Poultry Inspection Program Sec 11015):** FSIS' published proposed regulations on Wednesday, September 16, 2009, (74 FR 47648). The comment period was extended from November 16, 2009 to December 16, 2009. FSIS held two teleconference public meetings on October 27 and November 5 to gather comments from stakeholders on the proposed rule. FSIS is analyzing comments received in response to the proposal. FSIS has projected that a final rule will be published in September 2010. FSIS is reviewing the public comments in preparation for development of a final regulation.

**Livestock Mandatory Reporting (Sec 11001):** Required USDA to undertake a study on the effects of requiring packers to report information on wholesale pork cuts, due one year following enactment of the Farm Bill. USDA was also directed to implement an enhanced system of electronic reporting and to carry out a market news education program. AMS is seeking to develop and implement a proof-of-concept project that would add an improved user interface, including tools for data visualization, to its primary system for disseminating Livestock Mandatory Reporting information through the Web. Also, AMS finalized in August 2009 a cooperative agreement with a team of university researchers identified by the Livestock Marketing Information Center to complete the study of pork reporting. A draft report was received on November 23,

2009, and the final report was transmitted to the House and Senate Agriculture Committees on March 22, 2010.

**Country of Origin Labeling (COOL) (Sec 11002):** Required country of origin labeling for muscle cuts and ground beef (including veal), pork, lamb, goat, and chicken; wild and farm-raised fish and shellfish; fresh and frozen fruits and vegetables; peanuts, pecans, macadamia nuts, and ginseng sold by designated retailers. The final regulation was published in the January 15, 2009 *Federal Register* and became effective on March 16, 2009. FSIS issued its Interim Rule for Country of Origin Labeling for Various Meat and Poultry Products on August 28, 2008, and the Final Rule on March 20, 2009. AMS' education and outreach program will assist industry in achieving compliance with the provisions and requirements of the agencies' rules.

**National Sheep Industry Improvement Center (Center) (Sec 11009):** Provided for the re-establishment of the Center and its revolving fund to promote the strategic development activities and collaborative efforts that strengthen and enhance the production and marketing of sheep or goat products in the United States. The authorization provided \$1 million in mandatory spending for fiscal year 2008 to remain available until expended. AMS continues to work with other USDA agencies to re-establish the Center.

**Packers and Stockyards Act Regulations (Sec 11005, 11006):** GIPSA is in the final stages of developing a proposed a rule. OMB review of the proposed rule was completed on March 8, 2010. Proposed Rule is under final review for publication in the *Federal Register*. The proposed rule would establish criteria to be used in determining: (1) whether an undue or unreasonable preference or advantage has occurred in violation of the Act, (2) breach of contract, suspension of a contract, and unfair capital investment, and (3) whether the arbitration process provided in a contract provides meaningful opportunity for the grower to producer to participate fully in the arbitration process..

**Annual Report (Sec 11004):** This section requires the Secretary to submit to Congress by March 1 of each year a report on investigations into possible violations of the Packers and Stockyards Act. The Secretary is required to report the number of investigations conducted by GIPSA and the number of referrals to the Office of the General Counsel and the Department of Justice. The 2009 report was submitted to Congress and posted on GIPSA website on March 20, 2009. The 2010 report was submitted to Congress and posted on GIPSA website on April 5, 2010.

## **TITLE XII – Crop Insurance and Disaster**

**Definition of Organic Crop (Sec 12001):** An interim rule with the new definition for organic crop was published in the *Federal Register* on 11/24/2008, and was in effect for 2009 spring crops and 2010 fall crops. The final rule was published 9/3/2009.

**Reduction in Loss Ratio (Sec 12003):** The results from a contract to perform a comprehensive review of crop insurance rating methodology have been received and were released on the RMA website for public comment. RMA and the contractor have reviewed the public comments received and will be finalizing the report by April 15.

**Premium Adjustments – Rebating (Sec 12004):** This was included in the 2009 Mandatory SRA Amendment.

**Controlled Business Insurance (Sec 12005):** This was included in the 2009 Mandatory SRA Amendment.

**Administrative Fee (Sec 12006):** A final rule was published 6/27/2008.

**Catastrophic Coverage Reimbursement Rate (Sec 12008):** This was included in the 2009 Mandatory SRA Amendment.

**Grain Sorghum Price Election (Sec 12009):** The Farm Bill required that RMA contract with participants from the grain sorghum industry and institutes for higher learning to develop a new process for establishing price elections. Five experts from USDA, the grain sorghum industry and institutions of higher learning proposed pricing methodologies. RMA solicited public comments on its proposed selected methodology in the *Federal Register* on July 24, 2009, and via a public meeting held August 20, 2009, in Kansas City, MO. RMA is implementing the selected methodology for establishing grain sorghum price elections for the 2010 crop year. The reports received from the expert reviewers and RMA's 2010 pricing methodology are available for review at RMA's website, [www.rma.usda.gov](http://www.rma.usda.gov).

**Premium Reduction Authority (PRP) (Sec 12010):** PRP submission criteria were removed by a final rule published 2/26/2009.

**Enterprise and Whole Farm Units (Sec 12011):** RMA implemented the revised subsidies for enterprise and whole farm units via Information Memorandum PM 08-057 effective for 2009 crop year crops with November 30, 2008 and subsequent contract change dates. A final rule revising the definition of enterprise unit in the Common Crop Insurance Regulations was published for purposes of program integrity on 11/23/2009.

**Payment for Portion of Premium for Area Revenue Plans (Sec 12012):** Informational Memorandum PM-08-041 was posted 8/21/2008.

**Denial of Claims (Sec 12013):** Included in the 2009 Loss Adjustment Manual.

**Settlement of Crop Insurance Claims on Farm-Stored Production (Sec 12014):** The interim rule was published 11/24/2008. The final rule was published 9/3/2009.

**Farm Stored Production Efficacy of Pack Factors (Sec 12014(b)):** A study to determine the efficacy and accuracy of pack factors used in the measurement of farm stored production is being conducted. RMA has entered into a partnership with the

Agricultural Research Service (ARS) to conduct the required study, as well as develop a risk management tool for use by producers. A preliminary report is expected in FY 2010.

**Time for Reimbursement (Sec 12015):** The Farm Bill requires that for the 2012 and subsequent reinsurance years, FCIC move the date the Agency pays the Administrative and Overhead (A&O) payment to Approved Insurance Providers out to October 1 from the current date of when the acreage report is submitted to the Agency. This will be incorporated into the 2011 SRA currently being drafted and negotiated.

**Reimbursement Rate (Sec 12016):** Revisions were included in the 2009 Mandatory SRA Amendments.

**Renegotiation of the Standard Reinsurance Agreement (SRA) (Sec 12017):** Beginning with the 2011 reinsurance year, the Agency may renegotiate the SRA once every five years. RMA intends to negotiate a new SRA for the 2011 reinsurance year. RMA notified the appropriate Congressional committees of the commencement of the negotiations, and has entered into discussions with Approved Insurance Providers. A second draft of RMA's proposed 2011 SRA has been posted on the RMA website.

**Change in the Due Date for Corporation Payments for Underwriting Gains (Sec 12018):** Beginning with the 2011 reinsurance year, the Farm Bill requires that FCIC move the date of underwriting gain payments from February following the reinsurance year out to October following the reinsurance year. This will be incorporated into the 2011 SRA.

**Malting Barley Quality (Sec 12019):** This was implemented in the 2009 Crop Year Special Provisions of Insurance.

**Crop Production on Native Sod (Sec 12020):** The interim rule was published 11/24/2008. The final rule was published 9/3/2009.

**Information Management (Sec 12021):** The Farm Bill provided a mandatory source of funding for the RMA Information Technology Modernization (ITM) initiative. Analysis of system requirements is completed and development is in process. Full implementation is scheduled for 2011.

**Data Mining (Sec 12021):** The Farm Bill provided a mandatory source of funding for continuation of the data mining project (\$4 million for FY 2009 and subsequent years). Data mining is a critical component of RMA efforts to eliminate fraud and abuse in the Federal crop insurance program.

**AGR for Beginning Farmers (Sec 12023):** A contract for research and development to modify the AGR programs to permit coverage of beginning farmers is anticipated to be solicited in fiscal year 2010.

**Energy Crops (Sec 12023):** A study regarding a policy for selected energy crops, including switchgrass, has been completed. The study determined that while crops studied could be suitable for coverage under the existing pasture, rangeland and forage concept, the industries did not appear to be mature enough for inclusion under the program at this time. RMA has also learned through its own consultation with producers and industry representatives that they may have more desire for an individual yield based plan of insurance. A solicitation for proposals to conduct research and development of the feasibility of developing an insurance product for dedicated energy crops closed March 1, 2010. RMA is currently evaluating proposals submitted.

**Poultry Insurance (Sec 12023):** RMA awarded a contract to research the feasibility of developing an insurance product for poultry to Watts and Associates on February 25. Work is underway, with a final feasibility study expected in Fall 2010.

**Apiary Policies (Sec 12023):** RMA awarded the contract to conduct research and development regarding the feasibility of insuring honeybees to Ag-Force. Work began in October, 2009. A final report is expected in June, 2010.

**Aquaculture (Sec 12023):** The Farm Bill required RMA to execute three or more contracts for research and development (R&D) of new aquaculture (insurance) policies for Bivalve species, Fresh water species and Salmon/Shrimp.

- **Bivalve:** Clam pilot complete; Oyster policy implemented February, 2009.
- **Fresh Water:** Trout and Catfish policies completed expert review. RMA withdrew products from consideration by the FCIC Board due to issues with product design and will be initiating further research and development in fiscal year 2010.
- **Salmon/Shrimp:** Under review. Policies may be available in the private sector which would preclude FCIC involvement.

**Skiprow Cropping Practices (Sec 12023):** A contract for research into needed modifications to corn and grain sorghum policies that permit skiprow planting practices was awarded to Windsor Strategy Partners. Work on the contract began in October, 2009.

**Organics (Sec 12023):** A contract for a study regarding organic price elections and rating (surcharge) was awarded February, 2009, to Watts and Associates. The initial report regarding available data was completed; as well as development of specific pricing methodologies for selected crops. Any pricing methodology developed would be applicable to crop year 2011 at the earliest. A final report on the rating review has been received and is under review.

**Camelina Pilot Program (Sec 12025):** RMA is continuing to evaluate options for addressing the Farm Bill requirement to develop a pilot program for camelina. A study of the feasibility of including camelina under the existing pasture, rangeland and forage concept indicated that while camelina could be suitable for inclusion, the industry does not appear to be mature enough for inclusion at this time. In addition, RMA's own interactions with producers suggested that their interest was in an individual production

based policy. RMA has included camelina as a crop to be studied further in a study of the feasibility of insuring dedicated energy crops, which is currently in the process of being awarded.

**Sesame Pilot Program (Sec 12025):** The Farm Bill called for development and implementation of an insurance program for sesame production in Texas. A contract to develop a production based policy was awarded to Promar on January 6, 2009. The proposed Actual Production History Sesame pilot crop insurance program was approved by the Federal Crop Insurance Corporation Board of Directors for selected counties in Texas and Oklahoma on November 19, 2009. The APH-Sesame pilot will be effective for crop year 2011, pending identification of pay-go offsets for Oklahoma. Sufficient pay-go offsets have been located, so the Sesame APH pilot will be initiated for the 2011 crop year.

**Grass Seed Pilot Program (Sec 12025):** The Farm Bill directed development and implementation of a policy for Grass Seed production in Minnesota and North Dakota. A contract to develop a production based policy was awarded to Watts and Associates on March 27, 2009. The Federal Crop Insurance Corporation approved referral of proposed program materials to expert review on November 19, 2009. Final action by the FCIC Board of Directors is anticipated for early 2010.

**Risk Management Education for Beginning Farmers and Ranchers (Sec 12026):** Special emphasis was put on this activity beginning with the 2009 Outreach Partnership Agreements.

**Declining Yield Report (Sec 12030):** The Farm Bill required reports to the appropriate Congressional committees containing details about activities and options that address declining yields for APH histories and perennial crops including Pecans. Two reports are being developed, one that focuses on the specific issues of perennial crops (including Pecans), and a second that focuses on declining yield issues for annual and perennial crops. The report specific to perennial crops including Pecans has been completed and was submitted by the Department to the Senate and House Agriculture Committees. The second report on declining yield issues for annual and perennial crops should be complete by May 15, 2010.

**Tobacco Definition of Basic Unit (Sec 12031):** The final rule was published on 3/26/2009.

**Crop Insurance Mediation (Sec 12032):** A final rule was published 2/26/2009.

**Livestock Indemnity Program (LIP) (Sec 12033):** A final rule was published in the *Federal Register* on July 2, 2009. Producers were able to begin applying for benefits on July 13, 2009. For livestock losses that occurred from January 1, 2008 to July 13, 2009, producers had until September 13, 2009 to file a notice of loss with their local FSA office. For livestock losses occurring after July 13, 2009, producers have 30 days from the date the death becomes apparent to file a notice of loss. A manual enrollment process is being used.

**Emergency Assistance for Livestock (ELAP) (Sec 12033)**: A final rule was published in the *Federal Register* on September 11, 2009. Producers were able to begin applying for benefits on September 14, 2009.

**Livestock Forage Program (LFP) (Sec 12033)**: A final rule was published in the *Federal Register* on September 11, 2009. Producers were able to begin applying for benefits on September 14, 2009.

**Supplemental Revenue Assistance Program (SURE) (Sec 12033)**: A final rule was published in the *Federal Register* on December 28, 2009. Producers were able to begin applying for benefits on January 4, 2010 for 2008 crop losses.

**Tree Assistance Program (TAP) (Sec 12033)**: A final regulation is under development in FSA. The target publication date is the spring of 2010.

#### **TITLE XIV – Miscellaneous**

**Office of Advocacy and Outreach (Sec 14013)**: The FY 2010 appropriations bill provided \$1.7 million to establish the Office of Advocacy and Outreach (OAO). In addition, OAO will receive \$20 million provided by the 2008 Farm Bill for the 2501 Grants Program (previously managed by NIFA); \$4 million for the section 14204 Grants Program of the 2008 Farm Bill for agricultural labor force improvements that was transferred from RD; and an estimated \$5.7 million in reimbursements for programs previously managed by the Office of Civil Rights (1890 and 1994 programs) and ARS (Hispanic Serving Institutions Program). This funding will allow OAO to begin efforts to lead USDA's outreach efforts for small, beginning, and socially disadvantaged producers. OAO will be responsible for: overseeing the Advisory Committees on Minority Farmers and Beginning Farmers and Ranchers; administration of the Outreach to Socially Disadvantaged Farmers Grant Program (2501 Grants Program); overseeing the activities of the Office of Small Farms Coordination and the Farm Worker Coordinator; managing the 1994, 1890, and Hispanic Serving Institutions Programs; and other outreach functions.

**Race, Ethnicity, and Gender (REG) Data Collection (Sec 14006)**: ASCR is moving forward on efforts begun in conjunction with Section 10708 of the 2002 Farm Bill to initiate Department-wide collection authority for RESNODA data. A working group has been formed consisting primarily of the Service Center Agencies (SCA), which includes Rural Development, Natural Resources Conservation Service, and the Farm Service Agency. The Risk Management Agency (RMA) is also participating. The working group has been meeting to draft the information collection package and associated Departmental regulation.

**Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers (OASDFR) (Sec 14004)**: OASDFR was transferred from NIFA to the Office of Advocacy and Outreach on October 1, 2009.

**Cotton Classification User Fee Increase (Sec 14201)**: Provided permanent authority for cotton classification services and allowed USDA to enter into leases of longer than 5 years or take title to property for the purpose of obtaining cotton classification facilities. The 2009 user fee for grower's cotton classification service will be increased, as determined by a new method allowed in the Farm Bill. The final rule was published June 4 with a July 1, 2009 effective date.

**Cotton Research & Promotion (Sec 14202)**: The provision adds Kansas, Virginia, and Florida to the definition of a cotton-producing state to be included in the Research and Promotion's State Support Program. A hearing on the proposed rulemaking was held at USDA on December 5, 2008. On October 5, 2009, the *Federal Register* published a proposed rule and final referendum requirements. The referendum was held October 13, 2009 through November 10, 2009. On January 25, 2010, AMS announced that the amendments were approved in the referendum. A final rule is being prepared.

**Definition of Central Filing System Regulations (Sec 14215)**: The provision amends Section 1324(c)(2) of the Food Security Act of 1985 (7 U.S.C. 1631(c)(2)) commonly referred to as the "Clear Title Program" to allow States to maintain a master debtor list with a SSN or EIN number and provide a method for lien searches. A proposed rule is under development.

## TITLE XV – Trade & Tax

**Qualified Forestry Conservation Bonds (Sec 15306)**: The Internal Revenue Service has published a public notice soliciting applications for authority to issue qualified forestry conservation bonds. The notice was published on August 22<sup>nd</sup> and eligible entities have 60 days to file an Expression of Interest with the IRS. The Forest Service worked with Dept. of Treasury on developing the notice.

**Comprehensive Study of Biofuels (Sec 15322)**: Requires Treasury, Agriculture, Energy, and the Environmental Protection Agency to contract with the National Academy of Sciences (NAS) for the study. A contract with NAS was signed in September, 2009, and is expected to be completed over the next two years. In early December NAS announced the roster of the Committee on Economic and Environmental Impacts of Increasing Biofuel Production. The first meeting of the committee was held on January 15 and 16, 2010, in Washington D.C. A report is expected in approximately 19 months.

At the first meeting, the committee concluded that additional expertise is needed to carry out the tasks. As a result, four new members have been appointed to the committee.