

**Statement by
James Miller
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Before the Subcommittee on General Farm Commodities and Risk Management,
Committee on Agriculture, U.S. House of Representatives
June 25, 2009**

Chairman Boswell, Ranking Member Moran and distinguished members of the Subcommittee, I appreciate the opportunity to discuss the programs delivered by my mission area in the U.S. Department Agriculture (USDA). As Under Secretary for Farm and Foreign Agricultural Services (FFAS), I oversee three agencies: the Risk Management Agency (RMA), the Farm Service Agency (FSA), and the Foreign Agricultural Service (FAS). Specifically, I would like to take this opportunity to provide you an update on USDA's implementation the Title I provisions of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) and other provisions in my mission area that are of interest to this Subcommittee.

2008 FARM BILL IMPLEMENTATION

One of my top priorities is ensuring that the 2008 Farm Bill is implemented as expeditiously as possible following the intent of Congress as enacted in the statute. As a farmer I understand firsthand the importance of proper implementation of farm programs. Farm programs should be implemented in a way that Congress intended, protects taxpayer's investment, and is equitable to America's farmers and ranchers. As public servants we must remember that the manner we implement farm programs affects the livelihoods of producers.

Some of you may remember me from my former life as a staff member of the Senate Budget Committee. In that capacity I have provided assistance to Congress as it crafted numerous pieces of legislation. During that time, I gained a tremendous amount of appreciation for the work and dedication of the members of this Subcommittee. Your efforts created a Farm Bill that provides new options for producers to manage risk, strengthens our nutrition programs and expands our energy programs. However, this is my first time representing FFAS to discuss implementation of the Farm Bill enacted by Congress. I have been amazed and pleased by the dedication and expertise of the USDA employees who are crafting the regulations necessary to implement the 2008 Farm Bill. Their attention to detail and willingness to work long hours is paying dividends, regulations implementing the disaster assistance and other provisions of the Farm Bill are being expedited and I will talk more about that later.

Payment Eligibility and Payment Limits

In keeping with President Obama's pledge to make government more transparent, inclusive, and collaborative, Secretary Vilsack reopened and extended the comment period for the payment eligibility and payment limits interim regulation, which was published in the Federal Register on December 29, 2008. Reopening this regulation allowed farmers and other interested parties the ability to offer input on a topic that affects producers across the United States. The comment period ended April 6, 2009 and FSA received 5,060 comments. Comments are currently being analyzed and a decision on what, if any, changes will be made in the final rule effective for 2010. The final rule will ensure that our policies follow Congressional intent and are sound, consistent, and fair to all producers.

We also reversed the decision to terminate base acre eligibility on federally-owned land. Without the change, it would have resulted in renters of the land being ineligible to participate in Direct and Counter-cyclical Payments (DCP) or the Average Crop Revenue Election (ACRE) programs on that land. This would have caused an unintended economic impact on private operators.

Average Crop Revenue Program (ACRE)

In order to help farmers better manage their risks, the 2008 Farm Bill created the Average Crop Revenue Program (ACRE) a new, optional revenue-based counter-cyclical program. Farmers are provided the choice between enrolling in the traditional commodity programs or ACRE. Signup for ACRE began on April 27, 2009, and continues until August 14, 2009. As of June 10, 2009, 478 farms have elected and been approved to participate in ACRE. Because ACRE is a new program, many producers may be waiting until later in the summer to decide whether to enroll.

Ten Acres or Less

The 2008 Farm Bill eliminates direct payments, counter-cyclical payments, or ACRE payments to producers on farms with 10 base acres or less unless the farmer is a socially disadvantaged farmer or rancher, or a limited resource farmer or rancher. Last year FSA prohibited producers from aggregating or combining farms with fewer than 10 base acres using the reconstitution process, in order to create a farm with more than 10 acres of base; thereby making it eligible for payments.

On November 11, 2008, FSA amended its Handbook on Policy and Guidance for reconstitutions to remove the restrictions that had been put in place prohibiting the combination of farms with fewer than 10 acres of base. Following that amendment, farms with fewer than 10 base acres may be combined, provided all other rules governing reconstitutions are met.

Marketing Assistance Loans and Loan Deficiency Payments

The 2008 Farm Bill contained modifications to the marketing assistance loan and loan deficiency payment provisions. These programs support eligible producers of grains, oilseeds, cotton, pulse crops, honey, wool and mohair. Regulations implementing these programs were published on April 7, 2009. New loan repayment rate provisions, including a mandatory option based on average market prices of the previous 30 days, and a discretionary option based on a five day moving average of market prices (for most commodities), were implemented on April 15, 2009.

Dairy

As everybody knows, the dairy industry has been one of the hardest hit sectors of agriculture. Dairy producers have been caught between high input costs and depressed prices. For example, April 2008 milk prices averaged \$18 per hundredweight (cwt). This spring, producers were receiving less than \$12 per cwt. In order to provide assistance as quickly as possible, FSA published regulations re-authorizing the revised Milk Income Loss Contract (MILC) program on December 4, 2008. MILC compensates dairy producers when domestic milk prices fall below a specified level adjusted by a percentage of the national average dairy feed ration cost. MILC program signup began December 22, 2008. On April 1, 2009, FSA began issuing MILC program payments to dairy producers. As of June 11, 2009, over \$405 million had been issued to dairy producers through the MILC program.

In addition to MILC, USDA has purchased over 250 million pounds of nonfat dry milk (NDM) under the Dairy Product Price Support Program. Secretary Vilsack has announced that approximately 200 million pounds of NDM will be transferred from the Commodity Credit Corporation to USDA's Food and Nutrition Service for use in domestic feeding programs.

Finally, on May 22, 2009, USDA announced the reactivation of the Dairy Export Incentive Program (DEIP) for the export of 150 million pounds of nonfat dry milk, 47 million pounds of butterfat, and 7 million pounds of cheese. The market-disruptions caused by the reintroduction of dairy export subsidies by the European Union left the United States with little choice in order to keep our domestic dairy industry from being artificially displaced by EU products in certain key markets. DEIP was reauthorized under the 2008 Farm Bill and helps U.S. exporters meet prevailing world prices and encourages the development of international export markets in areas where U.S. dairy products are not competitive due to subsidized dairy products from other countries. Since announcement of the DEIP to date (June 12, 2009), bonuses for the export of 16 million pounds of nonfat dry milk and 42,000 pounds of cheese have been awarded.

Rice

The 2008 Farm Bill required that base acres of rice on a farm be apportioned or divided between long grain rice and medium grain rice. Owners completed their desired designations by June 1, 2009.

Planting Transferability Pilot Project (PTPP)

A new program in the 2008 Farm Bill is the Planting Transferability Pilot Project (PTPP). This program permits cucumbers, green peas, lima beans, pumpkins, snap beans, sweet corn, and tomatoes to be planted on base acres enrolled in DCP or ACRE, if the crop is grown for processing. FSA administered signup for PTPP during the period of February 3 to March 2, 2009. As a result of the 2009 signup, we received requests for participation on 11,000 base acres. The 2010 sign-up period for PTPP will begin on December 1, 2009 and end on March 1, 2010.

Farm Storage Facility Loans (FSFL)

In addition to the commodity programs contained in the 2008 Farm Bill, FSA also administers the Farm Storage Facility Loan Program (FSFL). The 2008 Farm Bill contained modifications to FSFL which authorized loans to be made for additional types of commodities, including biomass intended for biofuel production. FSA is continuing to make loans under the prior authorities and is developing program regulations to fully implement the new authorities. Currently, FSA is in the process of conducting an environmental assessment of FSFL under the National Environmental Policy Act (NEPA). Two public meetings were held in April 2009 as required by NEPA. The assessment is scheduled for completion this year.

Disaster Assistance

One of the biggest changes in the 2008 Farm Bill is the creation of a standing disaster program. However, a disaster program that is not implemented provides no assistance. That is why one of my top priorities as Under Secretary is making sure that the disaster programs are implemented as quickly as possible.

I have asked FSA to expedite implementation of all aspects of the Supplemental Agricultural Disaster Assistance provisions of the 2008 Farm Bill. In order to implement these programs as quickly as possible, I have instructed FSA to implement these programs individually instead of waiting until all the programs are ready before allowing sign-up for any program. Sign-up for the three livestock-related programs – the Livestock Indemnity Program, Livestock Forage Program, and the Emergency Livestock Assistance Program—will begin soon. Signup for the Supplemental Revenue Assistance Program – the crop-focused counterpart to the livestock programs I just mentioned – will begin later in the calendar year.

As I visit with farmers and ranchers from all parts of the United States who have suffered varied disasters, I fully understand the need to provide assistance as quickly as possible.

Crop Insurance

In administering the Federal Crop Insurance Program, RMA has completed several requirements laid out by the 2008 Farm Bill, and made significant strides toward satisfying the rest. Several programmatic changes were made immediately.

As required by the 2008 Farm Bill prior to July 1, 2008, the administrative and operating expense reimbursement paid to approved insurance providers was reduced by 2.3 percentage points, the Catastrophic Coverage (CAT) loss adjustment reimbursement rate was reduced from 8 percent to 6 percent, and the CAT fee charged to producers was increased from \$100 to \$300. Also, in January 2009 the Federal Crop Insurance Corporation (FCIC) Board of Directors approved and implemented a new process for the submission of proposed new products under Section 508(h).

RMA has contracted for studies to research and develop many of the programs required by the 2008 Farm Bill. These include contracts for crops like switch grass and camelina, the development of a pilot program for sesame production, and development of a pilot program for grass seed production in Minnesota and North Dakota. In addition, RMA is currently pursuing studies to evaluate a skiprow cropping practice for corn and sorghum, and an apiary pilot program. Lastly, RMA is working on the price election for grain sorghum.

RMA has awarded a contract for a study of current underwriting, pricing and rating (surcharge) methods applicable to organic production practices. The preliminary price report is due to RMA in the very near future. RMA is also in the process of finalizing reports related to ongoing evaluations and issues tied to perennial crops and declining Actual Production History (APH) yields.

RMA is also preparing for the possibility of a renegotiation of the 2011 Standard Reinsurance Agreement (SRA). The agency is currently examining the issues, options and alternatives that could be considered within the next SRA, consistent with the President's budget proposal, recommendations in the recent Government Accountability Office (GAO) report on potential savings opportunities, and guidance suggested within the 2008 Farm Bill. To be successful, RMA needs maximum flexibility in its ability to address appropriate savings opportunities while ensuring the integrity of the farm safety net and crop insurance delivery system. As provided in the 2008 Farm Bill, the committees will be briefed prior to beginning negotiations.

Farm Credit

For many struggling farmers and ranchers USDA's farm loans provide support to family farmers to continue farming. During economic turmoil these programs become even more important. USDA's farm credit programs provide credit when certain disadvantaged farmers and ranchers, as defined by statute, are unable to obtain credit from commercial sources.

This year USDA has experienced loan demand increases that we have not seen in over 20 years. In some categories demand has increased by over 80 percent from last year. As of May 30, 2009, 45 percent of direct operating loan applications are from new customers; normally, this number is around 20 percent. To provide some perspective; through June 15th of this fiscal year we have obligated \$3.15 billion; last year we obligated \$2.44 billion during the same time period. The funding provided by the American Recovery and Reinvestment Act of 2009 allowed us to provide assistance to 2,636 farmers.

In addition to the increases in the amount of dollars obligated this fiscal year, there is an additional \$400 million in approved applications that are waiting for funding. Funding provided by the Supplemental Appropriations Act of 2009 will allow the agency to provide assistance to these additional, approved applications. FSA will ensure that this additional funding goes to producers as soon as possible.

Conservation Reserve Program (CRP)

In addition to commodity programs, disaster programs, and farm loans, FSA also administers the Conservation Reserve Program (CRP). The 2008 Farm Bill included several changes to the CRP. These changes are scheduled to be implemented through two rules; first we will issue a rule that will implement new statutory provisions. This will include provisions addressing the expansion of eligible land for the Farmable Wetlands Program, the 32 million acre enrollment cap, the addition of cost-share payments for tree thinning, and changes to income limits for determining eligible producers.

The second rule will implement those provisions that require an Environmental Impact Statement (EIS), including updating crop history eligibility to include four of the last six years between 2002 and 2007; exempting Conservation Reserve Enhancement Program (CREP) and continuous CRP acres from the county enrollment cap of 25 percent of cropland; transition incentives for beginning, socially disadvantaged, and limited resource farmers and ranchers; and routine grazing. The second rule is scheduled to be published when the EIS is completed.

The 2008 Farm Bill mandated that no more than 32 million acres are enrolled in CRP. In 2009, 3.9 million acres of CRP are scheduled to expire. In an effort to maintain a vigorous CRP within the congressionally mandated CRP cap, FSA is offering extensions for the 1.5 million acres that fall within the top 30 percent of the environmental benefits index, or have an Erodibility Index of 15 or greater. This will more tightly focus CRP on lands that truly need conservation assistance. Based on previous CRP extensions, approximately 1.2 million acres are expected to be extended for three to five years.

A general CRP signup is not scheduled for fiscal year 2009. However, producers may continue to enroll relatively small, highly desirable acreages, including land that is not extended, into the continuous CRP.

Energy

On May 5, President Obama asked USDA to expedite the biofuels provisions of the energy title of the 2008 Farm Bill within 30 days, including the following:

- Providing loan guarantees and grants for biorefineries;
- Expediting funding to encourage biorefineries to replace the use of fossil fuels in plant operations;
- Expediting funding to encourage production of next-generation biofuels;
- Expanding the Rural Energy for America Program; and
- Providing guidance and support for collection, harvest, storage, and transportation in biomass conversion facilities.

I am pleased to say that USDA met its 30-day deadline to help produce more energy from homegrown, renewable sources. The programs highlighted by President Obama included a component of the Biomass Crop Assistance Program (BCAP) a program which is under my purview. FSA rose to the task and developed a Notice of Funding Availability to implement certain provisions of BCAP for fiscal year 2009. The notice was published in the Federal Register on June 11, 2009. FSA is continuing with the development of regulations to permanently implement the program.

The funding that was made available for BCAP provides compensation for the collection, harvest, storage, and transportation of biomass intended to meet the country's energy needs in a more sustainable manner. The program will provide financial assistance for delivery of eligible biomass material to conversion facilities that use biomass for heat, power, bio-based products or biofuels. FSA will provide matching payments for collecting, harvesting, storing and transporting eligible materials at a rate of one dollar for each dollar per dry ton paid by a qualified biomass conversion facility for the biomass. The matching payments will not exceed \$45 per ton and material providers will be eligible for up to two years of payments.

IT Stabilization/Modernization

Aging information technology, infrastructure and equipment at FSA adversely impacts, and ultimately threatens the ability to reliably deliver fundamental services to farmers, ranchers and producers. IT modernization will foster applications and systems that build upon business process transformation to provide a faster, more secure and more accurate means to deliver services to our FSA customers.

Our Stabilization initiative is adding stability to the existing IT infrastructure used to deliver and support FSA customers today. However, it also supports the modernization effort by helping to lay the foundation for the IT modernization that will follow.

The combination of Farm Bill funding and Recovery Act funds will allow FSA to continue progress toward the goal of improving the delivery of farm program benefits, enhancing the security of producer information, and ensuring the integrity of taxpayer dollars used by FSA in support of America's farmers, ranchers and producers.

CONCLUSION

I recognize the decisions that we make in Washington affect the livelihood of America's farmers and ranchers and I am committed to ensuring that the Farm Bill provisions under my mission area are implemented properly and as quickly as possible.

I appreciate the opportunity to testify before this Subcommittee today, and I look forward to working with you, Mr. Chairman, Mr. Ranking Member, and all the members of this Subcommittee as we continue our hard work to ensure that USDA is responsive to the needs of American agriculture. This concludes my statement. I will be glad to answer questions you may have.