

**IMPLEMENTING THE AGRICULTURAL ACT OF  
2014: COMMODITY POLICY AND CROP  
INSURANCE**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
GENERAL FARM COMMODITIES  
AND RISK MANAGEMENT  
OF THE  
COMMITTEE ON AGRICULTURE  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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# **IMPLEMENTING THE AGRICULTURAL ACT OF 2014: COMMODITY POLICY AND CROP INSURANCE**

**THURSDAY, MARCH 26, 2015**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON GENERAL FARM COMMODITIES AND RISK  
MANAGEMENT,  
COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The Subcommittee met, pursuant to call, at 9:02 a.m., in Room 1300 of the Longworth House Office Building, Hon. Eric A. “Rick” Crawford [Chairman of the Subcommittee] presiding.

Members present: Representatives Crawford, Lucas, Neugebauer, Gibbs, Austin Scott of Georgia, Denham, LaMalfa, Allen, Abraham, Conaway (*ex officio*), Walz, Graham, Ashford, and Kirkpatrick.

Staff present: Bart Fischer, Callie McAdams, Jackie Barber, Jessica Carter, Matt Schertz, Mollie Wilken, Skylar Sowder, Ted Monoson, Faisal Siddiqui, John Konya, Anne Simmons, Mike Stranz, and Nicole Scott.

## **OPENING STATEMENT OF HON. ERIC A. “RICK” CRAWFORD, A REPRESENTATIVE IN CONGRESS FROM ARKANSAS**

The CHAIRMAN. This hearing of the Subcommittee on General Farm Commodities and Risk Management, regarding the implementation of the Agricultural Act of 2014 as it relates to commodity policy and crop insurance, will come to order.

I want to welcome our witnesses, Administrator Willis and Administrator Dolcini. Thank you for being here, gentlemen, and thank you for all of the good work that you have done so far in implementing the farm bill.

By Tuesday of next week, most farmers across the country will have made the choices that we offered them under the farm bill. This will be the capstone on a long and challenging process that began here in 2010 before I was even elected, and did not wrap up until February 7, 2014, when the farm bill was finally signed into law.

While the 2014 Farm Bill was drafted during a period of record-high prices, producers are now experiencing a staggering 43 percent drop in net farm income. Current conditions are going to test the farm bill and its ability to mitigate and respond to growing financial stress in farm country. I firmly believe that the situation calls for the farm bill to be implemented in the most farmer-friendly manner possible within the limits of the law.

The good news is that, despite some bumps along the way, both of you and your agencies have worked overtime to ensure that the provisions of the farm bill are implemented in the best way possible for the farmers and ranchers it was intended to serve. And we thank you for your hard work. However, some serious issues remain that we hope can still be avoided, and we believe you have the power to head them off.

Each Member around this dais probably has an example of problems his or her constituents face that can be averted through proper implementation, and I have three that I hope we can solve together.

First, USDA has the authority to address an issue that is impacting all cotton marketing, whether through cooperatives, private merchants, or direct farmer marketing. The situation threatens to seriously erode support for cotton farmers when that support is already threadbare and chronically low prices continue to pose an existential threat to farming cotton in the United States. In Arkansas alone, cotton acreage is expected to be down 40 percent this crop year after record low plantings in previous years, due, in part, to communist China and other countries propping up their own domestic production through rich subsidies and protections, the worldwide market has become artificially depressed, and this is harming American producers. And that is why report language was added to the Fiscal Year 2015 appropriations bill directing USDA to fix the problem. A legislative fix was unnecessary because the cost reduction options in permanent law already provide authority to correct the problem before it becomes even more serious. In this case, an ounce of prevention truly is worth a pound of cure.

Second, is the proposed rule on actively engaged. The rulemaking required under the farm bill authorized USDA to consider establishing limits on the number of farm managers for various kinds of farming operations. I didn't like the provision in the farm bill in the first place, but I took some comfort in the idea that the rule would be implemented in a flexible way, fully recognizing the variety of farming operations today, but limiting the number of managers on a farm to one, two, or a maximum of three managers is truly arbitrary and capricious, and ignores the remarkable diversity and complexity in agriculture today.

Finally, I know that there is ongoing work to provide rice producers and others a margin coverage insurance policy. As you know, coverage levels and participation rates among rice producers have been very low compared to other crops because the irrigated nature of rice production prevents any yield variability. Margin coverage is meant to help address this problem. We also specifically listed rice in the crop insurance title of the farm bill as an underserved commodity to focus RMA's attention on the risk management needs of rice producers. After years of low participation and recent news that basic revenue protection will not be available this year to rice producers, I hope you will do all you can to ensure that this new margin product works for rice producers, in particular.

These three concerns that I register are not meant to take away from my compliments to both of you on your overall handling of implementation. I have been impressed by your work. Rather, I bring these issues to your attention to highlight their importance to me,

my constituents, and many of my colleagues. I hope we can work together to solve these problems before they become a lot worse.  
[The prepared statement of Mr. Crawford follows:]

PREPARED STATEMENT OF HON. ERIC A. "RICK" CRAWFORD, A REPRESENTATIVE IN  
CONGRESS FROM ARKANSAS

I want to welcome our witnesses, Administrator Willis and Administrator Dolcini. Thank you for being here, gentlemen, and thank you for all of the good work that you have done so far in implementing the farm bill.

By Tuesday of next week, most farmers from across the country will have made the choices that we offered them under the farm bill. This will be the capstone on a long and challenging process that began here in 2010 before I was even elected and did not wrap up until February 7, 2014, when the farm bill was finally signed into law.

While the 2014 Farm Bill was drafted during a period of record-high prices, producers are now experiencing a staggering 43 percent drop in net farm income. Current conditions are going to test the farm bill and its ability to mitigate and respond to growing financial stress in farm country.

I firmly believe that the situation calls for the farm bill to be implemented in the most farmer-friendly manner possible within the limits of the law.

The good news is that, despite some bumps along the way, both of you have worked overtime to ensure that the provisions of the farm bill are implemented in the best way possible for the farmers and ranchers it was intended to serve. And we thank you for your hard work.

However, some serious issues remain that we hope can still be avoided, and we believe you have the power to head them off.

Each Member around this dais probably has an example of problems his or her constituent's face that can be averted through proper implementation. And I have three that I hope we can solve together.

First, USDA has the authority to address an issue that is impacting all cotton marketing, whether through cooperatives, private merchants, or direct farmer marketing. The situation threatens to seriously erode support for cotton farmers when that support is already threadbare and chronically low prices continue to pose an existential threat to farming cotton in the United States. In Arkansas alone, cotton acreage is expected to be down 40 percent this crop year after record low plantings in previous years. Due, in part, to communist China and other countries that are propping up their own domestic production through rich subsidies and protections, the worldwide market has become artificially depressed and this is harming American producers.

And that is why report language was added to the Fiscal Year 2015 appropriations bill directing USDA to fix the problem. A legislative fix was unnecessary because the cost reduction options in permanent law already provide authority to correct the problem before it becomes even more serious. An ounce of prevention is truly worth a pound of cure.

Second, is the proposed rule on actively engaged.

The rulemaking required under the farm bill authorized USDA to consider establishing limits on the number of farm managers for various kinds of farming operations. I did not like the provision in the farm bill in the first place, but I took some comfort in the idea that the rule would be implemented in a flexible way, fully recognizing the variety of farming operations today. But limiting the number of managers on a farm to one, two, or a maximum of three managers is truly arbitrary and capricious and ignores the remarkable diversity and complexity in agriculture today.

Finally, I know that there is ongoing work to provide rice producers and others a margin coverage insurance policy. As you know, coverage levels and participation rates among rice producers have been very low compared to other crops because the irrigated nature of rice production prevents any yield variability. Margin coverage is meant to help address this problem. We also specifically listed rice in the crop insurance title of the farm bill as an under-served commodity to focus RMA's attention on the risk management needs of rice producers. After years of low participation and recent news that basic revenue protection will not be available this year to rice producers—I hope you will do all you can to ensure that this new margin product works for rice producers, in particular.

These three concerns that I register are not meant to take away from my compliments to both of you on your overall handling of implementation. I have been impressed by your work. Rather, I bring these issues to your attention to highlight

their importance to me, my constituents, and many of my colleagues. I hope we can work together to solve these problems before they become a lot worse.

I would now like to recognize my friend and Ranking Member for any comments he would like to make.

The CHAIRMAN. I would now like to recognize my friend and Ranking Member for any comments he would like to make.

**OPENING STATEMENT OF HON. TIMOTHY J. WALZ, A  
REPRESENTATIVE IN CONGRESS FROM MINNESOTA**

Mr. WALZ. Well, thank you, Chairman Crawford, and I would like to congratulate you on your chairmanship. We are certainly looking forward to working with you. You have a strong reputation of bipartisan problem solvers, so I am grateful to be working with you. I look forward to working with the rest of the Subcommittee here.

I am very proud of the work we did on the farm bill. This Committee scrambled through and found a way to put together a farm bill that we are hearing in the early stages is working. The farm programs are now more needs-based, there are stronger links to conservation initiatives, and we found budget savings in the process. The farm bill was well worth the effort we went through, and it is these Members sitting here that worked with their constituents to make it happen.

Now, it is our job to make sure we get it right. Implementation is the main focus. Getting the bill done, getting it through and getting it signed was one part. And the two of you have a big part to play in that. I know you have a lot on your plate, but I do want to say and echo the comments of my Chairman that the producers in southern Minnesota have very favorable comments, and I would like to pass along to both of you, and especially those rank and file FSA employees who have been out there working long hours. It is very much appreciated, and we are hearing that.

There are just a few days left, and I am going to use this as my public service announcement, we have a few days left on ARC and PLC, so let us get those finalized. And mainly what I am hearing is it is tracking down landowners, and it is making sure people know that I am very grateful for a very complicated and important choice for farmers. They have resources in you, and in the truest sense, you have been partners, as it should be, of helping producers do what they do best; feed, clothe, and fuel the world.

The farm bill paves the way for new crop insurance policies, and this one I am really looking forward to because we put an emphasis on some of our young and beginning farmers and ranchers, and I would like to hear a little bit about that today. I would also like to hear a little on conservation compliance. Farmers want to do more to maintain healthy soil, and if there is anything we can do, we should incentivize to do that. And I want to hear about some things, I have always sat up here and talked about things like cover crops and how we encourage that, and see if there are some of those things that are working.

So as we begin this first Subcommittee hearing, I am hopeful we will hear about how the policies are working. Again, Chairman Crawford summed it up right; it is our job to find those things

what we can do better on, and get some feedback, and take that out and see if we can implement those.

So, Mr. Chairman, thank you for holding this hearing, and I look forward to hearing from our witnesses.

The CHAIRMAN. Thank you, Ranking Member, and I appreciate the opportunity to work with you again this year.

I have time to recognize that Chairman Conaway, Chairman of the full Committee, rather, he is not here so I will defer and move on, and we will recognize him when he arrives. I just want to request that Members submit their opening statements for the record so witnesses may begin their testimony, to ensure there is ample time for questions. The chair would like to remind Members they will be recognized for questioning in order of seniority, for Members who were present at the start of the hearing, after that, Members will be recognized in order of their arrival. I appreciate Members' understanding.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN  
CONGRESS FROM TEXAS

Mr. Chairman, thank you for holding this important hearing.

As you know, I chaired this Subcommittee for a number of years, and I cannot think of a better successor than you. I know you care deeply about the policies under the jurisdiction of this Subcommittee and the farmers and ranchers that these policies are designed to serve.

I mainly want to echo the Chairman's statement. Administrator Willis and Administrator Dolcini deserve our thanks for all of the good work that they have done so far.

Former Administrator Juan Garcia, a fellow Texan and a friend, is also owed a debt of gratitude for all of his years of distinguished service and for the heavy lifting he did early on to get farm bill implementation off on the right track.

There are, as the Chairman said, some issues that still present serious challenges as farm bill implementation moves forward. Fortunately, there is still time to make sure that these little challenges do not have time to become big ones.

I fully concur with the three issues the Chairman stressed in his opening remarks and I add a couple of others to the list.

First, as Chairman Emeritus Frank D. Lucas remarked during an earlier hearing, we need to address the cover crop issue. If you want producers to plant a cover crop as good stewards of the land, this is one of the most important ways of accomplishing that objective. It will also help deal with some of the more difficult circumstances facing producers in my part of the country.

I recognize that this may involve the agency changing course from some of its past decisions. But those past decisions were based on a completely decoupled commodity title. The circumstances have changed some. The farm bill gave you discretion here and I would hope that you would use that discretion to make this happen. It is the right thing to do.

Second, just as encouraging the use of cover crops is a smart move if you want to promote conservation, so is not sending artificial signals to producers to plant one crop over another, especially when agronomic and market conditions would send the opposite signals. We face that possibility right now where USDA could assign yields for crops in counties that are, frankly, totally out of whack with reality. I have discussed this issue at length with USDA and believe you want to do the right thing here. I just want to offer some extra encouragement.

Thanks again to our witnesses for their good work so far. I hope you will work with us on these and other issues. With that, Mr. Chairman, I look forward to a productive hearing.

The CHAIRMAN. Witnesses are reminded to limit their oral presentations to 5 minutes. All written statements will be included in the record.

With that, I am pleased to recognize Mr. Brandon Willis, Administrator of the Risk Management Agency, United States Depart-

ment of Agriculture in Washington, D.C. Mr. Willis, you are recognized for 5 minutes.

**STATEMENT OF BRANDON WILLIS, ADMINISTRATOR, RISK MANAGEMENT AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Mr. WILLIS. Thank you very much. Chairman Crawford, Ranking Member Walz, and Members of the Subcommittee, I am pleased to discuss the Risk Management Agency's implementation of the 2014 Farm Bill.

I am pleased to report we have accomplished implementation of almost every crop insurance provision. I would like to express my gratitude for the hard work performed by the employees of the Risk Management Agency. To have the vast majority of this farm bill available to farmers less than a year after passage speaks to the professionalism and dedication of these employees. I would also like to thank our partners who deliver the crop insurance program, the approved insurance providers. They have provided valuable input throughout the process that has led to an improved implementation, and their efforts throughout the process are appreciated.

While there is work to be done, farmers and ranchers are beginning to utilize some of these new crop insurance programs and options. The Supplemental Coverage Option, SCO, and Stacked Income Protection Plan for Cotton, STAX, were made available for the 2015 crop year. SCO is available for corn, cotton, cottonseed, grain sorghum, rice, soybeans, spring barley, spring wheat, and winter wheat in selected counties for the 2015 crop year, representing over 80 percent of the acres covered in the crop insurance program. RMA is looking to expand SCO to additional crops and additional counties next year.

The new STAX program for cotton producers is currently available for every county that had a crop insurance policy for cotton, representing 98 percent of the cotton acres in the United States. RMA released the APH yield exclusion insurance product for 11 spring crops, nearly  $\frac{3}{4}$  of all the acres and liability within the crop insurance program. We expect to expand the crops that are eligible for this provision next year as well.

Coverage Level by Practice and Enterprise Unit by Practice were available to farmers for the 2015 crop year, beginning with spring-planted crops. These new programs provide a farmer that produces a crop on both dryland and irrigated land the option to elect a different coverage level for each production practice or by enterprise unit. Coverage Level by Practice is now available for 36 crops. Enterprise Unit by Practice is available for 14 crops.

The Peanut Revenue Policy, which allows peanut farmers to cover their revenue, is now available. This policy was approved by the Federal Crop Insurance Corporation Board of Directors less than a year after passage of the farm bill.

The beginning farmers and ranchers incentives were made available to farmers and ranchers beginning last fall. These provisions make crop insurance more affordable for beginning farmers and ranchers by providing a ten percentage point reduction in pre-

mium, as well as a waiver of the catastrophic fees and additional administrative fees.

The farm bill required RMA to offer a product to cover diversified farms. RMA developed the Whole Farm Revenue Protection program, and the Federal Crop Insurance Board of Directors approved that last year. As a result, the whole farm program is now available in 45 states. To date, this option has been generally well accepted around the country.

RMA is also making progress on offering organic price selections for all crops as required in the 2014 Farm Bill. RMA has eliminated the organic surcharge, added price selections for over 20 crops, and created a contract price addendum, which is available for 62 crops. Last year, nearly ten percent of the organic policies utilized the contract price addendum in its first year. Overall, these changes have resulted in nearly a ten percent increase in the number of organic acres covered by crop insurance.

In an effort to ensure that producers continue to receive the crop insurance premium subsidy, RMA, with our sister agencies NRCS and Farm Service Agency, have been working to develop comprehensive guidelines for farmers so it will be easier for them to comply with USDA conservation compliance requirements. The three agencies work together to provide information to respective field offices, and develop material for all three agencies to inform customers of the new guidelines. Outreach efforts will continue this spring.

Crop insurance benefits producers and rural economies. It benefits those outside of rural economies by supporting a reliable and dependable food supply system. It provides a safety net that allows farmers access to credit, who may not be able to obtain credit otherwise. It protects farmers' bottom lines in a very volatile environment, but perhaps just as important, it provides peace of mind to producers who entire life's work, or perhaps the work of generations, will not be undone by one unfortunate weather event.

While the Federal Crop Insurance Program was already providing a strong safety net for producers, this farm bill made significant improvements that have been well received by America's farmers and ranchers.

I again thank you for inviting us here today, and I look forward to working with you. Mr. Chairman, I will be pleased to answer any questions that you or other Members of the Subcommittee may have.

[The prepared statement of Mr. Willis follows:]

PREPARED STATEMENT OF BRANDON WILLIS, ADMINISTRATOR, RISK MANAGEMENT AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Crawford, Ranking Member Walz, and Members of the Subcommittee, I am pleased to discuss the Risk Management Agency's implementation of the Agricultural Act of 2014 (the 2014 Farm Bill). As the Agency moves forward with implementation of the 2014 Farm Bill provisions, I am pleased to report to this Subcommittee that we have accomplished implementation of almost every crop insurance provision in the 2014 Farm Bill.

I would like to express my gratitude for the hard work performed by the employees of the Risk Management Agency and their great efforts in implementing the 2014 Farm Bill. Throughout all of the efforts of implementation, the regular business of the RMA was conducted as expected. Total program costs for the 2014 crop year, including premium subsidy and delivery expense reimbursement, will be ap-

proximately \$9 billion. Through the combined efforts of the agency and our private industry partners, appraisals and claims adjustments were made in a timely manner, indemnities were promptly paid, all while implementing new provisions of the 2014 Farm Bill.

#### **Implementation of the 2014 Farm Bill**

After just over 1 year since the passage of the 2014 Farm Bill, RMA has implemented almost all of the crop insurance provisions. From implementing the Actual Production History (APH) Yield Exclusion ahead of schedule to offering Whole Farm Revenue Protection for diversified farms, I am proud of the accomplishments RMA has achieved over the past year. While there is work to be completed, farmers and ranchers are now beginning to take advantage of the new crop insurance options.

The Supplemental Coverage Option (SCO) and Stacked Income Protection Plan for Upland Cotton (STAX) were made available for the 2015 crop year. SCO is available for corn, cotton, cottonseed, grain sorghum, rice, soybeans, spring barley, spring wheat, and winter wheat in selected counties for the 2015 crop year—representing over 80 percent of the acres covered in the Federal crop insurance program. RMA is looking to expand SCO to additional crops and counties for the 2016 crop year.

STAX is currently available for every county that had a crop insurance policy for cotton, representing 98 percent of cotton acres in the United States. RMA is looking to expand STAX to remaining cotton producing counties in the future.

One of the items we thought would not be accomplished for the 2015 crop year is the APH Yield Exclusion. However, RMA was able to develop and release the Actual Production History Yield Exclusion insurance product for 11 crops ahead of schedule. As a result, nearly  $\frac{3}{4}$  of all acres and liability in the Federal Crop Insurance Program will be covered under this new option for the 2015 crop year. I am especially grateful for the diligence of the employees of the Risk Management Agency for their hard work in implementing this farm bill and especially grateful that this program was partially implemented this crop year. We expect to expand the crops eligible for the 2016 crop year.

I am also pleased to report that Coverage Level by Practice and Enterprise Unit by Practice were developed and made available to farmers for the 2015 crop year, beginning with spring planted crops. These new programs provide a farmer that produces a crop on both dry land and irrigated land the option to elect a different coverage level for each production practice or by enterprise unit. Coverage Level by Practice is now available for 36 crops. Enterprise Unit by Practice is now available for 14 crops. These options will provide producers more options to tailor crop insurance for their specific needs.

Yet another program implementation is the Peanut Revenue Policy, which allows peanut farmers to cover their revenue. This policy was approved by the Federal Crop Insurance Corporation Board of Directors less than a year after the 2014 Farm Bill became law. Peanut farmers will now have the ability to manage risk for both yield and revenue losses.

The beginning farmers and ranchers incentives authorized in the 2014 Farm Bill were made available to farmers and ranchers for fall planted wheat in 2014. These provisions make crop insurance more affordable for beginning farmers and ranchers by providing a ten percent premium discount, as well as a waiver of the catastrophic and additional coverage administrative fees. In addition, these changes improve crop insurance for beginning farmers by allowing, in certain instances, production history from previous operations to be used, which provides beginning farmers and ranchers greater risk protection.

The 2014 Farm Bill required RMA to offer a product to cover diversified farms. Prior to the passage of the 2014 Farm Bill, RMA had already begun development of the Whole Farm Revenue Protection policy and the Federal Crop Insurance Corporation Board of Directors approved the policy shortly after the 2014 Farm Bill became law. As a result, Whole Farm Revenue Protection is available for purchase for the 2015 crop year. To date, this option has been generally well received when presented to specialty crop and organic growers around the country.

Whole Farm is well-suited for highly diverse farms and farms with specialty or organic commodities and provides for all farm revenue to be covered under one policy. It also allows for other Federal crop insurance policies to be purchased covering individual commodities of significant importance to the operation. Premium subsidy is available and depending on farm diversification, farms with two or more commodities, may receive a whole farm premium subsidy similar to other revenue plans of insurance.

RMA is also making progress on offering organic price election for all crops, as required in the 2014 Farm Bill. Since 2010, RMA has eliminated the organic surcharge, added price elections for over 20 crops, and created the contract price adden-

dum, which is available for 62 crops. Last year nearly ten percent of the organic policies utilized the price addendum in its first year. Overall, these changes resulted in nearly a ten percent increase in organic acreage covered by crop insurance. RMA staff and I have attended numerous farmer meetings and conferences to highlight the increased options for organic and specialty crop growers. In 2016 we will continue to aggressively increase the number of organic crops with price elections.

The 2014 Farm Bill linked the ability of a producer to receive a crop insurance premium subsidy to USDA highly erodible land (HEL) and wetland conservation (WC) compliance. For FSA and NRCS program participants, the rules regarding filing form AD-1026 have not changed. Producers who are participants in FSA's programs or NRCS's conservation programs, who already have an AD-1026 on file do not need to file a new form unless there are changes to the operation or new activities that occur that affect the person's certification.

In an effort to ensure that producers continue to receive the crop insurance premium subsidy, RMA worked with our sister agencies, the Natural Resource Conservation Service (NRCS) and the Farm Service Agency (FSA), to develop comprehensive guidelines for farmers so it will be easier for them to comply with USDA conservation requirements. The three agencies worked together to get information out to the respective field offices and develop material for all three agencies to inform our customers of the new guidelines. Outreach efforts will continue well into this spring.

Every one of the aforementioned farm bill items was completed less than 1 year after the passage of the 2014 Farm Bill and in time for each respective planting season because of the outstanding farm bill implementation work performed by employees of RMA.

#### **Conclusion**

I am pleased to report the progress RMA has made in implementing the 2014 Farm Bill. These farm bill changes have been well received by America's agricultural producers. Once the bill was signed into law, the Agency was determined to implement the provisions as promptly as possible to ensure that America's farmers and ranchers could benefit from the new risk management options. Crop insurance benefits producers and the surrounding rural economies to maintain their local economic infrastructure and helps to provide a reliable and abundant food supply.

Including the 2014 Farm Bill changes to safety net programs, the Federal Crop Insurance Program provides a \$9 billion safety net to producers through taxpayer supported investments. Again, thank you for inviting us here today and I look forward to working with you.

Mr. Chairman, I would be pleased to answer any questions that you and other Members of the Subcommittee may have. Thank you.

The CHAIRMAN. Thank you, Administrator Willis.

I am pleased to recognize our second witness today, Mr. Val Dolcini, Administrator, Farm Service Agency, U.S. Department of Agriculture. Mr. Dolcini, you are recognized for 5 minutes.

#### **STATEMENT OF VAL DOLCINI, J.D., ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.**

Mr. DOLCINI. Thank you, Mr. Chairman, and Members of the Subcommittee. I appreciate this opportunity to provide information on the Farm Service Agency's implementation of the 2014 Farm Bill.

We have implemented the farm bill programs in record time, providing safety net assistance to producers in every state within just a few months of the bill's passage. FSA's 10,000+ employees, pardon me, and over 2,000 local offices are working long hours to provide the most effective customer service possible to producers as we finalize the push to enroll producers in the new title I crop safety net programs.

FSA focused its efforts early last spring on implementing the Livestock and Tree Disaster Assistance Programs. These programs, which had been expired for nearly 3 years, were resumed approxi-

mately 60 days following enactment of the farm bill; 80 percent faster than in 2008. This assistance benefited a diverse array of producers who were hit hard by natural disasters, ranging from wildfire to drought. And FSA continues to process payments for 2012 through 2014 disaster programs, including the Livestock Forage Program, the Livestock Indemnity Program, the Emergency Assistance for Livestock, Honeybees and Farm-raised Fish, and Tree Assistance Programs. So far, FSA has issued approximately 600,000 payments to producers since last spring, totaling nearly \$5 billion.

The LFP program has accounted for the bulk of these payments, particularly to producers in the Plains States, but also for producers across the country who have suffered from extreme weather conditions. LIP payments are helping producers who incurred livestock deaths, such as those affected by the Atlas Blizzard that hit the Northern Plains in 2013. TAP payments are helping producers in Florida who are suffering from citrus greening, as well as orchard producers in other states across the country. And ELAP payments are helping many producers who do not benefit from other livestock disaster programs, including beekeepers suffering from colony collapse disorder.

The 2014 Farm Bill made significant changes to FSA's safety net programs. The DCP and acre programs were repealed and replaced by two new programs, the Price Loss Coverage and Agricultural Risk Coverage programs. Participation in the base reallocation, yield updating, and election processes is rapidly progressing. The rate at which producers have made their elections at local county offices has jumped by eight to ten percent per week, and as of March 19, about 94 percent of farms likely to enroll in ARC and PLC, that is, those farms that enrolled in the DCP program, have made their base reallocation decisions, and about 77 percent of farms likely to enroll have made their election. We expect that these numbers will continue to increase significantly by the end of the month, and all producers who have contacted their local offices to file their ARC and PLC paperwork by the deadline will be allowed to enroll for ARC/PLC for the 2014 crop year.

Implementing a farm bill requires an all-hands-on-deck approach to reach producers, and much of this success is the result of close collaboration between our university and extension partners, and of course, the dedicated men and women of the Farm Service Agency. We worked closely with the university partners at Texas A&M, the Food and Agricultural Policy Research Institute, the University of Illinois, and others who developed online, web-based decision tools so that farmers could input their data and explore various scenarios associated with adopting either ARC or PLC for their individual operations. Furthermore, we worked, and are continuing to work, with extension specialists in virtually every state on extensive ARC and PLC education and outreach efforts. As of mid-March, over 400,000 attendees have participated in approximately 5,700 local events, providing producers with an opportunity to think about how to best manage risk on their farms. The ARC and PLC webtools were demonstrated at over 2,500 of these events, and the tool developers are hosting helpdesk hotlines for producers who are in need of additional help.

In addition to collaboration with these partners, we have had extensive interaction with the media, and appreciate our partners in the ag media. FSA is making a final push to reach all landowners and producers who have a stake in these decisions. Early in this calendar year, we mailed nearly three million postcards to landowners and producers as a reminder about the upcoming deadlines, and stated that for those who didn't elect between ARC or PLC, they would default into PLC and would lose 2014 program benefits. We mailed another two million postcards in mid-March to owners, operators and other producers who had linked at least one farm that had not made an election. And our county office staff, as you well know, is geared up and ready to greet these producers and help make their decisions in the final days.

Under the 2014 Farm Bill, upland cotton is no longer a covered commodity and is not eligible to participate in ARC and PLC, rather, it is eligible for the new STAX program offered by my sister agency, RMA. FSA has also implemented the new Margin Protection Program for Dairy, and over 23,000 dairy producers, that is 1/2 of all U.S. dairy operations, have enrolled for calendar year 2015 coverage. MPP offers dairy producers catastrophic coverage at no cost, with a \$100 administrative fee and then various levels of buy-up coverage. The Noninsured Crop Disaster Assistance Program, NAP, was also expanded in the 2014 Farm Bill to include protection at higher coverage levels similar to provisions offered under the Federal Crop Insurance Program. NAP continues to offer coverage at the catastrophic level based on 50 percent of expected production, at 55 percent of the average market price. Now though, producers can buy up to 65 percent of the expected production in five percent increments at 100 percent of the average market price. The majority of 2015 NAP-eligible spring seeded crops had an application period that closed earlier this month.

The CHAIRMAN. Administrator Dolcini, forgive me, but we are up against a hard vote, and I want to make sure we give our Members an opportunity to ask some questions, so I appreciate your indulgence here and we will submit the balance of your testimony for the record.

Mr. DOLCINI. Thank you, Mr. Chairman.

[The prepared statement of Mr. Dolcini follows:]

PREPARED STATEMENT OF VAL DOLCINI, J.D., ADMINISTRATOR, FARM SERVICE AGENCY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to provide information on the Farm Service Agency's (FSA's) implementation of the Agricultural Act of 2014 (the 2014 Farm Bill). We have implemented the farm bill programs in record time, providing safety net assistance to producers in every state within just a few months of bill passage. FSA's 10,000+ employees at over 2,000 local offices are working long hours to provide the most effective customer service possible to producers as we finalize the push to enroll producers in the new Title I crop safety net programs.

#### **Disaster Assistance**

FSA focused early last spring on implementing the livestock and tree disaster assistance programs. These programs, which had been expired for nearly 3 years, were resumed in approximately 60 days following enactment of the 2014 Farm Bill—80 percent faster than in 2008. This assistance benefited a diverse array of producers who were hit hard by natural disasters, ranging from wildfire to drought. FSA continues to process payments for 2012 through 2014 disaster programs—including the

Livestock Forage Disaster Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and the Tree Assistance Program (TAP). So far, FSA has issued approximately 600,000 payments to producers since last spring, totaling nearly \$5 billion.

The LFP program has accounted for the bulk of these payments, particularly to producers in the Plains States, but also across the country, who have suffered from extreme weather conditions. LIP payments are helping producers who incurred livestock deaths, such as those affected by the Atlas Blizzard that hit the northern Plains in 2013. TAP payments are helping producers in Florida who are suffering from citrus greening disease, as well as orchard producers in other states across the country. ELAP payments are helping many producers who do not benefit from the other livestock disaster programs, including bee keepers who are suffering from colony collapse disorder.

#### **ARC/PLC**

The 2014 Farm Bill made significant changes to FSA's safety net programs. The 2008 Farm Bill's Direct and Counter-Cyclical Program (DCP) and the Average Crop Revenue Election (ACRE) program were repealed and replaced by two new programs: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). The window for farmers to take advantage of the one-time opportunity to reallocate a farm's base acres and to update payment yields will close on March 31. March 31 also is the deadline to elect ARC or PLC coverage for their farms.

Participation in the base reallocation, yield updating, and ARC/PLC election processes is rapidly progressing. The rate at which producers have made their election at their local county offices has jumped by 8–10 percent (or more) per week. As of March 19, about 94 percent of farms likely to enroll in ARC/PLC (*e.g.*, those who had a DCP/ACRE contract) have made their base reallocation and yield updating decisions, and about 77 percent of farms likely to enroll have made their election. We expect these numbers to continue to increase significantly by the end of the month. All producers who have contacted their local offices to file their ARC/PLC paperwork by March 31 will be allowed to enroll for ARC/PLC for the 2014 crop year.

Implementing a farm bill requires an “all hands on deck” approach to reach producers, and much of this success is the result of close collaboration between our university and extension partners and, of course, our dedicated FSA staff. We worked closely with our university partners at Texas A&M, the Food and Agricultural Policy Research Institute, the University of Illinois, and others, who developed on-line web-based decision tools so that farmers can input data and explore various scenarios associated with adopting ARC or PLC for their individual operations.

Further, we worked—and are continuing to work—with extension specialists in virtually every state on an extensive ARC/PLC education and outreach effort. As of mid-March, over 400,000 attendees have participated in approximately 5,700 local ARC/PLC informational events that provide producers with the substance to think about how to best manage risk on their farms. The ARC/PLC webtools were demonstrated at over 2,500 of these events and the tool developers are hosting help desk “hotlines” for producers who are in need of additional help.

In addition to collaboration with our partners, we have had extensive interaction through the media. FSA has issued eight national news releases informing producers and the general public about ARC/PLC resources and deadlines, and I have personally conducted over 100 media interviews regarding these new programs. Over 700 ARC/PLC news stories have appeared in the media as of Friday, March 20.

FSA is making a final push to reach all landowners and producers who have a stake in the ARC/PLC decision. Early in the calendar year, we mailed 2.9 million postcards to landowners and producers as a reminder about base reallocation and yield updating deadlines, and stated that producers who do not elect ARC or PLC are not eligible for 2014 crop year ARC or PLC payments. The only option for producers who do not elect is to be enrolled in PLC for the 2015–18 crop years. Another 2.2 million postcards were mailed starting on March 16 to owners, operators, and other producers linked to at least one farm that had not yet made an election. Our county office staff is geared up and ready to greet these producers and help them to make their decisions in the final days of March.

Under the 2014 Farm Bill, upland cotton is no longer a covered commodity and is not eligible to participate in ARC or PLC, but rather, is eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency (RMA). Until STAX becomes available in a county, upland cotton is eligible for the Cotton Transition Assistance Payments program (CTAP) for 2014 and 2015 crops.

FSA has paid about \$540 million to over 184,000 farms for 2014 CTAP payments; 2015 CTAP payments will drop off dramatically in 2015 as STAX becomes available.

#### **Dairy, NAP, CRP**

FSA has implemented the new Margin Protection Program for Dairy (MPP-Dairy) and over 23,000 producers—over ½ of all U.S. dairy operations—have enrolled for calendar year 2015 coverage. The new MPP-Dairy offers dairy producers: (1) catastrophic coverage, at no cost to the producer after an annual \$100 administrative fee; and (2) various levels of higher coverage. Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than \$4 per hundredweight (cwt). Producers may purchase higher coverage, for a premium, that provides payments when margins are between \$4 and \$8 per cwt. During the 3 months of enrollment, FSA held more than 500 public meetings, sent out nearly 60,000 direct mailings, and conducted more than 400 demonstrations of the web-based MPP-Dairy tool designed to help applicants calculate their specific coverage needs.

The Noninsured Crop Disaster Assistance Program (NAP) was also expanded in the 2014 Farm Bill to include protection at higher coverage levels, similar to provisions offered under the Federal crop insurance program. NAP continues to offer coverage at the catastrophic level based on 50 percent of expected production at 55 percent of the average market price for the crop. Now, producers can obtain additional coverage levels ranging from 50 to 65 percent of expected production, in five percent increments, at 100 percent of the average market price for the 2014–18 crops years. The majority of 2015 NAP-eligible spring-seeded crops had an application closing date of March 15, 2015.

The 2014 Farm Bill also included retroactive NAP assistance for losses to 2012 fruit crops grown on trees and bushes that had Secretarial disaster designations for frost or freeze. To date, FSA has made 635 payments totaling over \$13.3 million for NAP frost/freeze.

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

Currently, 24.3 million acres are enrolled in Conservation Reserve Program (CRP) contracts, including 18.2 million acres in general enrollment authority and 6.1 million acres in continuous enrollment authority. CRP contracts on 1.9 million acres are set to expire September 30, 2015. With the enactment of the 2014 Farm Bill, the number of acres available nationwide for enrollment was reduced to 24 million acres starting in 2017; as a result, we expect general enrollments to become much more competitive in the future, increasing the environmental benefits per acre. We will also continue to pursue continuous enrollments to target the most environmentally-sensitive acreage.

#### **Credit**

Almost all farm loan programs are authorized permanently through the Consolidated Farm and Rural Development Act. However, the 2014 Farm Bill makes several program changes and enhancements, provides some additional authorities, and reauthorizes the Mediation Program and the Individual Development Account (IDA) grant pilot program, which supports a savings incentive program for low-income beginning farmers. Several of the changes are mandatory and were implemented by FSA in March of 2014. These changes provide more favorable interest rates for joint financing arrangements, provide a larger percent guarantee on guaranteed conservation loans, increase the loan limits for the down payment loan program from \$225,000 to \$300,000, make youth loans available in urban areas, and eliminate the term limits for guaranteed operating loans.

On November 7, 2014, FSA implemented additional mandatory changes for farm loans, including raising the borrowing limit of its popular microloan program from \$35,000 to \$50,000, and updating the “farming experience” loan eligibility requirement to include military leadership positions, advanced agricultural education, or other non-farm management experience. This has already assisted 1,600 farmers by expanding the credit available for their family farming businesses. FSA also received authority to implement a relending program to help Native American producers purchase fractionated interests of land; this program is under development.

#### **Improving Efficiency**

The ability to meet FSA’s program delivery goals depends on information technology systems and services critical to our daily operations. To improve customer

service, FSA is moving forward with improvements such as simplifying the printing of farm maps and customized reports, and continuing the integration of systems through common eligibility, payment, and obligation frameworks. These efforts will reduce the need for FSA staff to use multiple systems or perform redundant data entry, helping customers to make fewer—or significantly shorter—visits to their local offices.

With continued attention to business processes and IT integration, FSA can focus on improving customer application processes; streamlining program delivery; providing additional customer technical assistance; sharing data needed for eligibility determination; improving the timeliness and accuracy of loans, payments, and program compliance; and, providing new customer self-service options. FSA's continued efforts to streamline, modernize, and automate the delivery of farm programs and agricultural systems met two significant milestones this year with the releases of MIDAS Farm Records and Business Partner. MIDAS now combines producer and land information with Geographic Information System (GIS) data, reducing duplicative data when farmers and ranchers conduct business at any FSA County office. The newest business process improvement includes automatic validation of address and tax information at the time of entry, which further reduces improper payments and improves record accuracy.

For FY 2016 and beyond, FSA has placed additional emphasis and resources on ensuring that IT investments, decisions, and operational plans are driven by business needs across the agency and are manageable in size. We look forward to enabling new customer models that support FSA as it becomes the gateway for farmers and ranchers to access rural and agricultural support services.

#### **Reaching Beginning and Under-Served Producers**

One of the most important facets of our Agency's implementation of the farm bill is service to beginning and under-served farmers and ranchers. FSA is often "the lender of first opportunity" for many new and beginning producers. In addition, we have successfully implemented new provisions of the farm bill such as the NAP 50 percent premium discount and waiver of the NAP application fee for beginning, limited resource, and traditionally under-served farmers. We are working in unique new ways to help these producers automatically sign up for the basic NAP coverage and telling them about the 50 percent premium discount through a coordinated approach between Farm Loan Programs and Farm Programs staff.

FSA's microloan program is also an important access point to credit for some new farmers and ranchers. The 2014 Farm Bill expanded lending opportunities for thousands of farmers and ranchers to begin and continue operations, including greater flexibility in determining eligibility, raising loan limits, and emphasizing beginning and socially disadvantaged producers. Since implementation of the popular microloan program, FSA has helped over 11,000 small, under-served, and beginning farmers obtain operating credit. Producers can use microloan funds to pay for initial start-up expenses such as land rent, essential tools, livestock and farm equipment, and annual expenses such as seed, fertilizer, utilities, marketing, and distribution expenses.

We are implementing other provisions of the farm bill that help these producers, including reinstating the Reimbursement Transportation Cost Payment Program for Geographically Disadvantaged Farmers and Ranchers (RTCP) and the Transitions Incentive Program, which provides funding to encourage the transition of CRP land from a retired or retiring owner or operator to a beginning or socially disadvantaged farmer or rancher to return land to production for sustainable grazing or crop production.

These important policy advancements are part of a larger effort at the Department to enhance assistance to new and beginning farmers and ranchers. In our FY 2016 budget request, FSA has proposed the creation of new and beginning farmer and rancher field positions and additional cooperative agreement funding to help support enhanced financial literacy technical assistance and partnerships. These staff would facilitate and guide beginning farmer outreach, provide support and cross-cutting customer service training for USDA employees in the field, and enhance partnerships within regional, state, and local communities—and additional cooperative agreement funding to help support enhanced financial literacy technical assistance and partnerships.

Our participation in complementary initiatives such as Know Your Farmer, Know Your Food and Bridges to Opportunity further enhances our service to beginning and under-served producers, by helping us coordinate programs across the Department. In the process, we also find new opportunities for needed program enhancements such as expansion of cold storage funding under the Farm Storage Facility Loan Program.

Serving beginning and under-served farmers and ranchers well is core to our Agency mission and the future of agriculture.

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

The CHAIRMAN. I apologize for cutting you off there, but we want to get going so we can get this done before we are called to vote.

Administrators, thank you so much for being here, and again, I appreciate your indulgence on your time constraint.

Administrator Dolcini, as I said in my opening statement, I believe the limit you placed on managers in the actively engaged rule is arbitrary. In fact, it seems like the rulemaking might have been hijacked away from people like you who understand this country's diversity of ag production, and written by folks who really don't know anything about it. In my opinion, the rule should allow for as many managers as justified by the operation's needs.

Can you tell me if there was input on this rule from people outside of USDA, and how that input might have changed its course?

Mr. DOLCINI. Well, Mr. Chairman, thank you for the opportunity to answer that question. As you know, obviously, we proposed a rule earlier this week that addresses, for the first time since 1987, a definition of *actively engaged* within the confines of the statute, the 2014 Farm Bill. We believe that it is a good start, and over the next 60 days look forward to a lot of interaction from the public and others who are going to be impacted by this rule.

It addresses for the first time the *actively engaged* definition, and we have included for the first time hours associated with being actively involved in the farming operation. It is either 500 hours or 25 percent of the time that it would take to manage that farming operation. We have allowed an additional pay limit if the operation is large or complex. And we have defined *large* as 2,500 acres or more. Complexity decisions will be made by the state committee in conjunction with the FSA headquarters staff here. We have allowed a third pay limit for operations that are both large and complex. So the default limit is one pay limit, and then there are two additional pay limits.

We think this is a good start. It is a strong rule. We operated within the confines of what the 2014 Farm Bill gave us, and we look forward to receiving comments over the next couple of months.

The CHAIRMAN. Thank you, sir.

Administrator Willis, I also made reference to this in my opening statement, the farm bill provided RMA with additional flexibility to develop products for crops that traditionally faced low coverage levels, particularly rice. My constituents are eager for margin coverage to become available for the next crop year, but I have some concerns regarding how RMA is pursuing these policies.

I believe you should be developing a rice-specific policy, as rice inputs are much different than other commodities because it requires higher levels of fertilizer and diesel fuel, however, we have heard you have been pursuing a one-size-fits-all margin product. Can you tell me what you are doing to ensure that rice will get the adequate coverage it needs and deserves?

Mr. WILLIS. Certainly. One of the positive things about the Crop Insurance Act is it allows private groups to submit products that addresses their needs. If we look in the last 4 years, the amount

of buy-up coverage for rice has gone from 28 percent to 70 percent. That is just since 2008. A lot of that is because of these products that offer and hit the needs that rice farmers have.

We are working with the private submitter who submitted the margin program, and right now, trying to come up with the details of that. My understanding is that as it stands, actually, there is a flexibility to make sure that the margins of rice are reflected in how the policy operates, and you have my commitment to work with them to make sure that whatever policy comes out works for the producers it is meant to provide a safety net for. I think we all have the same goal on that front.

The CHAIRMAN. Thank you. Let me switch gears. I want to talk about your work in implementing the Supplemental Coverage Option that was authorized in the farm bill. Could you let us know what you are doing specifically to ensure that all the rice-producing counties have SCO available to them, so that producers could get the full benefit of what was pledged under the farm bill?

Mr. WILLIS. Yes. The farm bill also contained language that allowed RMA to use our own information instead of simply relying upon the NASS information, which is very good information, but sometimes we have some counties where we could offer SCO if we use our own information that NASS doesn't have that county-level information. Moving forward, we will start to utilize that information. That will allow us to expand both crops and additional counties next year. Rice will obviously be a beneficiary of us using our own data, and our intent is to dramatically increase the number of counties that have SCO coverage for all crops, rice specifically as well.

The CHAIRMAN. Thank you, Administrator Willis.

I now recognize Ranking Member Walz, for 5 minutes.

Mr. WALZ. Thank you, Chairman. I am going to have the gentlelady from Arizona start with the questioning on our side. Mrs. Kirkpatrick.

Mrs. KIRKPATRICK. Thank you, Ranking Member Walz, and thank you, Mr. Chairman. This is my first appearance on this Committee, and I am really pleased to be here, so thank you.

And, Administrators, thank you very much. I am new to the Committee but agriculture is not new to my district. I represent roughly the eastern half of Arizona. It is a very large, rural district. It ranks twenty-eighth out of the 435 Congressional districts in terms of the importance of agriculture. As we have 13,500 farms, including very large cotton growers, and a new industry in vineyards as we start to become a winery state, who would have guessed, and in my district. I have a special interest in emerging farmers, especially veterans and Native Americans. So my district has 12 tribes, 25 percent Native American, and they would like to get back into the farming business.

So my question to both of you is what are you doing specifically to get that information to veterans, to Native Americans? How can I assist you in doing that? I have set up a veterans' working group in my district, and also a Native American working group. And if I—if there are specific things that I can take back to them to help these emerging farmers, I would really like to know about that.

Mr. DOLCINI. Well, I appreciate the opportunity to answer that question, Congresswoman, and welcome to the Subcommittee.

Mrs. KIRKPATRICK. Thank you.

Mr. DOLCINI. As you may know, USDA has recently appointed a liaison to the veterans' community. He is the Deputy Under Secretary for the Farm and Foreign Agricultural Services. His name is Karis Gutter. He is a Marine Reserve veteran. So Karis is leading an effort at the Department to focus on veterans' issues.

With regard to the broader issue about pulling Native Americans as well as veterans into our programs, at the Farm Service Agency, we spend a lot of time targeting our loan programs in particular on new and beginning farmers, and those who have been traditionally under-served or poorly served by FSA programs historically, and that would include Native American populations around the country.

I sit on something called the Council on Native American Farming and Ranching. It is actually meeting in Oklahoma this week so I couldn't be at the meeting, but we spend a lot of time at USDA, and particularly at the Farm Service Agency, working with our colleagues in the Department and across government to better serve all of our customers, including Native Americans and now the emerging veteran population that we have in this country. I would be happy to work with your office to tell you a little bit more about what we are doing specifically in Arizona.

Mrs. KIRKPATRICK. Let us do that. I would be happy to meet with you and take some specific things back to my working groups.

Administrator Willis?

Mr. WILLIS. Two things I would like to mention. First of all, we have what we call risk management education that allows us to work with private partners, partners who are in the region. They provide education, oftentimes they are schools, but many different groups will apply for this funding. And they are the ones who know a lot of the individuals, and we are targeting individuals who are under-served, just like Val talked about. So the education is one area. We want them to know what crop insurance options are available to them.

Mrs. KIRKPATRICK. How affordable is crop insurance for emerging farmers?

Mr. WILLIS. Well, that was the next thing. One of the great things that was included in the farm bill is an incentive for beginning farmers and ranchers. Essentially, it reduces the amount they have to pay for crop insurance by ten percentage points. That is a very big deal. That was one of the first parts of the farm bill that we were able to make available. It should be available for all farmers now. It is for their first 5 years of farming. Obviously, when you are in your first few years, you might not have the equity built up that a more established farmer does. We have the education to let them know about it, but because of the farm bill changes you made, there are also some very real incentives for them.

Mrs. KIRKPATRICK. Great. Thank you very much. I look forward to working with you.

I yield back.

The CHAIRMAN. Would you like to use the balance of your time?

Mr. WALZ. No.

The CHAIRMAN. Okay. I thank the gentlelady.

I recognize the gentleman from Ohio, for 5 minutes.

Mr. GIBBS. Thank you, Mr. Chairman.

Administrator Dolcini, can you clarify for me, I think there is some confusion, FSA county offices that have been closed, beginning with the farmers records were moved to administrative counties, but then also their yield base for the ARC program, which county is it, the administrative county they are in or could it be the county that they are physically—where their farm is located? Can you clarify that? There is some confusion on that, I think.

Mr. DOLCINI. Sure, I would be happy to, sir. In fact, this issue was raised to me at the Commodity Classic in Phoenix several weeks ago, and we have worked on a solution that allows a farmer who farms in a specific county to use the physical location as their county of choice. FSA has closed some offices over the last several years, and that has created the situation that you have described and other Members may have in their districts. I think the solution that we have, which is to allow a farmer to choose essentially the county based on the physical location of his or her farm, is the best way to go.

Mr. GIBBS. I would concur. Now, is there a deadline to make that selection if they are in a county that the offices were closed, and they have been moved to an administrative county to do administrative work—

Mr. DOLCINI. Right.

Mr. GIBBS.—and let us say for previously the yields and everything has been moved from that—based on that administrative county, they can select to have it in their county—

Mr. DOLCINI. That is right.

Mr. GIBBS.—you just said that. Now, is there a deadline or a timetable to make that selection, or how does that mechanism work?

Mr. DOLCINI. Sir, I will have to get back to you if there is a specific deadline associated with that decision. It will be available for the 2015 crop year, and perhaps my staff can pass me a note here while you are in the room and I can give you a more fulsome answer to that, but what we will want to do is make sure that a farmer who is interested in having his or her FSA paperwork in a given county, and farms in that county, should have the opportunity to utilize that local FSA office.

Mr. GIBBS. I agree, and I thank you.

And I yield back, Mr. Chairman.

Mr. DOLCINI. Thank you, sir.

The CHAIRMAN. Thank you.

I now recognize Ranking Member Walz, for 5 minutes.

Mr. WALZ. Thank you, Chairman. And thank you again both for helping us understand what is going on.

Mr. Dolcini, I wanted to start out. I know there has been some angst about relinking crop insurance to conservation compliance against some growers who didn't participate in other FSA programs. Have you reached out to those folks, and what are you hearing?

Mr. DOLCINI. Sir, we have reached out to those folks who may not have what we call an AD-1026, which is our form indicating

compliance with conservation rules and regulations on file. This has been a joint effort on the part of the two agencies in front of you, as well as our sister agency, the Natural Resources Conservation Service, to make sure that we are reaching out to specialty crop producers, whether they are in Minnesota or central California, or elsewhere in the country, that they have as much information as they need to understand the conservation compliance requirement, and understand what it takes to come into an FSA office and attest to that.

We are on the right track. We are going to continue to do additional outreach in the weeks to come, and look forward to continuing to work—

Mr. WALZ. Mr. Willis, are you hearing that on the specialty crop folks?

Mr. WILLIS. Yes. Yes, we are, and we are working side-by-side on compliance, trying to make sure everybody who needs to know about it knows about it. From the Risk Management Agency's perspective, we sent letters to a wide group of people who need to come in and get that form filled out. One of my employees just yesterday talked about his local Farm Service Agency office had sent three notifications on this issue. We also sent, about a month ago, information to the crop insurance companies, so when they are sitting across the table from producers who may not know about compliance, they can tell them about it. We are trying to have a multi-pronged approach.

Our goal is that every single producer that has crop insurance now, has crop insurance in the future because they filled out the form. We want everybody to stay in.

Mr. WALZ. And I appreciate that because I—this is one of those—they care deeply about their soil health, and I want to make sure that this compliance issue doesn't become a distraction from our goals of reaching that together.

Mr. WILLIS. Yes.

Mr. WALZ. Mr. Willis, another one, and I know you hear this lots from Members. Every year things happen, like I had massive rains and wind last year, that make planting conditions—and the crops end up—it is difficult to get it in the ground, then they bump up against the planting deadlines for crop insurance policies, and then we end up having to ask for extensions and things like that. Could you describe the process RMA uses to evaluate those planting dates, and how we go about changing or using them, because it ends up being a lot of angst for a lot of people?

Mr. WILLIS. Yes, sir. In fact, I just had a meeting a few days ago up here, actually, with some Members. I have a lot of sympathy for Members from Texas, farmers from Texas, who have been in a drought for a few years, desperately want water, and unfortunately, they got too much water at one point in time. They were struggling to plant before the end of the planting period.

Mr. WALZ. Yes.

Mr. WILLIS. So I have a lot of sympathy for that. How those timelines are set, we set using local information. We have regional offices, we have ten of them around the nation. They will work with the local producer groups, the local land-grant extension, the experts in the area, and they try to set the time period to be flexi-

ble, but essentially, we want it to start when it is reasonable to plant a crop, and we want it to end when you shouldn't plant a crop after a certain point in time. The reason is, if we plant in those periods of time, you have the highest likelihood of success, and with that, obviously, crop insurance premiums can be lower because that is when you are supposed to plant a crop.

Every year, there are anomalous conditions somewhere in the nation, and it is very difficult and we understand. It does provide a little flexibility inasmuch as you can plant after the final plant date, but your guarantee, how much you are insuring, goes down about one percent a day. So if people feel like the dates need to be reevaluated, we encourage them to work with our local folks. Every year, we do change some of these just to reflect changing conditions in each area.

Mr. WALZ. I appreciate that. And I would just like, maybe for both of you, Mr. Dolcini, maybe you can speak to this. You have been traveling a lot. Each of us see our FSA offices, and the gentleman's question was right, consolidation and things, there are issues that came up in that. My concern though is how is the morale of those workers as this happened, as we have basically a smaller number of people in offices doing more work at this point in time, how are they responding across the country as you see it, with their partners at the universities?

Mr. DOLCINI. That is a great question, Congressman, and you are right, I do a lot of traveling since I came to this position. I have been to about 25 states, and I always go out to county offices and talk with PTs who have been there for 2 years in some cases, 30 years in other. I think morale is, by and large, good. We provided more resources to the field in terms of temporary employees, we have eased up on a hiring freeze that we were operating under, and we have provided more tools to them to get the job done. Obviously, the farm bill is a big job, and I wanted to make sure that my county offices weren't broken by the workload.

There are offices that need a little bit more attention, that is for sure, but, by and large, staff is feeling good because the relationships they have across the counter is really our competitive edge at the Farm Service Agency.

Mr. WALZ. Very good.

I yield back. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the Ranking Member.

I now recognize the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman.

Mr. Willis, I actually majored in risk management and insurance, so while terms like loss ratio and adverse selection put most people to sleep, they actually wake me up. So I do look forward to working with you as we go forward in making sure that we have a crop insurance program that keeps good farmers in business in bad years. Our goal is certainly not to guarantee everybody a profit, or anybody a profit, I should say.

I do want to speak briefly to the concern of actively engaged. And just going back through my life, my two grandfathers who both farmed, towards the end of their life, it was their land, it was their seed, it was their tractors, but the fact of the matter is they were

no longer physically able to do the majority of the work. And my fear is that when we get into the definition of *actively engaged*, that we actually end up working contrary to what we should be doing, which would be to encourage more people to get into agriculture. And so I would also encourage you to take a look at the overall loss ratio and what that may do with regard to the crop insurance system because those, in the end, may very well be the best risks that we have in the system; those who may not meet that definition of *actively engaged*, because being a good farmer is more than just being able to drive a tractor; it is growing a good crop. But I would suggest to you that being a good business person is probably more important than growing the good crop in today's global economy.

So I look forward to working with you on those issues, and again, I would ask that you work with this Committee and be very careful with that definition of *actively engaged*. If you look at our farm population, a lot of them are, unfortunately, older today and not capable physically of doing some of the workload that you may be asking them to do.

Mr. Dolcini, one of the things that I am concerned about is counting crops that aren't harvested against a farmer's generic base. I have people in my great State of Georgia who plant wheat for grazing. They graze their cows on it, they never harvest the wheat, and then that is counted against their generic base. It makes no sense to me to count a crop that is not harvested against the generic base. Would you speak to this issue, and what do you anticipate the actions of Farm Service to be with regard to this?

Mr. DOLCINI. Congressman, thanks for the opportunity. And I, just on the actively engaged issue, share with you a real concern about bringing a new generation of farmers and ranchers into the agricultural economy of this great country. And one of the things that we are doing every day at the Farm Service Agency is looking for new ways to make sure that we build that important resource.

On the question of cover on generic base, I think that we are in agreement that cover crops are a great option for many producers around the nation, and our sister agency, the Natural Resources Conservation Service, has a variety of programs that can help in that regard. I think that the Secretary was asked this question, or one similar to it, several weeks ago, and in that interim period we have consulted with the Office of General Counsel and just don't believe that there is a lot of room for us to maneuver on this particular question here, but I look forward to continuing to work with the staff and your office on it.

Mr. AUSTIN SCOTT of Georgia. I think the majority of the Members of the Committee would disagree with the lawyers on this, and that I don't think we ever intended in the drafting of the farm bill for a crop that was not harvested to be counted against a farmer's generic base. If your attorneys are telling us that we need to have legislation to fix that, then I would think that there would be broad agreement among the Committee to do that. But this is having a tremendous impact on a lot of people, and quite honestly, it—a lot of these people are the best farmers in America. I look forward to further discussions on that.

I am almost out of time, Mr. Chairman, so I will yield the remaining 20 seconds of my time. But I look forward to working with you to resolve that issue. It needs to be resolved sooner rather than later.

Mr. DOLCINI. Thank you, sir.

The CHAIRMAN. I thank the gentleman.

I now recognize the gentlelady from Florida, for 5 minutes.

Ms. GRAHAM. Thank you very much, and I apologize for being late. Mr. Scott, do I get your 20 seconds? Is that how it—thank you, Congressman.

First, thank you very much. I appreciate it. My family has deep roots in agriculture in Florida, so it is such an honor to be on this Committee and serve on this Subcommittee. I apologize if this question has already been asked, following my election, I made a tour around the district, and I met with quite a few farmers, and there is still confusion about the implementation of the farm bill. And my question goes to that. I mean how are your offices working in helping managing the transition and implementation of the new farm bill in districts such as mine, which is very rural, and they need some help in understanding what they are expected to do to meet the requirements of the new farm bill.

Mr. DOLCINI. Thank you for the opportunity, Congresswoman. In the entire country, and certainly in the State of Florida, we have had a robust outreach effort beginning last spring when we rolled out the first farm bill program. Since then, we have rolled out successive programs and have incorporated similar outreach efforts which involve relationships with local land-grant universities, with cooperative extension offices, with Farm Bureau chapters, with commodity organizations, with Congressional offices in some cases, and with others, to ensure that producers understand these new and complicated programs. They are significantly different from the programs that the 2008 Farm Bill included, in some cases, they are brand new, and so we really wanted to make sure that there was enough understanding out there that folks could make well-informed and thoughtful decisions.

To that end, the farm bill contained \$100 million, we appreciate that, for the development of web-based decision tools and other software that would help farmers, in the comfort of their own home office or at the kitchen table, plug in their numbers and make a determination as to which program might be better. We have included a robust direct mail program. So, for example, ARC and PLC programs, we have mailed close to five million postcards to ensure that folks know about public meetings, they know about program deadlines, and they know about other important issues associated with these decisions.

We have really done an unprecedented job at the Farm Service Agency in making sure that everybody who wants to know about these programs does indeed know about these programs.

I would just close by saying the 5,000 public meetings that we have done have ranged from large, several hundred member meetings in Montana, I did five meetings in 2 days a few weeks ago, to small county office-based meetings where a county director might be talking to two or three producers and answering essentially the same questions that we would do in those large forums.

So we are doing a lot of good things around the country. I think the response on our producers has been excellent, and it has really engaged our staff as well. I have the hardest working public employees in the United States, I would venture to say, and they have really put their shoulder to the wheel on this effort for the last 9 months, and we are in the homestretch now, and I think that things have gone pretty well.

Ms. GRAHAM. That is really great to hear. I have some of the hardest working constituency service providers in Florida's second Congressional district. Maybe we could put your hard workers together with my hard workers, so if there are still any questions for the farmers in my district, they can get answered. I appreciate it.

My next question is about citrus greening in Florida and our citrus crops. Do you think there is enough being done to provide a safety net for these specialty crops?

Mr. DOLCINI. On citrus greening, we have used our Tree Assistance Program to provide assistance to those impacted by that horrible disease. I don't know, Congresswoman, that it is going to make them whole necessarily, but it provides important relief where relief previously didn't exist. As you probably know, we have an energetic State Director down there named Rick Dantzler who has really been up and down the state to ensure that folks know about the TAP program for citrus greening, and that Rick and his team have done a battery of public meetings as well on that topic.

I would certainly be interested in working with your office if there is more that we can do, but I think that this is a good first start.

Ms. GRAHAM. I appreciate that. Citrus greening has decimated our citrus crop in Florida, and it is sadly now making its way West. They are starting to see it some in California, so—

Mr. DOLCINI. Yes.

Ms. GRAHAM.—we need to find a solution to this quickly, not only for Florida but for the rest of our citrus crops across the country. So thank you. I appreciate that.

Last question, on peanuts. And my district is the largest peanut producer in the State of Florida—am I out of time? I see that my red light went off. Can I finish my question, Mr. Chairman?

The CHAIRMAN. Go ahead, yes.

Ms. GRAHAM. When are you going to approve the insurance options for peanuts? If you could just provide an update, I would really appreciate it, and I appreciate your willingness to allow me more time, Mr. Chairman.

Mr. WILLIS. Sure.

Ms. GRAHAM. Thank you very much.

Mr. WILLIS. Certainly. Two things to comment on. First of all, the farm bill required a peanut revenue program. Historically, they had only had a yield-based policy. We got that out this year. Peanut producers are signing up for that, have been signing up for that. So far we have heard positive comments on that. That is a very important thing for those producers.

Second of all, we are looking to expand the Supplemental Coverage Option to many crops. Peanuts is one of those we are looking at. That would provide another option for those producers. So we

are aggressively trying to expand the safety net for peanut producers.

Ms. GRAHAM. Anything else to add? No? Okay, thank you.

And so I yield back the time I no longer have, Mr. Chairman. Thank you.

The CHAIRMAN. I thank the gentlelady.

I now recognize the gentleman from California, Mr. LaMalfa, for 5 minutes.

Mr. LAMALFA. I like how Ms. Graham deftly used that 20 seconds of Mr. Scott there though. Okay.

Let us see, I will be coming to Mr. Willis after I ask Mr. Dolcini about California's drought situation. We have had ranchers up there suffering from needing the drought relief. We did have some delay on implementing the drought relief in California, and a couple of our ranchers were really having difficulties obtaining the funding, so it was being handled at the local level. Would you just comment though please on the status of the disaster program and how it is being sped up there?

Mr. DOLCINI. I think the program that you are referencing, sir, is the Emergency Conservation Program that is administered by FSA, and we have had some challenges in California because we need to do cultural resource background work for all of the various ECP applications. We have since contracted that work out, so that it is moving more rapidly than it had, and we are able to provide emergency hauling monies, monies for drilling in some cases, and we had ECP contracts in your district certainly, and all over the State of California.

Mr. LAMALFA. Okay, thank you.

Mr. Willis, coming back to Mr. Crawford's line of questioning on rice. It is a very significant crop in Arkansas, 1.3 million acres there, ½ million acres in California, several other southern states growing significant amounts. So for it to be completely dismissed as lightly traded, which Chicago may be the basis for price discovery, isn't really accurate because it is not heavily handled on those particular marketing situations there. So it was disturbing to me, as well as Mr. Crawford, on 2015 being a year where there won't be the revenue policy coverage for that commodity. Again, it is very significant in my district to many of my neighbors, and I am a producer myself, so we pay attention to a lot of these issues. What can be put in place for 2015 in what is volatile price market, as we see the price already compressing for rice this year as the market year plays out for 2014 crop, and what the effect will be on 2015. Even with the drought it is doing that. What can we do to—or how can you elaborate on what we can be doing to have a revenue policy available for 2015 for a very significant crop in this country?

Mr. WILLIS. Yes. Certainly. As we talked about earlier, obviously, we have come a long way with rice. Those changes have resulted in producers participating in the program. Unfortunately, this year, as you talked about, the revenue option was not available. We are already trying to find a solution for that—

Mr. LAMALFA. Excuse me. Was not available. I mean the farm bill passed with that intention. I supported it. I supported removing direct payments, and so there is an implied promise there, I

guess, with direct payments, again, happily being gone. My growers are supportive of that, and many of the others around the country, but this was supposed to be that basement, that safety net on low prices and now hearing that they are not available in 2015, I am going to have to answer to a lot of folks around the state and the country on why that safety net is not there.

Mr. WILLIS. The rice policy was not a result of the farm bill. It has been around for many years before that.

Mr. LAMALFA. But the—again, with the direct payment—

Mr. WILLIS. Yes.

Mr. LAMALFA.—being eliminated.

Mr. WILLIS. Yes. Yes. The the crop insurance contract that was set had specific parameters as far as number of trades, *et cetera*. That is used to set a price and also to set how much to charge for the policy. Unfortunately, those weren't met. There was kind of a fallback option. Unfortunately, that wasn't met. So what we need to do is find a solution long-term because I agree 100 percent, sir. Our producers have come to count on crop insurance as a dependable safety net that provides timely assistance. They went in this year to buy a revenue policy, and unfortunately, it wasn't there. We are going to work to fix that in the future. I recognize the issue. I am happy to have further discussion on that because we share the same goal, which is a revenue policy every year for rice producers.

Mr. LAMALFA. What are growers to tell their bankers and their lenders this crop year when they see perhaps that is not a tool to ensure a basement for 2015?

Mr. WILLIS. This year it is not available. Yield coverage is available for them. I have talked quite a bit—

Mr. LAMALFA. Yield coverage is quite a different animal than—

Mr. WILLIS. Yes.

Mr. LAMALFA.—than revenue, and so—

Mr. WILLIS. It is, and your point is very valid inasmuch as every producer has a different risk they are trying to protect. Yield coverage for rice is not as valuable as revenue.

Mr. LAMALFA. So we are seeing no solution for 2015? It is over with, or is that something—

Mr. WILLIS. Yes. Yes, they—

Mr. LAMALFA.—we can cobble together as—as we can move swiftly around here once in a while?

Mr. WILLIS. We are looking for a solution for 2016, sir.

Mr. LAMALFA. I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Votes have just been called, so we will suspend. I am going to ask our witnesses, Administrators Willis and Dolcini, if you would to stand fast momentarily. This is a single vote in this series. We will go there and get back and resume. And Mr. Allen will be the first recognized. We will briefly recess.

[Recess.]

The CHAIRMAN. To our witnesses, I want to thank you for your patience as we resume. I appreciate your indulgence on that brief recess.

It is my privilege to recognize our distinguished full Committee Chairman, Mr. Conaway.

**OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A  
REPRESENTATIVE IN CONGRESS FROM TEXAS**

Mr. CONAWAY. Thank you, Mr. Chairman, I appreciate that, and I apologize for getting here late, but I had a markup in another committee this morning that I am not the chair of, so I needed to be there for a quorum. As chair, you will appreciate quorums as you move through this issue. I know the——

The CHAIRMAN. Absolutely.

Mr. CONAWAY.—the really distinguished Chairman beside you is appreciative of that.

I am going to ask unanimous consent to enter my opening statement into the record.

The CHAIRMAN. Without objection.

[The prepared statement of Mr. Conaway is located on p. 5.]

Mr. CONAWAY. Thank you. Again, it has been my intent to join each of the subcommittees on their first hearing to let folks know how much confidence I have in your leadership, and Tim's as well on the Ranking Member's side. You guys have terrific responsibility. It is pretty broad and very important, and I have great confidence in you and your leadership, and Tim's help, that we will get the proper oversight done over implementation of the farm bill as we move forward in other issues that come up. You are a great Member, and I appreciate you agreeing to take on this responsibility. Thank you very much.

If I could, I would like to ask just one quick question, and then we can get back to your regular order.

The CHAIRMAN. Absolutely.

Mr. CONAWAY. Thank you.

Mr. Dolcini, thank you for being here today. If I had read my opening statement, I would have mentioned assigning yields on generic base acres. We don't need to go into a long back-and-forth about irrigated, non-irrigated, all that kind of stuff, but what I would appreciate getting from you is confirmation that you will continue to work with the various parties who are trying to avoid any unintended consequences that could arise if we do not implement this program on generic base acres correctly as we move forward. I know it is difficult, but will you give me some sort of confirmation that you understand the problem, and you are willing to work with folks?

Mr. DOLCINI. We do understand the problem, Mr. Chairman. I appreciate the opportunity to continue to work with your staff and with you on this.

Mr. CONAWAY. Okay. I mentioned both of you and Mr. Willis earlier. Thank you for the hard work you and your teams have done. You guys get the credit. A lot of your folks did a lot of hard work. I know how that works. You have done a terrific job in my view with some very difficult implementation processes. There are a few things left to get done, and I hope that we don't allow our conversation about that to taint all the hard work that went into getting to this place. Many things did not rise up to be a problem because you guys took care of them to the satisfaction of the producers and

everyone involved. Thank you for the hard work. We have a few things left to fix, and I appreciate you agreeing to continue to help and be open to the comments from those who have concerns, particularly about the yield assignments on generic base acres, we can get that worked out. But again, thank you both. Please extend my thanks to your teams as well for the hard work they have done in getting us to this point.

With that, Mr. Chairman, I yield back and let you get back to regular order. Thank you.

The CHAIRMAN. Thank you, Mr. Chairman. I appreciate you being here.

I now recognize the gentleman from Louisiana, Mr. Abraham, for 5 minutes.

Mr. ABRAHAM. Thank you, Mr. Chairman. I will echo a lot of the sentiments of my colleagues on the Committee here that both our farmers and ranchers are probably the best stewards of the land than any agency or conservationist or environmentalist. They are going to take care of their own, their land and family. And on the crop insurance thing, it is so important to my district in LA-5, up in the northeast corner of Louisiana, because we know what the crop insurance does is just hopefully, if we have a bad year, makes us bankable for one more year. And that is the way we look at the crop insurance program for us. I still actively farm corn and soybeans on my property with my son-in-law who is the manager, so we understand the family-based farm deal.

Just a couple of questions on cotton because, up in my district, we still actually have quite a bit of cotton in northeast Louisiana.

Administrator Willis, are you planning to review the timing of the STAX indemnities as cotton is harvested over several months of the year. It starts first in south Texas, and then it moves on into our region. And it seems to me to make logical sense that these growers would receive an indemnity earlier since the necessary county data is available sooner. Is that something you would be willing to help us with?

Mr. WILLIS. Yes, we would be happy to have a discussion on that matter. We actually have some plans to work with some producer groups to see when the earliest we can. I don't know exactly what flexibility we have, but we are happy to have a discussion on that, sir.

Mr. ABRAHAM. Okay, fair enough.

And just one more quick question on cotton. Between 60 and 70 percent of the cotton is marketed through the cooperatives that utilize a marketing loan program, and this is important for us to—regardless of the price of cotton which right now, is fairly low. However, now that the marketing loan gains and loan deficiency payments are included in the payment limit, producers and marketers are concerned that this could adversely affect the cotton marketing system. Why isn't the USDA using its authority to remedy this?

Mr. DOLCINI. Mr. Abraham, thank you for the opportunity to answer that question.

We understand that the application of payment limits to marketing loan gains and LDPs does represent a change, especially for the cotton industry. We have been working with the National Cot-

ton Council for some time now to provide a system that allows for an accurate recording of marketing loans and LDPs in real-time—

Mr. ABRAHAM. Yes.

Mr. DOLCINI.—so cotton producers better appreciate the ramifications of various financial decisions in front of them. We began that process this month, in fact, and I was just informed last night that we processed a variety of files from cotton companies, and have begun the back-and-forth with verified customer data, and are beginning to establish the reporting process so that the companies better understand what the situation is.

Again, I would be happy to come back to your office or the Subcommittee and discuss this further.

Mr. ABRAHAM. Okay, we will take you up on it. Thank you very much.

Mr. DOLCINI. Yes, sir.

Mr. ABRAHAM. I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I am pleased to recognize the former Committee Chairman, and my *de facto* policy mentor, the gentleman from Oklahoma, Mr. Lucas.

Mr. LUCAS. Thank you, Mr. Chairman, and I appreciate those kind comments and the kind efforts of both you and Mr. Walz over an extended period as we put the wondrous, amazing thing called the 2014 Farm Bill together.

With that, Mr. Dolcini, I would like to visit for a moment about—and I know an issue that was touched on in the context of grazing by my colleague, Mr. Scott, but I would like to visit with you about an issue I brought up in February with Secretary Vilsack about cover crops, when he appeared before the Committee. And at the time, FSA had decided that crops planted for cover on generic base would be ineligible for ARC and PLC. My concern was that this would serve as a disincentive to planting cover crops.

Could you walk me through the progress you have made in addressing this yield quality issue, and making sure that producers can choose whether or not to count cover crops as acres towards their generic base?

Mr. DOLCINI. Sir, I appreciate the opportunity to respond. Let me first extend my sympathies to the people of Oklahoma on yesterday's tornadoes. I have been in conversation this morning with Francie Tolle who you know is our State Director over here, and—

Mr. LUCAS. Wonderful State Director.

Mr. DOLCINI. She is a wonderful State Director. There were no harm to FSA service centers or other offices, and we are certainly ascertaining what the extent of the damage is out there and we will be happy to help however we can.

Mr. LUCAS. Of course.

Mr. DOLCINI. Farmers and ranchers have been affected.

Mr. LUCAS. I appreciate it very much.

Mr. DOLCINI. With regard to the cover crop question, and I addressed Mr. Scott's concerns a few moments ago on this as well, we think that cover crops are wonderfully beneficial to the American working landscape around the nation, and NRCS has a number of

good programs that support that. We just felt, after the Secretary and you and other Members exchanged in that conversation earlier this year, went back to the Office of General Counsel and just don't feel as though there is a lot of room for us to maneuver on that issue, sir.

Mr. LUCAS. Well, I would like for you to continue to look at it, and as the Chairman of the Subcommittee noted, I had just a little bit of involvement in putting the language together, and that was very much the intent when we put the language together to make that possible, but I appreciate that point, sir.

Mr. DOLCINI. Thank you, sir.

Mr. LUCAS. And a couple of other comments. On the point about establishing yields for ARC and PLC on generic base, I would like to simply reiterate the comments that some of my colleagues have made earlier that we want the market to drive the decisions producers make. So it is incredibly important that the yields FSA establishes are appropriate and are reflective of the significant differences between irrigated and non-irrigated, because in areas where those are circumstances, it really hugely makes a difference. And I just make that point, and I know you are working on those issues.

And one other thing along that, I, in all fairness, would like to thank you for your help in ensuring that the peanut producers who were impacted by the Clint Williams bankruptcy were able to remain in the marketing loan. It has been a very bad situation for everyone involved, and I simply ask that you continue to keep the well-being of the producers in mind as you have so far, I must enthusiastically say, as you tie up all the loose ends. Thank you again for that.

And with that, I would turn to Mr. Willis for a question and a thought. And I can't thank you enough for your efforts to get the APH adjustment, I know we now kind of like to refer to that as the yield exclusion, out the door for the spring-planted crops, and that in addition to all of the other new provisions and all the things you have to do, but I noticed in the first page of your written statement about implementing the actual production history yield exclusion ahead of schedule. And I, in all fairness, living on the east side of the Rockies in the Southern Plains, representing the northern half of the great State of Oklahoma, I note that some of my wheat growers are very much sensitive about being left out last fall, and in my town meetings, explained that to me with a bit more gusto than perhaps we will discuss it here in this polite environment. Was that well-worded, Mr. Chairman?

The CHAIRMAN. Well done.

Mr. LUCAS. Thank you. Can you assure me that the yield exclusion, and the coverage levels by practice, will be in place for wheat planted this fall?

Mr. WILLIS. Yes, I can.

Mr. LUCAS. Thank you. We can't be stepchildren twice in a row. Thank you.

And with that, Mr. Chairman, I yield back.

The CHAIRMAN. I thank the gentleman from Oklahoma.

I now recognize the gentleman from Georgia, Mr. Allen, for 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman.

And I want to talk a little bit about the peanut hay here. The Pasture, Rangeland and Forage Crop Insurance Program is designed to assist livestock and hay producers during a time of declining rainfall. The difference between this program and other crop insurance programs is it does not require a disaster to receive benefits. The program pays an indemnity when the historic rainfall of an area falls below the average based on the coverage selected by the farmer. Producers can select a maximum of six intervals per year, or a minimum of two intervals per year. And if you look at hay, Georgia's PRF county base value is well below that of our surrounding states in Florida, Alabama and South Carolina, with respect to those states. With Georgia being the leading producer of peanuts nationwide, many believe the high amount of peanut hay is negatively impacting our values. While our state cannot specifically point to peanut hay as being the culprit, EGA forage specialists believe that this is the reason. And determining their value as RMA gets their data from NASS field surveys, and they are on page 8 of the NASS survey attached.

Many of my hay farmers believe peanut hay should be listed as a byproduct and not included in regular forage. Peanut hay is sometimes fed, but typically not so. It doesn't have the quality of other high-quality hay produced.

I believe there have been some talks about this at RMA, and are you familiar with this dilemma we have there in Georgia?

Mr. WILLIS. I have heard about the issue, but I certainly am happy to look into it and get back to you on the specifics. We certainly want to have all of our programs reflect the accurate price and to reflect what farmers, ranchers have lost, and if we need to make some changes we will certainly talk about that and see what we can do to make sure it works for them.

Mr. ALLEN. That would be great, Mr. Willis, and if you could submit that response to me in writing, I would really appreciate it so that I we can take it further.

Also, USDA has previously commented that RMA will strongly consider offering SCO for peanuts in 2016. Will peanut producers have the option to purchase an SCO policy for 2016?

Mr. WILLIS. We are looking at nearly 40 additional crops and running the analysis. If there is data, I would suspect for peanuts, it is obviously a widely-grown crop, if there is that information we need, yes, we will offer it.

Mr. ALLEN. Yes. And from everything we hear, we are going to grow more peanuts in Georgia this year because of our cotton issues. But while we are talking about cotton, I would like to commend the Department for their implementation of the new STAX income protection program, the yield exclusion provision in enterprise units by practice for the 2015 crop. These are tremendous important insurance products for cotton farmers, and I appreciate the time and effort the Risk Management Agency put into the timely implementation of these new insurance products.

As you look at ways to improve STAX ahead of the 2016 crop contract change dates, one issue I believe needs to be addressed is RMA's requirement that a producer must include all county—all cotton, dryland or irrigated, in the STAX policy being purchased.

I believe eliminating or modifying this requirement would be extremely beneficial for growers who farm both dryland and irrigated cotton, thus giving producers maximum flexibility in tailoring their insurance purchases to their risk management needs. Is this something RMA will look at in the future?

Mr. WILLIS. Yes, in the near future we intend to talk about a few issues such as that one. While the vast majority of people are happy with everything we do with implementation, if there are outstanding issues that we need to discuss well ahead of time for next year, we are happy to discuss those. The reality is this program needs to work for producers, and we want to have those discussions.

Mr. ALLEN. Okay, good. Well, thank you.

And I yield the remainder of my time. Thank you, Mr. Willis. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman from Georgia.

I am now pleased to recognize the gentleman from Texas, Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman, and for holding this important hearing. And I know that Chairman Conaway was by here just a while ago, and I want to associate myself with his conversation about the yields that are being applied on covered commodities on the generic acres. We need to get that right so that farmers are going to make decisions based on what is good economics, and that our program is not steering them to one particular area or not. I know that you are working on that, and it is important work and so we would encourage you to continue to do that.

Mr. Dolcini, Secretary Vilsack was back by here I guess last month, and we were talking about the marketing loan issue, and I know that has also been brought up, but that is extremely important to the producers in my district and being able to ascertain where they are in the process. And so I don't know what your answer to that has been previously, but, I know that it is certainly—when I was back in the district that a lot of producers were concerned about that. And Secretary Vilsack indicated that you all are working on that. Is there an update on where you are on that?

Mr. DOLCINI. Were you referring to cotton specifically, sir?

Mr. NEUGEBAUER. Yes. Yes.

Mr. DOLCINI. Yes, we are working closely with the National Cotton Council to provide better real-time data for them so that they understand the ramifications of marketing loan gains and related financial issues, and have begun, in fact, this week to exchange information with them. We think that it is a good first step solution, and we will continue to work closely with them.

Mr. NEUGEBAUER. If you could get that information out to the producers.

Mr. DOLCINI. Yes, sir.

Mr. NEUGEBAUER. Yes. Yes. Mr. Willis, it was just mentioned a little bit about enterprise units by, some of us were disappointed is that it was the intent—when we were doing the farm bill is that you would be able to choose and by practice, but what we are hearing now is that the current policy is if I put my irrigated in enterprise, I have to put my dryland—and *vice-versa*. I think we have had previous conversations about that and it was not our intent to

do that. What we were trying to do is give producers as many choices as they can. But can you give me any update on what RMA is doing to address this issue?

Mr. WILLIS. I think that would fit into the category of some of the issues that we are looking at in the future. The interim rule was implemented, as you just discussed. We have not issued a final rule on that specific provision or any others yet. So we can still have some discussion on that, but there is nothing else at this point in time, that it is kind of in the category of things we want to make sure that people are happy with to the best that we can.

Mr. NEUGEBAUER. Well, thank you, because that is extremely important. And one of the things that the whole intent of the farm bill was to give producers as much flexibility and choices as they can so that they can tailor the various programs to their particular operation. And so it is one of the things we are hopeful that that will happen sooner rather than later.

I do want to commend both of you, you have done a good job of taking the farm bill and trying to implement the changes, and one of the things that has been very encouraging is that the number of tools that you have tried to provide producers because they were making some very important choices, and so the outreach has been good. We do hear a little bit that the FSA officers are a little bit swamped right now, and obviously have important deadlines coming up on March 31, and I hopeful that we can get everybody processed for that time, but if for some reason you have a big waiting list on March 31, what is the plan?

Mr. DOLCINI. Well, the plan, sir, is to do what we have done historically, and that is use registers in our county offices. So a farmer needs to contact his or her local FSA office prior to the deadline to say, "Look, I just can't get in by the deadline, but I want to come in and make my election or do my reallocation," and I anticipate that we will use the month of April to clear up the register.

In addition, there are other states, sir, that are a little ahead of the process, and I am going to be looking to send jump teams from some of the states that have completed most of their work down to places like Oklahoma and Texas that are not only looking at a lot of ARC and PLC-related work, but a lot of LFP work from 2012 to 2014, and of course, 2015 LFP has triggered. So your home state and certainly others have a fair bit of work on that program alone.

Mr. NEUGEBAUER. Yes. Well, it is good to hear you say that because that was going to be one of my suggestions is if you need to move some folks around to make sure that we get that done because it is going to be planting season, and it is getting close to time to having all of these issues resolved.

Mr. DOLCINI. That is right. We have really used temporary employees quite well around the nation, and appreciate the fact that there was money in the farm bill last year for FSA to hire temporary employees. But that only goes so far, and really what I want to be able to do is move folks around the nation who can help out in places like Texas and Oklahoma, and other states looking at a pretty big workload.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

I now recognize the gentleman from Alabama, for 5 minutes.

Mr. ROGERS. Thank you, Mr. Chairman.

Administrator Dolcini, as you know, USDA recently released the actively engaged rule to determine which persons associated with a farm are eligible for farm program payments. As you work on the rule, I hope you will address the concerns of some of my farmers who worry it may be written too narrowly to exclude members of a farming entity who should, in fact, be eligible. Can you address that concern and try to tell me the status of where you are with that rule?

Mr. DOLCINI. Absolutely, sir. As you know, the rule was announced earlier this week. It is a proposed rule, and there will be a 60 day comment period for folks to weigh-in on what USDA has proposed. This is the first time since 1987 that we have sought to better define the *actively engaged rule*. The default limit is one payment per farm, with the opportunity for two additional payments to be made to that farm depending on its size and/or its complexity. What we have also required this time around is that a person receiving a pay limit has to be substantially involved in the active management of that farming operation. They have to keep a log to demonstrate the work that they are doing on labor issues, finance issues, marketing issues, agronomics issues, and they have to show that they have either 500 hours or 25 percent of their time associated with the operation of that farm in order to receive a pay limit. But we think it is a good strong rule, it is a good first step. You know, it was crafted within the confines of what the 2014 Farm Bill spoke to, and we look forward to a robust comment period, sir.

Mr. ROGERS. Great. Thank you.

Mr. WILLIS, when the Agriculture Act of 2014 was passed last year, it was anticipated that crop insurance would account for about nine percent of the total cost of all the farm programs. The President's budget this year seeks to cut crop insurance by nearly \$16 billion over 10 years, which would leave a lot of my farmers exposed to higher cost for crop insurance, and many farmers would be forced to take out lower levels of coverage to protect against the many hazards they face year in, year out.

While it is not surprising to me to see crop insurance attacked again in this budget, it is disturbing that it would come about in the first year of implementation. Farm bill programs work together to keep the Alabama farming community viable and food prices affordable to consumers. Without affordable crop insurance, east Alabama farmers, the rural economy, and the consumer would all suffer. How can the Administration support the cut to crop insurance of this magnitude?

Mr. WILLIS. Certainly. The President's budget proposes two major things. First of all, some changes to Prevented Plant Program. Those actually—two of those three recommendations came out of recent audits. Really what we are trying to do is make some changes to strengthen the program in the long-term with those. The other one is some reductions in the harvest price option and policies that have that, essentially reducing the subsidized portion from 62 percent to 52 percent. The thought being that those policies, because they protect upward price protection, they cost more, they have a higher risk, and we are just asking the farmers to pay a little bit more of that, but there is still over 50 percent subsidy

for those. Obviously, both those proposals, Congress will have time to debate those. Those are legislative proposals, sir.

Mr. ROGERS. Okay, thank you very much.

With that, I yield back, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Did you have anything further? I actually will recognize Mr. LaMalfa. We are down to our final question, and I wanted to extend a little bit of latitude and recognize Mr. LaMalfa.

Mr. LAMALFA. Okay, thank you again, Mr. Chairman.

I just wanted to follow-up, Mr. Dolcini, on the drought relief again, affecting California. What does the backlog look like for California on catching up to what some of the ranchers need there for what we spoke about earlier?

Mr. DOLCINI. Sir, I am going to have to get back to you on that. I don't know exactly what the backlog is today.

Mr. LAMALFA. Okay. Well, we do appreciate your efforts to move the resources around and get that caught up. It is very important to our folks up in my area, as well as in the Midwest too.

Following up with Mr. Willis again. Thank you for your previous answers on that. So we worked with you on designing a plan for 2016 so that rice would not be caught in this price discovery problem, and relying upon maybe what is seen as traditional price data, since 2015 is out the window for us here, that we can make that available so they have a revenue policy for 2016.

Mr. WILLIS. Yes, sir. And one thing just to let you know about. Immediately after this happened, we actually—some of the work on the farm bill, some of the information—we have some—a contract with some individuals who provide assistance to us, and one of those happens to have some good knowledge of this industry. We have reached out to them asking them for some input as well. So we want to find a solution, and we are already trying to take some steps that will lead to the solution that we all want to have.

Mr. LAMALFA. Okay. We may need to be a little outside of the box on price discovery, otherwise you can be at any coffee shop in rice country and hear a lot about price and get information there. That is kind of a joke, so anyway, thank you. I appreciate it.

Mr. Chairman, I will yield back.

The CHAIRMAN. I thank the gentleman. I would request that any further questions be submitted for the record.

To the Ranking Member, Mr. Walz, thank you, and if you have any final thoughts.

Mr. WALZ. Just thank you both for being here. And again, I want to express my sincere appreciation to you and your team, and to those folks out in those FSA offices in the country. I know they are doing good work. And I did want to associate myself with the gentleman from Alabama on the crop insurance issue. We are appreciative of the Administration's suggestion on crop insurance, and that it is our job to try and look those things through. I think there are certainly things we will look at, but I do think I associate with the gentleman, we are very proud of the crop insurance program and it seems to be working the way we kind of intended. So we appreciate that. But thank you both. It has been very helpful. I think this working relationship and the partnership, attitude that you

obviously have benefits our producers greatly, so thank you for that.

And with that, I yield back.

The CHAIRMAN. I thank the Ranking Member. I would like to associate myself with his comments, and also add that certainly, it is our intent to make sure that we have established an ongoing dialogue, going forward, to address any bumps in the road that we may encounter, but I also want to commend both of you and the work that you and your agencies have done to this point. Whatever we can do as a Committee, as individual Members, we certainly want to make ourselves available to you to make this implementation as smooth, efficient, and productive as we possibly can. Once again, thank you for being here. We appreciate your time.

With that, this Subcommittee on General Farm Commodities and Risk Management hearing is adjourned.

[Whereupon, at 10:38 a.m., the Subcommittee was adjourned.]

