

**THE AGRICULTURAL ACT OF 2014
IMPLEMENTATION AFTER ONE YEAR
AND FARM CREDIT ADMINISTRATION
PENDING NOMINATIONS**

**HEARING
BEFORE THE
COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY
UNITED STATES SENATE**

**ONE HUNDRED FOURTEENTH CONGRESS
FIRST SESSION**

FEBRUARY 24, 2015

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CONTENTS

| | Page |
|---|------|
| HEARING(S): | |
| The Agricultural Act of 2014 Implementation After One Year and Farm Credit Administration Pending Nominations | 1 |

Tuesday February 24, 2015

STATEMENTS PRESENTED BY SENATORS

| | |
|---|---|
| Roberts, Hon. Pat, U.S. Senator from the State of Kansas, Chairman, Committee on Agriculture, Nutrition, and Forestry | 1 |
| Stabenow, Hon. Debbie, U.S. Senator from the State of Michigan | 4 |

Panel I

| | |
|---|----|
| Felts, Rich, Wheat, Corn, Soybean, and Livestock Producer, Liberty, KS | 5 |
| Lee, Ronnie, Cotton, Peanut, Wheat, Corn, Soybean, Pecan, and Cattle Producer, Bronwood, GA | 7 |
| Mitchell, Clay, Corn and Soybean Producer, Buckingham, IA | 10 |
| DeRuiter, Michael, Cherry, Apple, and Peach Producer, Hart, MI | 12 |

Panel II

| | |
|--|----|
| Vilsack, Hon. Tom, Secretary, U.S. Department of Agriculture, Washington, DC | 24 |
|--|----|

Panel III

| | |
|--|----|
| Hall, Jeffery S., of Kentucky, to be a Member of the Farm Credit Administration Board, Farm Credit Administration | 49 |
| Tonsager, Dallas P., of South Dakota, to be a Member of the Farm Credit Administration Board, Farm Credit Administration | 51 |

APPENDIX

| | |
|--|-----|
| PREPARED STATEMENTS: | |
| Klobuchar, Hon. Amy | 58 |
| DeRuiter, Michael | 59 |
| Felts, Rich | 62 |
| Hall, Jeffery S. | 68 |
| Lee, Ronnie | 71 |
| Mitchell, Clay | 78 |
| Tonsager, Dallas P. | 82 |
| Vilsack, Hon. Tom | 84 |
| DOCUMENT(S) SUBMITTED FOR THE RECORD: | |
| Public 5 day letter, Committee questionnaire and Office of Government Ethics Executive Branch Personnel Public Financial Disclosure Report filed by Jeffery S. Hall | 98 |
| Public 5 day letter, Committee questionnaire and Office of Government Ethics Executive Branch Personnel Public Financial Disclosure Report filed by Dallas P. Tonsager | 130 |

IV

| | Page |
|---|------|
| QUESTION AND ANSWER: | |
| Hall, Jeffery S.: | |
| Written response to questions from Hon. Pat Roberts | 156 |
| Written response to questions from Hon. Debbie Stabenow | 156 |
| Tonsager, Dallas P.: | |
| Written response to questions from Hon. Pat Roberts | 159 |
| Written response to questions from Hon. Debbie Stabenow | 160 |
| Vilsack, Hon. Tom: | |
| Written response to questions from Hon. Pat Roberts | 162 |
| Written response to questions from Hon. Thad Cochran | 166 |
| Written response to questions from Hon. John Boozman | 166 |
| Written response to questions from Hon. Debbie Stabenow | 167 |
| Written response to questions from Hon. Amy Klobuchar | 191 |
| Written response to questions from Hon. Michael Bennet | 193 |
| Written response to questions from Hon. Heidi Heitkamp | 199 |

**THE AGRICULTURAL ACT OF 2014
IMPLEMENTATION AFTER ONE YEAR
AND FARM CREDIT ADMINISTRATION
PENDING NOMINATIONS**

Tuesday, February 24, 2015

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC

The Committee met, pursuant to notice, at 9:35 a.m., in room 328A, Russell Senate Office Building, Hon. Pat Roberts, Chairman of the Committee, presiding.

Present: Senators Roberts, Cochran, McConnell, Boozman, Hoeven, Perdue, Ernst, Tillis, Sasse, Grassley, Thune, Stabenow, Bennet, Gillibrand, Donnelly, and Casey.

**STATEMENT OF HON. PAT ROBERTS, U.S. SENATOR FROM THE
STATE OF KANSAS, CHAIRMAN, COMMITTEE ON AGRI-
CULTURE, NUTRITION, AND FORESTRY**

Chairman ROBERTS. Good morning, members of the Committee. I call this meeting of the Senate Committee on Agriculture, Nutrition, and Forestry to order.

As our first order of business, it is only right that we recognize and appreciate and honor our chairwoman of the past four years and the tremendous amount of good work she accomplished during a very, very difficult time. Senator Stabenow is a dedicated, and sometimes even fierce, leader of agriculture policy, whose tenacity successfully carried a Farm Bill across the goal line when many believed it just simply could not be done.

At times we may have disagreed on certain aspects of the policy; that is to be sure. But we always agreed—we always agreed—on the importance of providing the stability to America's producers, and that only comes with a five-year bill.

Madam Chairwoman Emeritus, as a sign of our appreciation of your service, we present to you the chairwoman's gavel, the same gavel you used to keep us all in line.

Senator STABENOW. Thank you very much.

Chairman ROBERTS. There are several dents on the gavel.

[Applause.]

Senator STABENOW. Thank you.

All right. That is wonderful. Thank you very much.

Chairman ROBERTS. Please do not hit me with that again.

Senator STABENOW. That is really terrific. Thank you.

Chairman ROBERTS. While——

Senator STABENOW. Senator Bennet just missed this. Mr. Chairman, I apologize.

Chairman ROBERTS. Are you a member of this Committee, Michael? I seem to recall that.

Senator BENNET. Did you let me back on?

Chairman ROBERTS. Yes.

Senator STABENOW. This is the gavel that we used to knock up the Farm Bill. So thank you.

Chairman ROBERTS. We also have the sound up too far.

We also want to present you with this picture.

Senator STABENOW. Oh.

Chairman ROBERTS. This is obviously you whispering advice to me at the appropriate time. I am awake in this picture.

Senator STABENOW. You are awake. That is actually quite impressive.

Chairman ROBERTS. It says "Madam Chairman—Chairwoman, pardon me, appreciate your always good advice. Cherry trees forever. Pat Roberts."

Senator STABENOW. Thank you.

Chairman ROBERTS. We have another—

Senator STABENOW. Thank you very much. You are giving me too many things.

Chairman ROBERTS. Just to show that there were times when—

Senator STABENOW. My goodness.

Chairman ROBERTS. —it was not so serious and we did get along. "Must have been funny. Best wishes. Pat Roberts."

You are absolutely—

Senator STABENOW. I am enthralled.

Chairman ROBERTS. You are enthralled.

Senator STABENOW. Yes, yes. That is great.

Chairman ROBERTS. I would not have thought of that word. I appreciate that.

[Laughter.]

Senator STABENOW. You are putting these in your office, I suppose?

Chairman ROBERTS. No. You can do—with all due respect and with some degree of hesitancy, you can do with them what you would like.

[Laughter.]

Senator STABENOW. Well, thank you. I have a place of honor.

Chairman ROBERTS. We would also be deficient if we did not state a well-deserved thank you to our Appropriations Chairman and my friend, Chairman Cochran, for leading the loyal minority side of this Committee over the past two years. Agriculture is certainly fortunate to have an Appropriations Chairman with such experience and a knowledge of the challenges facing our producers, and so we want to thank Thad as well.

I am both humbled and honored to serve as your Chairman, the first modern history, I am told, to have held the gavel for this illustrious Committee in both the House and the Senate.

The Agriculture Committee has a long history of caring more about the issues than the ideology, more about the people than the

party. It is in this spirit of service that I will guide our Committee's work with three principles in mind.

The first is that this Committee will be the platform for America's farmers, ranchers, small businesses and rural communities, school children and the hungry, to raise their concerns. Too often I have heard from my constituents that they feel ruled and not governed. We will work to ensure that the voices of our constituents are heard by their government. We will be their champion.

Second, in this Committee we will conduct thorough and vigorous oversight of the activities of the departments and agency within our jurisdiction and those that impact our constituents. It is our responsibility to ensure that our government operates efficiently, effectively, and in a responsible manner to our taxpayers.

Finally, this Committee will conduct its legislative business in an open and transparent way that provides our members opportunities to work across the aisle for the betterment of our constituents.

As we look around this Committee, we see a wealth of experience in former and current chairs of not only our Committee but others in the Senate as well as a welcome infusion of new blood. I welcome Senator David Perdue of Georgia, Senator Joni Ernst of Iowa, who will be introducing a witness, as along with David, and Senator Ben Sasse from Nebraska to the Committee, and Thom Tillis also, from North Carolina.

I have met with each of these members. We have gone over their priorities. I am excited about the fresh ideas and the enthusiasm that they will bring to our challenges.

We have a great challenge ahead of us in this Congress, but I am confident, with all of your help, we will succeed.

Now today's hearing is a little unique and a little special. Not only are we beginning our work in this new Congress, but we are also going about things just a little differently. Today, we will conduct our first oversight hearing of the one-year-old Farm Bill by hearing from farmers, i.e., producers, first, then the administration.

It is my hope that our witnesses will be able to bring forward testimony of their challenges and successes of the new Farm Bill and that then we and the Secretary will work to address the challenges raised by our four witnesses and by others who have reached out to our Committee members.

We want to especially thank Secretary Vilsack for his willingness to try something new today. I believe this hearing will send a strong message to America's farmers and ranchers that their government is listening to them and that we can, and will, work together on their behalf.

Finally, today's third panel includes two nominees to serve on the Board of the Farm Credit Administration. I will have more to say about them and the FCA later, but I welcome Mr. Hall and Mr. Tonsager and their families to this Committee.

With that, I will recognize our Chairwoman Emeritus, Senator Stabenow, for any remarks that she might want to make.

**STATEMENT OF HON. DEBBIE STABENOW, U.S. SENATOR
FROM THE STATE OF MICHIGAN**

Senator STABENOW. Well, thank you very much, Chairman Roberts. First of all, thank you for your graciousness this morning and for the willingness to allow me to have the gavel from this last session where we worked together so closely in putting together the Farm Bill.

Let me stress again that you really do deserve special congratulations for becoming the first person to chair both the Senate and the House Agriculture Committees. You are a champion for farmers and ranchers in your state. The people of your state, they are lucky to have you sitting in that seat.

We actually began our partnership officially four years ago with your visiting East Lansing, the home of Michigan State University, my alma mater.

Senator Roberts was willing to wear green and white at that time. I then reciprocated in Wichita, Kansas, and wore purple.

I notice you are wearing purple this morning.

I had an opportunity to see firsthand the great admiration—

Chairman ROBERTS. Would you yield on that point?

Senator STABENOW. Yes, I would be happy to.

Chairman ROBERTS. Kansas State, 70. KU, 63.

Senator STABENOW. Yes.

[Laughter.]

Senator STABENOW. I did learn the avid sports fan that you are in constantly giving me the standings as we went through.

Chairman ROBERTS. Go Spartans!

Senator STABENOW. Go Spartans! Yes, that is right.

So we have a long history of working together for our farmer and ranchers and our school children and our families, and I look forward to continuing that.

One of the things that has been very special about this Committee is that we have made it a bipartisan Committee, and I think that has served us well in getting things done.

So I want to welcome our new members as well. We are glad to have you as part of the team. We have got a lot to do.

In fact, the 2014 Farm Bill was a triumph of bipartisan collaboration, and we have an amazing coalition of folks that came together—farmers, ranchers, families, researchers, folks in the bio-energy sector. We had people from all over the country that came together, and I think that is why we got this done.

It is really important that we keep that coalition together if we are going to move forward, supporting agriculture.

I want to thank our witnesses for attending this important hearing and talk more about our Michigan witness a little bit later.

I also want to thank Secretary Vilsack and his excellent staff at the USDA for implementing the Farm Bill. There has been some very, very important work—a lot of work as we know, it takes a lot of work to put together the implementation.

I appreciate their willingness to work as hard and fast as they are.

I would just underscore last week, Mr. Chairman, I was in Michigan with our farmers and conservationists, announcing the regional partnership program we put together on conservation.

I think one of the areas we should be very proud of is that we really streamlined conservation. You and I together, and others, cut down the number of programs, cut down the paperwork, cut down the duplication, and have rolled out something that is very grassroots, called the Regional Conservation Partnership Program. Rather than top-down, it is about communities making decisions and then us supporting them.

Let me also just say again—we have said so many times, but—the agriculture bill, the Farm Bill, is food policy, conservation, energy policy, security, and it is all about jobs. I am proud of the fact that we did that while actually cutting \$23 billion, eliminating duplication, consolidating more than 100 programs.

I say that, Mr. Chairman, because we voluntarily cut our budget more than sequestration. As a member of the Budget Committee, I intend to remind our Budget Committee of that; we gave at the office.

We have a five-year bill. We have really important long-term stability. I mean, it is amazing, but five years around here is long term. Our farmers and ranchers and families and communities need that.

So I was really pleased to see there is a group of, I think, close to 400, is it? Just under 400 different groups that supported the Farm Bill that have just put out a letter saying to the Budget Committee, do not reopen the Farm Bill that we have already put in place and made tough decisions. We made tough decisions together.

Let me finally just say I know we have important work ahead of us on child nutrition, on the Commodity Exchange Act, on looking at new markets including Cuba, which the Chairman knows that I am excited about.

I look forward to working with you in the same bipartisan spirit that we always have in the Committee, and I really believe that we can set the example on this Committee, as we have, for how folks can work together and get things done.

So, thank you.

Chairman ROBERTS. Thank you, Senator.

We will move to opening statements of our witnesses. Then members will have five minutes for comments and questions. Members may submit opening statements in writing for the record.

Today, I am very happy to introduce to the Committee, Mr. Rich Felts from Montgomery County, Kansas. Rich and family farm in the southeastern part of the state, where they primarily grow wheat, corn, and soybeans, as well as raise hogs and cattle.

As the president of the largest agricultural organization in Kansas, and a K-State graduate, I look forward to Rich's testimony and insight.

You may begin, sir.

**STATEMENT OF RICH FELTS, WHEAT, CORN, SOYBEAN, AND
LIVESTOCK PRODUCER, LIBERTY, KANSAS**

Mr. FELTS. Thank you, Chairman Roberts, Ranking Member Stabenow, and members of this Committee.

You know, I am here today also as first-term president of the largest ag organization in the State of Kansas, Kansas Farm Bureau, and I must say to our 40,000 members in our organization,

Chairman Roberts has been a steadfast advocate for the farmers in our area that have to endure much of the wrath of Mother Nature.

Without question, crop insurance has been the cornerstone of the safety net for Kansas producers over the past decade. In a high-risk industry, the survivability revolves around droughts, floods, freezes, high winds, pests. Financial protection is a necessity.

In the 2014 Farm Bill it amended back the life of the Livestock Forage Program, and with this latest sign-up we had 62,000 farmers and ranchers sign up for assistance under this program.

If it were not for the Federal Crop Insurance and the Livestock Forage Program, it is possible that Kansas farmers, ranchers, and businesses could be in jeopardy today.

But, as a farmer, we realize from year to year the risk we face and we recognize the losses we have had. In 2007, we endured a spring freeze that destroyed a wheat crop. In July, we had a flood that decimated our fall crops. Without crop insurance, we would have been in serious jeopardy.

But I also know that we have great years from time to time that we recognize as well.

But whether we have the lack of yield or the lack of revenue, crop insurance is of the utmost importance to us.

I can assure you, from my farming experiences, I never enjoy calling a crop insurance agent because I know when I have called him I have suffered a loss that I do not appreciate.

What I also know is by paying premiums it allows me to sleep at night, knowing if I have managed my business in a proper manner I can still get a good night's sleep even if Mother Nature does share its wrath upon us.

But let me turn my attention also to the other components of the Farm Bill. This is a very complex Farm Bill. We have had the fortune in Kansas to have FSA, K-State Extension and Farm Bureau putting together over 200 educational events to help us address the Title I programs within this Farm Bill.

This past Thursday I had my opportunity to go to my county FSA office, and I want to say that I am appreciative of the fact that we do have the opportunity to update our base acres and our yields.

But also, in doing this, I did procrastinate a little bit, like many. I reallocated my acres. I updated my yields. But I still did not make my determination as to whether I wanted to participate in ARC or PLC.

But I took the opportunity to ask the young lady that is our county director, what are people doing?

She says, I have not seen very many landlords. Most of the participants that have been coming in are the tenants that are making the decision and having the landowner sign.

Also, she said that time is going to be an issue, with the number of people that they have to come in and get registered, it was not going to happen within the time frame that they have had.

We have run into glitches in Kansas, a couple minor issues basically dealing with cover crops.

In those crops, we have had the ones where you had a cover crop but then you come back and plant a covered commodity crop, corn

particularly. That was not being recognized, and the administration is presently working on that.

Another issue that we have had is vegetable crops that are planted as a cover crop that are not planted to be harvested. We have to have the FSA come to the field and certify that those crops—by paying a fee, certify that those crops were not harvested.

But just as important not under the jurisdiction of this Committee, farmers and ranchers all across the country have to deal with a magnitude of weather events as well as burdensome intrusion from other government entities.

I grew up believing that USDA was a people's department, and I can truly say that has been the case.

In closing, I would like to say that crop insurance is a critical tool for farmers. It is the only program that I have skin in the game. It protects us from catastrophic losses and precludes the need for unbudgeted ad hoc legislation that often takes Congress years to act upon and longer for USDA to pay out. Crop insurance is the cornerstone of our farm program from my perspective.

We look to this Committee to provide some additional certainty as we go forward, and I appreciate the opportunity to be with you today. Thank you.

[The prepared statement of Mr. Felts can be found on page 62 in the appendix.]

Chairman ROBERTS. Rich, thank you very much for your statement and thank you also for being on time.

I would now like to ask Senator Perdue to introduce Mr. Ronnie Lee, a managing partner of Lee Farms family farming operation in Bronwood, Georgia.

Senator PERDUE. Thank you, Mr. Chairman.

I am delighted this morning to introduce a friend of mine, Mr. Ronnie Lee from Bronwood, Georgia. He is in South Georgia.

Mr. Lee is a family farmer that currently raises cotton, corn, peanuts, small grains, hay, pecans—I will finish in a minute—cattle in Terrell, Lee, and Sumter Counties. He also owns and operates a cotton ginning and warehousing operation located in Bronwood and Albany.

As I traveled across Georgia last year, I met with Mr. Lee and other Georgia farmers who are family farmers first, who lead our agriculture community. We need to draw on their wealth of knowledge and their experiences in the field. Their voice and concerns are critical as we discuss the importance of the Farm Bill and other agricultural issues that impact them directly.

Ronnie, thank you for being here this morning and taking time to give us your insights. You are valuable to Georgia, and you are a valuable asset to our country.

Thank you.

STATEMENT OF RONNIE LEE, COTTON, PEANUT, WHEAT, CORN, SOYBEAN, PECAN, AND CATTLE PRODUCER, BRONWOOD, GEORGIA

Mr. LEE. Chairman Roberts, Ranking Member Stabenow, members of the Committee, thank you for the opportunity to offer the views of the National Cotton Council and the Southern Peanut

Farmers Federation regarding implementation of the Agricultural Act of 2014.

My family and I raise, as he said, cotton, peanuts, grains, pecans, hay and cattle in Bronwood, Georgia.

We want to work with this Committee to ensure the Farm Bill and the Federal Crop Insurance Act are maintained. It is critical that the farm policy is designed and implemented to provide the sound foundation for production agriculture.

While the goal of farm policy is not to completely remove the risks associated with farming, policy should strive to provide opportunities for effective risk management.

The Stacked Income Protection Plan, or STAX, is designed to work in concert with other insurance products in order to provide an effective safety net for upland cotton producers. STAX establishes a level of protection based on coverage levels selected and purchased by producers and a commodity price determined by the future market.

We strongly commend RMA for the tremendous work it has done to implement STAX in an efficient and timely manner, making the policy available for more than 99 percent of the cotton acres this year.

For 2016, we intend to work with RMA in an effort to expand STAX to all counties with cotton production and provide additional flexibility by allowing STAX purchases to be completely independent for irrigated and non-irrigated practices.

Congress has also included a new peanut revenue insurance program in the Farm Bill. We appreciate the great work by RMA to implement the policy for this year.

We strongly support the crop insurance enhancements such as enterprise units and coverage levels by practice and the APH yield exclusion option that is especially needed in areas with multi-year drought conditions. So it was important that this provision was available this year.

The marketing loan program remains a cornerstone of farm policy for the cotton industry. In the current low price situation for cotton, the marketing loan is an especially crucial tool for multiple segments of the industry to effectively market cotton and provide cash flow for producers. One of the hallmarks of the program is its function to ensure that cotton flows through marketing channels and encourages orderly marketing of the crop throughout the year.

An impediment to the proper functioning of the marketing loan is the application of the payment limits of the 2014 Farm Bill. This has been one of the most challenging implementation issues. This is the first time a unified limit has applied to multiple programs, creating an extremely complex and challenging task for USDA to accurately and timely track marketing loan benefits to individual producers.

Because producers market their crop and other crops through multiple marketing channels, such as co-ops, merchants, and direct marketing, the complexity of tracking these benefits is significant. For producers of multiple crops, the impact to payment limit will be harmful as a portion or all of a producer's limit could be used for the marketing loan.

Peanut growers are pleased with the new PLC program, but with the expected ARC and PLC payments for the 2014 crops scheduled to be paid this fall, some producers could find themselves with either no limit left or only eligible to receive a portion of the payments. We are concerned about the long-term impact of marketing decisions as producers realize the impact of this unified payment limit.

It is likely that some cotton will be placed in a marketing loan and forfeited to USDA rather than being forward contracted and actively marketed during the year. This could lead to cotton being locked in the loan, disrupting cotton flow to the market and to end users, leading to potentially greater government losses.

We continue to urge USDA to utilize existing authorities to follow the intent of the marketing loan program, which is to minimize the forfeiture of commodities and encourage redemptions. We intend to continue working with USDA, and would urge the Committee to work with USDA as well, to find a workable solution to this issue.

We appreciate the opportunity to provide these comments on the importance of maintaining the 2014 Farm Bill and the Federal Crop Insurance Act with no further budget reduction. It would be highly disruptive to make adverse policy changes and budget reductions at this time.

Farm policy generally and cotton policy specifically, were substantially reformed and funding reduced in the 2014 Farm Bill. Changes will only undermine the foundation of risk management for production agriculture.

Thank you, and I will be pleased to respond to questions.

[The prepared statement of Mr. Lee can be found on page 71 in the appendix.]

Chairman ROBERTS. Mr. Lee, thank you very much and especially for being on time.

We are going to pause here just for a moment. Senator Ernst—and also speaking for Senator Grassley, which is always a tall order—will be introducing Mr. Mitchell, who has an outstanding record of service to agriculture.

But, first, if there is a busy person in the room it has to be the distinguished Chairman of the Appropriations Committee.

Senator Cochran, you were not here when I offered frankincense and myrrh and well-deserved comments. I wanted to thank you for not only being my friend, and colleague further, but for leading our loyal minority side of this Committee over the past two years.

Agriculture has been certainly fortunate to have an appropriations chairman with such experience in, and knowledge of, the challenges facing our producers. In your home state, you have been a champion in that effort for many years.

Thank you for your friendship and your leadership, sir.

So I wanted that to be a part of the record when you were present.

Our next witness will be introduced by Senator Ernst.

Senator ERNST. Thank you, Mr. Chairman.

First, I wanted to say how excited I am to be on this Committee. Thank you very much for that selection.

Having grown up on a farm in Iowa, I look forward to working with all of our colleagues on this Committee to improve critical agricultural programs for farmers and ranchers all across America. Today, we have begun that important process by having witnesses from a variety of regions testify regarding the implementation of last year's Farm Bill.

Today, I have the pleasure of introducing Mr. Clay Mitchell, who is a fifth-generation corn and soybean farmer from Tama County, which is just south of Waterloo, Iowa. His studies and techniques have driven innovation in many areas of farming, such as wireless farm networking, no-till farming, and grain storage automation.

Mr. Mitchell is not only a farmer from Iowa, though. He has also participated in the World Economic Forum in Davos and is Managing Director of Fall Line Capital.

On behalf of Senator Grassley and myself, I want to welcome you here today, Mr. Mitchell. It is always good to have an Iowan here in Washington, DC, and we look forward to your testimony. Thank you so much.

STATEMENT OF CLAY MITCHELL, CORN AND SOYBEAN PRODUCER, BUCKINGHAM, IOWA

Mr. MITCHELL. Thank you, Chairman Roberts, Ranking Member Stabenow, and members of the Committee. I appreciate that opportunity to share with you my experience on implementation of the Farm Bill.

As I scramble to adjust to the crash in grain prices and titrate the costs on my farm, the implementation of the Farm Bill is providing critical stability to the policies that affect my operating and investment decisions. It also provides critical stability to conservation incentives that tip operations like mine into sustainable systems.

I started farming full-time in 2000, when corn prices averaged below \$2 per bushel and non-land farming costs were \$200 per acre.

During the subsequent commodity bubble, we had a 29-month run from 2011 to 2013 when corn prices averaged \$6.50 a bushel and non-land farming costs were \$500 to \$600 per acre.

Today, we have corn prices in the mid-\$3 per bushel. We have 2007 corn prices but 2013 costs.

I concur with economists who predict that this year we will have the largest drop in farmer income since the Great Depression.

I put great effort towards how I can reduce costs with these low grain prices. While we can, and we must, respond to changes in market demand, it is the sudden drops in revenue that hurt.

In rural communities that depend on grain production, farmers are the shock absorbers of grain revenue volatility. Cash rents are extremely stable relative to commodity prices. We have seen in the past several years input prices that appear to have unhinged from grain prices.

The Farm Bill gave us the opportunity to sign up for either the Price Loss Coverage or Agricultural Risk Coverage programs to help with revenue drops. To help with this program selection, extension agents, the Farm Service Agency, Farm Credit, and agri-

cultural journalists put together many calculators, seminars, and articles.

They helped me determine that the ARC program was better suited to my farm than PLC. When it came time to sign up, my local FSA office in Tama County was organized and courteous.

I hear a lot of older farmers say they wish their Social Security office could operate as efficiently as the FSA office.

Crop failures are less common on my farm than in most of the country. Even so, I spend 5 to 15 percent of my budget on crop insurance. While we have been farming in Iowa for 5 generations, we have been farming in the Americas for 13 generations. With a family like mine, with a long look, the once-in-a-lifetime crop loss is much too frequent to bet the farm.

Because an entire crop investment can be lost, our downside case grows in direct proportion to the crop investment. In the absence of crop insurance, my cropping decisions would be so dominated by the chance of crop failure, however, rare, that I would be forced to trim my crop investment to suboptimal levels.

The crop insurance that continues in the Farm Bill is more than a smoothing tool. It is an enabler for optimal cropping.

The Risk Management Agency has been collecting big data on grain production before it became a fad in our industry. The RMA has a tremendous ability to study relationships between farming practices and yields.

I am very excited that the RMA is beginning to recognize the importance of soil conservation on yields. As the RMA is newly seeking to study the relationship between sustainable practices and yield stability, I am hopeful that they will be able to underwrite actuarially sound advantages to practices like cover cropping.

The Conservation Stewardship Program takes a complete conservation inventory of the farm and rewards the net aggregated conservation practices with a five-year contract with regular audits.

I did my first five-year CSP contract in 2014 and have re-enrolled for 2015 to 2020. My farm has been in no-till for decades, but the CSP program was the enabler for me to adopt cover cropping. In Iowa, these two practices make the difference between losing several tons or more of soil per acre per year and holding and improving soil.

Whereas most farmland in the world is in a constant state of decline, with these practices, a farm is like an oil well that never runs dry, productive in perpetuity.

While we all value the many benefits of America's wetlands, let us be clear that within farmed cropland an affirmative wetland determination and agricultural production value are at extreme cross-purposes. Not only do too wet soils cause grain yield to collapse, but they also impede timely operations in the whole field. Drainage is the improvement that has had, by far, the largest positive benefit on America's farmland values.

In drafting the Farm Bill, both houses of Congress considered the devastating effect that affirmative wetland determinations can have on farmland owners while at the same time considering the value the wetlands bring to our landscapes. By funding wetland banking and encouraging rules that allow a 1:1 wetland mitigation ratio, the Farm Bill is on track to a balanced solution.

As of today, we have fields pocked with small wetlands that are awaiting mitigation rules that are still being written. If the wishes of Congress are followed, we expect our grain yields and resource use efficiency to improve 30 percent, and at the same time, wetlands that are outside of cropping areas can flourish with diverse, native species.

The social fabric of my community depends upon a polypoly of farmers that, in turn, requires beginning farmers to replace retiring farmers. In most of the programs we have discussed, the farm yield gives much needed preference to beginning farmers.

Thank you for allowing me the opportunity to share my thoughts and for your commitment to farming families.

[The prepared statement of Mr. Mitchell can be found on page 78 in the appendix.]

Chairman ROBERTS. Mr. Mitchell, thank you and thank you again for being on time.

The distinguished Chairwoman Emeritus will now introduce the next witness.

Senator STABENOW. Well, thank you, Mr. Chairman.

I appreciate hearing from all of you, and am very pleased to have Michael DeRuiter here, who is from Michigan. He is a third-generation farmer and co-owner of DeRuiter Farms, a cherry, apple, and peach farm in Hart, Michigan, where he lives with his wife, Amanda, and two-year-old son, Landon.

He is currently an executive committee member of the Michigan Cherry Committee, a board member of the Cherry Marketing Institute and the Michigan Farm Bureau.

We very much appreciate your being here and being part of the testimony today. Welcome.

**STATEMENT OF MICHAEL DERUITER, CHERRY, APPLE, AND
PEACH PRODUCER, HART, MICHIGAN**

Mr. DERUITER. Thank you, Chairman Roberts and Ranking Member Stabenow for the kind introduction, and I thank the members of the Committee for the opportunity to testify here today.

I am Michael DeRuiter, a fourth-generation fruit farmer from Hart, Michigan. My wife and I are raising what we hope to be the fourth generation on our farm.

My brother, father, and I raise approximately 1,000 acres of tart cherries, apples, and peaches. In the summer, we also run a cherry processing facility.

We also have neighbors who grow asparagus, squash, onions, pumpkins, and many other diverse specialty crops.

I am pleased to be here today in support of the Committee's work on the Farm Bill, which has made a big impact on my farm and farms across Michigan. There are many critical programs in the bill that help our industry, and I would like to focus on four—conservation, research, nutrition, and crop insurance.

Farming in Western Michigan, with so much water all around us, conservation is an important consideration. For our farm to be economically viable for the next generation, we must think about sustainability, soil health, and integrated pest management programs on a daily basis. My family believes strongly that we need to leave our farm in better shape than when we started. To that

end, our farm is verified in the Michigan Agricultural Environmental Assurance Program, or MAEAP.

MAEAP is an important voluntary program in Michigan that continues to grow, but it would not work without the NRCS programs that assist farmers with technical and financial assistance to build and pay for chemicals, containment storages, storage facilities, fueling pads, and other similar projects.

NRCS today has a unique partnership today with state agencies and conservation districts to help farmers implement lasting conservation practices.

Research is also vital to our farm and Michigan agriculture as a whole. New technology and programs to reduce pesticide use and enhance IMP are critical. Funding available through the Specialty Crop Research Initiative has helped us move all specialty crop research forward.

I want to highlight one project, RosBREED 1, a \$14 million program under the last Farm Bill that provided a research framework for apple, peach, cherry, blueberry, and strawberry industries to map the genome of Rosaceae. This project brought together breeders from all over the world to develop and identify genetic markers for fruit quality.

That led to the RosBREED II project which was funded last year for another \$10 million. RosBREED II will focus on cherry leaf spot and Armillaria, two key disease threat issues for the cherry industry.

The Specialty Crop Research Initiative has been critical in promoting collaboration across state lines and around the world to address key researchable issues. There is no other funding source available right now to address these current issues.

Michigan is also one of the eight states for a new school-food lunch pilot program exploring local sourcing. This is a very big deal for specialty crop growers.

The pilot program will redefine how schools work with local farms, vendors, and shippers to decrease transportation costs. It will also allow government to streamline the buying process and get more locally grown fruits and vegetables into our schools.

Our state is pleased to be a part of this pilot, providing flexibility while supporting local farmers and processors.

I cannot leave this topic without talking about the bonus procurement from the USDA and how it helps farmers remove surplus product from the market and get in the hands of needy families. Specialty crop industries all over the nation have benefited tremendously from this project.

Crop insurance for specialty crops is also vitally important. For several years in our area, you could buy crop insurance for apples and peaches but not cherries. In 2014, for the first time ever, a cherry insurance policy became available to all growers. While NAP is an important option for farmers, we need a broader risk management tool like crop insurance, which covers multiple perils beyond disasters.

We purchased crop insurance last year, and while we had a nice crop, growers in Southwest Michigan suffered a wind storm on June 2nd that ruined most of their crops. Those growers are work-

ing with their crop insurance adjusters to recuperate the damage from that storm.

This is a good news story for cherry growers. As a young farmer, it is vital that there is support for programs like this. Specialty crops are high-value crops with high input expenses. We need programs to help mitigate the risks so young farmers do not go broke due to one adverse weather event.

NAP is also important, and the new buy-up policy is a great tool for smaller farmers and noninsured crops. The policy implemented in the new Farm Bill provides better coverage for farmers and is a step in the right direction for those farms that do not have crop insurance today.

The new Farm Bill has been an important tool for my farm and to the many diverse farms across Western Michigan.

Thank you again for the opportunity to join you here today, and I would be happy to answer any questions you may have.

[The prepared statement of Mr. DeRuiter can be found on page 59 in the appendix.]

Chairman ROBERTS. Thank you very much and thank you for being on time.

The order for members to understand will be I will have five minutes, Senator Stabenow, Senator Perdue, Senator Ernst, Senator Cochran, and Senator Tillis.

Senator Bennet had a conflict and so did—let's see. Ben, where are you? I think you have left.

Then Senator Grassley, obviously, had a conflict. Senator Thune, as well.

So I think we can proceed through this pretty quickly and then get the Secretary up here because I know his time is valuable.

Thank you to all members of the panel for taking the time to share your personal experiences with the Farm Bill programs and the implementation so far. Your hands-on insight is extremely helpful as we work with the Department to make sure implementation is as smooth and predictable and farmer-friendly as possible.

My first question is to our Kansan.

Rich, given the complexity of the new programs and the decisions to update your base and yields, can you explain your decision-making process for working through the new programs and choices before you went into the local FSA office last week and how did your appointment go?

Mr. FELTS. Thank you, Mr. Chairman.

We appreciate the opportunity to be able to reallocate bases and update yields, to be a little more realistic to what we feel like are present-day production practices. In not all cases did we update those. There was an occasional crop on an occasional farm that we did not.

But, because the technologies that we had, the way we farm, our cultural practices, there was a necessity to update some yields and bases.

I think more complex, though, is when you look at trying to combine the Title I programs with the bases. Myself, I tried to separate that and looked at the reality of what we needed to do with our farm, not looking so much as to what the payment potentials were with the existing ARC and PLC program.

Chairman ROBERTS. I understand that you have not yet made a decision with regards to the PLC or the ARC program. Is that correct?

Mr. FELTS. That is correct. I am unlike a lot of farmers; I think I am a procrastinator.

We still have a little time, but also, I think there are some that are waiting to go as long as they can. I know you should not look at long term or in the short term but waiting to see if there might be some additional direction to these markets as we look at the first couple or three years into the program.

Chairman ROBERTS. I was talking to an extension agent just this past week, who said to me that if he just had an hour and a half to talk to each individual farmer he thought he could talk them into the ARC program. The only problem is you have got hundreds of farmers to talk to.

Do you think we need more time?

Mr. FELTS. I do not know that we need time, but as I related in my testimony, the young lady in our county said they may have to have time because she just did not feel like they had a high enough percentage of producers stop in the office, to get everybody through in a timely manner.

Chairman ROBERTS. Mr. Lee, as the Department works to continue implementing the Farm Bill in the second year of the five-year bill, how important is it for you to know the rules of the game, or the rules of the road, for the life of the Farm Bill?

What advice would you give members of this Committee and all members of the Congress about making significant changes to the programs, in particular, crop insurance?

The answer is to leave it alone.

[Laughter.]

Mr. LEE. Okay. It is very important. We need to know the rules, and for the life of the bill. We do not need rules changed along the way.

This has been a different bill, as we all know, and a lot of times we do not know until we have gone through the first years to understand and know the impact and all.

But the one thing that is different about this is we are making some changes for now, and we have got to make those decisions, and we do not know exactly what the outcome will be.

But I think that, FSA has given us the tools to make some decisions, and it is a lot easier lately than I thought it would be to make those decisions.

As far as crop insurance—and I do not know; I might have missed part of the question. Crop insurance is still a big, big issue for us, and this Farm Bill is all about crop insurance.

So, in my area, we are very diverse as far as different crops. So we may have to choose one program for one crop and another program—PLC for peanuts, ARC for corn and grains.

So we are still trying to figure it out.

I do not know whether I answered, but that is where we are.

Chairman ROBERTS. Well, I thank you, Mr. Lee.

My time is almost up, and so I am going to yield to Senator Stabenow.

Senator STABENOW. Well, thank you, Mr. Chairman.

Let me just echo your sentiments in terms of again not opening up the Farm Bill. I cannot think of a riskier business than farming and ranching, where you have got to look at the weather and determine what is going on before you—as you are making decisions.

The fact that we were able to do something that was more than six months or a year, that would at least give you five years of certainty, I think is really important, and it is important to keep that.

I am anxious to see as we go forward with the ARC program and PLC, to see how that goes. We, in the Senate, had approached things differently originally in our bill with the ARC program in wanting to allow farmers, instead of making a choice, to be able to qualify for whatever you triggered in terms of losses and so on. But in the final bill, in negotiating with the House, we ended up yielding on that point to the House, where it is a choice.

So that is the part of the Farm Bill that makes me the most nervous just in terms of the decision you have to make on a crystal ball five years down the road in that. So I am hopeful it is going to work out and anxious to hear more how it goes forward.

I do want to talk a little bit more about crop insurance.

Mr. DeRuiter talked about, for a moment, what we did in the Farm Bill as it relates to specialty crops because we did not have coverage for fruit and vegetable growers. Basically, about half the cash receipts to the country fall in this category of what we call specialty crops.

Up until this last Farm Bill there was not an option of crop insurance in terms of managing your risk. The 2012 cherry crop was wiped out in Michigan because of an early thaw and then a freeze.

I wonder if you might talk as a producer now a little bit more about how crop insurance has changed your ability to manage risk and for those around you the difference it has made because I know there is a lot more work to be done to get the policies out there. But I wonder if you might talk a little bit more about that.

Mr. DERUITER. Sure. Absolutely. As the tart cherry just got a brand new insurance program, and it has been absolutely huge for our industry.

The cherry industry is a relatively small industry, like many specialty crops. Crops like cherries have high levels of fixed expenses.

In the past, when you had crop disasters, the options to cover your crops were extremely limited, to cover those routine farm maintenance issues such as mowing, pruning, fertilizing, disease and pest control, things of that nature, all of which need to happen even if you do not have a crop. This makes it especially difficult for young farmers who are already financially leveraged.

This new crop insurance program for tart cherries has options for buy-up coverage so that growers can select the best appropriate level to their farm and the risk level that they can afford to take on their farm.

Regardless—another point I would like to make is regardless of the business expertise or educational background or sound business decisions that you make, ultimately, it could be changed based on one adverse weather event.

Also, this pilot program gives the cherry growers peace of mind. We are extremely fortunate to have this program

Senator STABENOW. Thank you.

I wonder if you might talk a little more also from a market standpoint. You mentioned the school programs creating new opportunities for growers. I know it has created new opportunities for fruits and vegetables, for dairy, for others as well, beans, so on, and I wonder if you might talk a little bit more about the significance of that.

Mr. DERUITER. Sure. Absolutely. You know, I think today's youth are tomorrow's consumers. If we can start them out young, I think they can carry it into their dietary program into adulthood, specifically, the cherries. Dried cherries is a great way for our industry to expose kids to a great product.

The new pilot program allows many opportunities for our industries to deal directly with school lunch directors. I believe this program will open up opportunities for our kids to taste fresh fruits and vegetables.

My family farm grows vegetables. My neighbors grow—or my family farm grows fruits. My neighbors grow vegetables. It is a great opportunity for us to work with you to truly expose our youth and our kids, our nation's kids, to the healthy snacks and foods.

I would like to point out lastly that I think this is a win-win program for everybody in that school lunch directors get more choices and can be more flexible in their purchasing program. The kids get exposed to fresh, locally grown produce. Ultimately, the taxpayers save money on transportation costs. So it is truly a win for everybody.

Senator STABENOW. Thank you.

Thanks, Mr. Chairman.

Chairman ROBERTS. I am going to take the chairman's prerogative in that the distinguished Senator has brought up the child nutrition program which we have to authorize. We are really looking at the implementation of the Farm Bill, but I want to let everybody know that we take this challenge very seriously.

I am now eating a lot of school lunches in Kansas. I am very worried about small and very small schools having a lot of trouble with the regs, school nutritionists having a tough time keeping up, even losing the school lunch program, as well as the much larger districts that we have in Johnson County.

Let me just say that I am not as enthusiastic perhaps about the servings. Maybe I need to be educated a little bit more.

But we will do that, and we will take up that task. I appreciate the question.

Senator STABENOW. Mr. Chairman, I would just say we would be happy to give you some great fresh fruits and vegetables from Michigan to help you feel better about yourself, in terms of your health.

Chairman ROBERTS. Each and every day.

Senator STABENOW. Yes. Exactly.

[Laughter.]

Chairman ROBERTS. For the entire panel, I would just like to ask this, and then we are going to recognize Senator Perdue.

I apologize for taking his time. My time is my time. Your time is your time.

I want to know from the panel, when you went into the FSA office to sign up for the livestock disaster assistance, if that was the

program you signed up for, base allocations, yield updates or the NAP program or PLC or ARC, what was the process like this year?

Did you utilize any decision aids or attend any educational meetings to help with these decisions?

Were you able to get appointments?

Did the staff have enough knowledge and familiarity with the programs to actually help you?

We will start in reverse order right over here.

Mr. DERUITER. Sure. A lot of the programs that you mentioned we did not participate in.

Traditionally, we have done NAP. I cannot comment on the new NAP because we purchase crop insurance on all of our crops.

But that was a relatively easy process for us. We went through an external insurance officer or company, who offered us insurance, and the process went extremely smoothly for us, but I cannot comment specifically on some of the programs that you have mentioned.

Chairman ROBERTS. I appreciate that.

Mr. DERUITER. I am going to have to pass that on to the panel.

Chairman ROBERTS. Mr. Mitchell, did you have any trouble at the FSA office?

Mr. MITCHELL. Yeah, I updated most of my base acres and yields. The sign-up is done on a farm-number-by-farm-number basis. We have got a handful of farm numbers. On some of them we have signed up for the ARC program already. A few, we are still awaiting some landowner signatures on.

But in our experience the FSA office had, at their fingertips, the information on the old base acres and the old yields and the new base acres to help that and make that really automated. I definitely got the sense that they were there to, help solve problems and answer questions.

Chairman ROBERTS. I appreciate that.

Mr. Lee.

Mr. LEE. It was a lot easier than I thought it would be. The information that FSA and RMA, got together made it a lot easier to figure out which farms to update and which ones not to update because we have multiple farms. Some, we did not; we did not want to update.

But I think it is going a lot better than I thought it would. I served on a FSA Committee for quite a while. So I am fairly pleased with what has been done.

Chairman ROBERTS. I appreciate that.

Mr. Felts.

Mr. FELTS. I feel like this program here—there was more interest and more educational efforts than probably I have ever seen in trying to implement any major farm program.

As far as the county goes, the personnel seemed like they were very much up to speed, very helpful, and had most of the basic information in front of them.

Chairman ROBERTS. I know the Secretary will be very pleased to hear that.

Senator Perdue.

Senator PERDUE. Thank you, Mr. Chairman.

Mr. Lee, I know you are a diversified farmer, and I know that one of the hallmarks of the 2014 Farm Bill was to provide producers with greater flexibility in their farm policy and crop insurance options and determination.

Elaborate just a little bit more on what additional flexibility in crop insurance would be beneficial to the cotton industry, specifically, since crop insurance has now become the centerpiece or risk management tool for the entire industry.

Mr. LEE. Well, first of all, we need to maintain flexibility and especially in the STAX program with purchases by dryland and irrigated practices.

I guess the crop insurance is all we have got in cotton. So, in this program, after having to deal with Brazil case and all, that is our delivery system.

So we have got to work through this, and the STAX program, I think, will be a good program as long as we can maintain flexibility and all.

Our biggest concern, with cotton is more the loan part of the—I know this is not your question, but the payment limit with a marketing loan gain is what is worrying us the most, obviously, because we have got to market the crop orderly.

It is not just cotton. It is other commodities, too, such as peanuts. If we have low prices and marketing loan gains, we can be past our limit before we ever get to PLC and ARC and all the others. So we need to work really hard to try to correct that issue as best we can.

Senator PERDUE. Thank you.

Mr. Mitchell, we are going to have the Secretary here in a few minutes.

How would you respond to him relative to your experience in this first pass through the system?

What recommendations would you add right now as we are in this first year, in terms of how the USDA is approaching the new applicants, the questions you have, and the application process?

Mr. MITCHELL. With regard to Title I, specifically?

Senator PERDUE. Yes.

Mr. MITCHELL. I think that process has been excellent. So, in terms of process, I would not have much for advice.

In Iowa, we still have a lot of family farmers. By that, I mean farmers who own the crop that they are harvesting, farmers who own the cattle that they are feeding. Real family farmers really dominate the landscape of our state.

As we look at rules and how we define the farmers and we look at payment limitations, it is, I think, very important for this program to recognize that it has the best effect when it recognizes, the advantages it gives to those farmers.

Very large farmers have advantages that are given by the private sector, \$50 to \$100 advantage in pricing power that they have over the supply chain, that smaller farmers do not have.

I think there are other ways that can be addressed in the future. I think presently in the Farm Bill and in Title I, and what it hopes to achieve, that is one opportunity to, in some way, level the playing field a little bit.

Senator PERDUE. Mr. Chair, I yield my time. Thank you.

Chairman ROBERTS. We have Senator Ernst.

Senator ERNST. Thank you, Mr. Chairman.

A number of my colleagues have asked a lot of the questions that I had hoped to engage this morning about FSA and their efficiency—that sounds like it is going very well—about signing up for PLC and ARC, also about crop insurance.

So I am going to jump ahead and direct my next question, or my first question really, to Clay, if he would please, and I am going to step outside of the Farm Bill a little bit.

As required by law, the EPA, the Environmental Protection Agency, is required to release annual standards under the Renewable Fuels Standard. The EPA has failed to release the standards for 2014 and has already delayed the 2015 release.

So, as you plan for the future, forming mid-term and long-term goals for your farming operation, how has the failure by the EPA to set these standards, how has that impacted your decision-making process with your farm operations and would you agree that this inaction has created some instability?

Mr. MITCHELL. Yes, it has. It creates more uncertainty about the demand for corn.

We sold our grain storage facility two years ago and have been considering building another facility. That is one of the major questions that we are facing on our farm that is heavily influenced by, will we be growing more corn, more soybeans, more seed crops. So getting some resolution that will be important for our planning.

Senator ERNST. Fantastic. Thank you.

Any other input maybe from Mr. Felts or Mr. Lee, with RFS, in regards to RFS?

Mr. FELTS. I think my only comment would be is when we look at capping any demand I think that is a little disturbing, we would like to be able to capitalize on all the potential that there possibly is.

Senator ERNST. Okay. I appreciate that.

Mr. Lee, any thoughts?

[No response.]

Senator ERNST. Okay. I will go back to crop insurance then.

In light of the administration's proposal to reduce crop insurance premium subsidies by 10 percentage points for revenue coverage that provides protection for price movements at harvest time, do you have any thoughts on how this would impact your own operation in years to come? Any thoughts on that?

Mr. LEE. It would impact our operation a lot. Subsidies are very important to us on crop insurance because it is an expensive part of our operation, to purchase crop insurance, and we do not need it to get so expensive we cannot afford it because it is all we have got. So I would hope that would not happen.

I mean, we do not need any increases.

Mr. MITCHELL. When I started farming, I remember the first land I rented was from my dad's first cousin, Dennis, and he said to me, "Well, farming is a tough life, and you are not going to make a lot of money. Good luck." And—which was an odd thing to hear from somebody renting farmland.

I think when farming is done right, it is hard work.

But this crop insurance is not a way to get rich. It is a matter of survival. Very small differences in the way that crop insurance

is supported make the difference for a lot of small family farmers, whether or not they survive.

How many gravel roads do we look up and down where there used to be 20 farmers and now there are 2?

Some of that is driven by technology up to a certain point, and then it is driven by other things after that. It is driven by pricing power that some people have or some aspects of the supply chain. It is driven by asymmetry between the upside and the downside in business size.

Crop insurance is one of the key aspects of being able to help family farmers survive.

Mr. LEE. Oh, can I make one comment?

In our operation, we are about 80 percent irrigated. Some people say, "Why do you buy crop insurance?"

Me and my sons talk about it, and we say "We have got to sleep at night, and we do not want to lose what we have built." It is hard to write that check or have that expense, but we have got to do it.

Mr. DERUITER. Mr. Chairman, if I may add a quick comment real briefly, I agree with the additional speakers.

I would also like to throw in that in a day where our average farmer age is going up, we need a lot of new young farmers and beginner farmers. Just remember that they are financially strapped as far as cash flows. So just take that into consideration as well, please.

Senator ERNST. Thank you, Mr. Chair.

That is the number one comment that I have received from a number of small farmers out there—is that we keep this very, very important program. Thank you.

Chairman ROBERTS. Well, thank you, Senator, and thank you to the panel for those comments.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, I was just thinking back. Growing up in rural Mississippi, we had a lot of farmers, and many of them had interest in not just one crop like cotton or rice. Soybeans became popular, as I was growing up.

But specialty crops were a big part of Mississippi's agriculture. You think of Georgia as the peach state. We tried to grow peaches in Mississippi and with great success on many farms, and there are still a lot of producers there.

When I go back home and somebody says, "What have you done for me lately," what can I tell them that I have done for them?

Specialty crop participants, are they getting a fair share of the investment risk-sharing that we are providing to other and much larger and much more abundant producers for other crops?

Is there parity of some kind that we can point to?

Mr. DERUITER. I do not know if you want me to get in too much detail as far as a fist-fighting match with the fellow panelists here, but I think in the last Farm Bill we have gained a lot of ground in regards to crop insurance and some programming. So, in that regards, we are very grateful.

We do realize that a lot of the specialty crops are relatively small industries. So sometimes maybe the perception is we do not get a lot of attention, but I do look forward to the day where we get more specialty crops enrolled in crop insurance programs.

Senator COCHRAN. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Tillis.

Senator TILLIS. Thank you, Mr. Chairman, and on behalf of the farmers in North Carolina that produce about \$80 billion in crops a year, I appreciate the opportunity to be on this Committee.

Mr. Mitchell, you mentioned wetlands determinations made by the NRCS, and I am kind of curious. This would be for other panelists that may have the experience.

I am kind of curious what your experience has been between the wetlands determinations coming out of the USDA through NRCS and your experience with the Army Corps of Engineers or EPA.

I tend to have—I have farmers now who, oddly enough, seem to be having a positive experience with the Army Corps of Engineers, still trying to work through on the other side, and they have the joint determination. Can you give me some sense of how that is working or things we should look up or provide clarity or make that easier?

Mr. MITCHELL. Yeah. The determinations are done on a county-by-county basis by NRCS, and so the experience is highly idiosyncratic to who the particular official is making the determination. Just to try to create some more neutrality in that process, now the NRCS official is supposed to be from a different county.

There can be some very, very long waits to get a determination made. In some cases, we have had, three or four months to be able to get an official to take a look.

Generally, our experience with the NRCS is that the folks have a good understanding of both the wetland value and the agricultural production issues. That is something that DNR or Army Corps of Engineers may not really understand—kind of the big picture and how that wetland fits into the farm.

Some of the wetlands that we are discussing are the basically damp areas in the field that there is no more wildlife than any other part of the field. There is hardly a net benefit like we would expect out of wetlands that are in border areas.

Senator TILLIS. Mr. Lee.

Mr. LEE. I might take this opportunity to make this statement about NRCS. What has happened with NRCS in our part of the country is the field guys are having to spend so much of their time with administrative work; they do not have time to do what we need them to do. I mean, we have got 1 engineer in like 20 counties.

I think that the FSA should be doing more, some of that administrative work, just like the CRP. For CRP, FSA did the administrative work. NRCS and the forestry did the work on the ground.

So I am getting away maybe a little bit from what you are talking about, but we have to wait to get determinations because they do not have the time to be in the field.

Senator TILLIS. Another question. I think I have inferred from the opening comments and some of the answers to other members' questions that, generally speaking, you believe the 2014 Farm Bill needs to play itself out and the need to better understand it and not really look for Congress to add more uncertainty to it, maybe some tweaks or adjustments, but fundamentally run with this for

a couple of years so you can sort it out and run your operations under the new guidelines. Is that correct?

Anybody here want to open it up and start over?

Mr. DERUITER. Sure. I do not mind starting it.

Chairman ROBERTS. Count me in on that one.

[Laughter.]

Mr. DERUITER. I think part of the concerns that the Chairman raised earlier in regards to the new food pilot program that we have with our school system; I think that is one that definitely needs to play out for a while so we can see the impacts that program has. So I share the same concerns that the Chairman has in regards to that program.

Senator TILLIS. I was going to close with that. I also share the Chairman's concerns and look forward to pursuing that.

But thank you for your time and best of luck in what I think is one of the most courageous occupations somebody can take up. Thank you.

Chairman ROBERTS. Well, thank you to our first panel and for bringing forward your thoughts and experiences on the new Farm Bill.

The Committee appreciates your taking the time to travel here to Washington on one of our coldest days of the year. Hopefully, it will be warmer in your state. I have doubts about that, with the exception of Mr. Lee perhaps.

But we will excuse the Panel 1 and welcome the distinguished Secretary of Agriculture, Tom Vilsack, as our next guest.

Thank you, Panel.

Mr. Secretary, are you all situated.

Secretary VILSACK. Yes, sir.

Chairman ROBERTS. It is my distinct pleasure to introduce our next guest, our 30th Agriculture Secretary, Secretary Tom Vilsack.

Secretary Vilsack, from the great and especially popular, budding national center for politicians of all stripes and shapes and sizes, the State of Iowa, recently surpassed Kansas as native Agriculture Secretary and my good friend, Dan Glickman, in the length of his service as the nation's top aggie. Not only is Secretary Vilsack now the second longest serving Ag Secretary, but he is also a former governor, state senator and mayor.

Mr. Secretary, welcome back. I thank you for taking time out of your valuable schedule to come here and to testify and to visit with us.

It was good to see you in Kansas last week. We were at the Intermodal Center at Edgerton, Kansas, which is rather an astounding center to witness, and we talked at long length about the dangers of the port strike and how it is costing us billions a day.

Thank you for your untiring efforts to try to solve this problem. I think you whispered in the Secretary of Labor's ear. He probably repeated your strong comments, and we were able to see that concluded.

We would sure like to see that put together so it does not happen every five years, and I know you share that feeling.

Thank you for your leadership.

Thank you for joining us today, for letting us hear directly from producers first on the implementation of the Farm Bill.

From their testimony, they have indicated very strongly that you and your team at the USDA have been very busy over the past year, and I hope that their conversation so far has been helpful to the Department as it has been to the Committee.

We look forward to our discussion today and recognize you for your opening statement, sir.

**STATEMENT OF THE HONORABLE TOM VILSACK, SECRETARY,
U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC**

Secretary VILSACK. Mr. Chairman, thank you very much, and to the Committee members for this opportunity to speak to you about implementation of the Farm Bill, obviously, an extraordinary piece of legislation that was passed and signed last year.

Let me say, Mr. Chairman, that oftentimes I hear in the countryside how Washington is broken and things are not getting done. Honestly, I am not sure those folks know that the work of the Agriculture Committees in both the House and the Senate certainly belie that notion. Certainly I think the hardworking people at USDA, in the implementation of this Farm Bill, also belie that notion.

I am going to give you a really quick rundown of what we have been doing in the last year since the bill was signed and then look forward to your questions.

It starts with disaster assistance. As it was extremely important for us to get this bill passed because for far too long livestock producers had to wait for the assistance they needed in the light of drought and floods and other natural disasters.

To date, over 580,000 payments have been made to producers across the country under the disaster assistance programs. Nearly \$4.9 billion of assistance and relief has been provided since the signing of the bill.

We have conducted nearly 4,900 outreach efforts to producers. We have seen 176,000 uses of the computer models that we have established for producers to determine whether ARC or PLC is in their best interest. We recently sent out 2,984,789 postcards reminding folks of the sign-up dates that are coming very quickly, both in terms of reallocating base acres and yields as well as the ARC and PLC sign-up.

We are pleased with the fact that 902,866 farms have exercised the right to amend their yields and to reallocate base acres, that over 430,000 producers have already made the election between ARC and PLC, and we fully expect over the course of the next month that those numbers will, obviously, significantly increase.

Twenty-three thousand dairy producers signed up for the Dairy Margin Protection Program. That represents over 50 percent of all dairy producers. Fifty-five percent of that number signed up for extended coverage. As dairy prices are falling a bit, I think those who purchased the \$8 coverage are probably going to be very happy at the end of the year that they have that coverage in place.

Our crop insurance folks at RMA have been very busy. The supplemental crop insurance option has been extended to major commodity crops. The goal is to have 40 crops covered by the crop year 2016.

The STAX program is in place. Over \$500 million has been paid out under the Cotton Assistance Transition Program. Organic price selection has been made available to four crops, and it will be extended to 20 crops this year. We have changed the important changes to NAP and extended opportunities for coverage there.

On the credit side, we increased the micro loan program, as instructed by Congress, to \$50,000. We have had over 10,000 micro loans. It is a very popular program. We have also extended new credit opportunities for beginning producers.

Conservation, as you well know; 115 conservation projects were qualified under the Regional Conservation Partnership Program—a very successful implementation of that effort. Certainly appreciate the willingness of Congress to give us that option to encourage greater leverage of conservation dollars.

On the forestry title, stewardship contracting is back in business. We have identified 45 million acres that will receive specialized attention based on pest and disease issues. The Good Neighbor Authority has been extended to all 50 states.

We are excited about the opportunities in research with the new research foundation that has been funded and established. The board has met, a strategic plan has been developed, and we anticipate some research projects actually being funded sometime in calendar year 2015.

On local and regional food systems, we have implemented the Farmers Market Promotion Extension as well as the Local Food Promotion Program. We have funded 374 projects as a result of those programs since the signing of the Farm Bill.

In SNAP we are now evaluating 42 applications for our Supplemental Nutrition Assistance Program in terms of employment and training, some very innovative and creative ways to try to reduce the SNAP numbers by finding work for able-bodied individuals.

The land-grant university in Ohio, the military liaison has been appointed, and we have already issued over 100,000 receipts for service as instructed by the Congress.

Mr. Chairman, I believe that we have worked hard in this last year. There are still things to be done, but I am very proud of the work that has been done, and I look forward to the questions from the Committee.

[The prepared statement of Secretary Vilsack can be found on page 84 in the appendix.]

Chairman ROBERTS. We thank you, Mr. Secretary, and thank you for that brief but very comprehensive statement.

Rich Felts from Kansas mentioned there has been a technical issue at FSA regarding base allocations and cover crops, and I understand it is a concern shared by farmers in other states as well.

Do you have an update on when the software will be fixed?

How is the FSA working with producers that have these types of issues?

Secretary VILSACK. The software has been fixed, Mr. Chairman, and we are basically allowing folks to enter their name on the registry, which will ensure that they are in compliance with whatever deadline they need to meet. So there should not be any interruption or disruption of service as a result of that software glitch, in terms of reporting. But the software matter has been corrected.

Chairman ROBERTS. Well, let the record show that our witness has testified to a problem, we responded, and you responded and got the job done.

In your eyes, our first panel probably should be a model. They did not wait until this Friday to go to the FSA office to make their base and yield decisions, but I know that most FSA offices are likely swamped right now with producers who are trying to make appointments right before the deadline.

In the past year, the FSA has handled deadlines differently among programs. For example, while the sign-ups for the new dairy programs were extended three times, livestock producers trying to sign up for livestock disaster programs were put on a register. Obviously, Congress played a big role in that.

Am I correct in understanding you are not planning on extending the deadlines?

I know that the Department has already sent guidance to the states regarding the registry process. But can you explain to the Committee what this process will look for the base and yield updates as well as the programs election deadlines at the end of March?

Secretary VILSACK. Mr. Chairman, I think it is incumbent upon us to continue to monitor the situation. I get initially weekly, and now I will be getting daily, updates on the percentage and number of folks who have signed up. We have a general sense of how far we have come and how far we have yet to go.

Obviously, the intent here is not to make it more difficult for producers to comply. So we will be very attentive to the percentage of producers that have signed up.

The registry is a vehicle that we can use to allow farmers to basically comply. If all the Ts and Is are not crossed and dotted before February 28th, if they are on the registry, which should be no problem. They could obviously then cross the Ts and dot the Is after February 28th.

But we will monitor the situation, and as we have been flexible in the past we will be flexible in the future.

Chairman ROBERTS. Mr. Secretary, as the producers on the first panel expressed over and over again crop insurance is the cornerstone of the farmers' risk management tool kit. I emphasize that producers only receive a payment if they pay a premium and experience a certifiable loss.

This Farm Bill contains a trend I view as positive. Crop insurance is an available tool for more producers in more regions and covering more crops.

As the Risk Management Agency, RMA, works to implement the new programs, i.e., STAX and SCO, and add other policy changes, would you agree that expanded coverage to more producers, especially those that have no other risk management tools, is a positive trend?

What is the administration doing to ensure that crop insurance continues to be a viable and available tool for farmers?

Secretary VILSACK. Mr. Chairman, we certainly agree that the cornerstone of the safety net program is, in fact, crop insurance. I am proud of the efforts at RMA to extend significantly the number of policies that are written and the number of crops that are cov-

ered. The last time I checked it was well over 350 crops that actually now have crop insurance protection.

As I indicated, we will continue to expand those protections, particularly in the specialty crop area, as we get sufficient and accurate data, to ensure that whatever we do is actuarially sound. But there is a real desire on the part of RMA to continue to find ways to make it happen, if you will.

I am pleased with the fact that we have had a net increase in the number of companies writing crop insurance in the last 12 to 24 months. We have lost a couple, but we have gained four so that the net is two. So I think it is an indication that this is still an industry that can continue to expand appropriately and financially.

We expect and anticipate roughly \$8 billion-plus to be invested by taxpayers in this system over the course of the next several years, and the payouts in the last time since I have been Secretary equal \$55 billion. So it is obviously an important program.

Chairman ROBERTS. Well, it is terribly important for Kansas in that we had a three-year drought. Hopefully, Mother Nature has changed her mind.

I am pleased to hear that over—we only have five seconds left, but I am going to try to get this in. I apologize to other members.

Thirty states have submitted proposals for the SNAP work pilots, with only ten projects authorized. Will the Department work with states that are not awarded a pilot to find ways they can engage in innovative ways to help people get back to work?

Secretary VILSACK. The answer is yes.

I think the key here is understanding that many states do not take full advantage of the employment and training resources that they have. Many states do not take advantage of the 50–50 money that is available. There are literally millions of dollars on the table, Mr. Chairman, that states are not using. We will certainly encourage them to consider using that option if they are not successful in the pilot program.

Chairman ROBERTS. I have a question on conservation compliance. I am going to submit that for the record, and I turn to Senator Stabenow.

Senator STABENOW. Well, thank you very much, Mr. Chairman.

Welcome, Mr. Secretary, and first, thank you for the speed and effectiveness on implementing the Farm Bill. We put a lot on your plate, and your team has been working very, very hard.

We heard on the first panel about the importance of expanding crop insurance to new areas, specialty crops, and so on. I appreciate the fact that you are moving as quickly as you are and also with the Regional Conservation Partnerships and the new way we are looking at conservation.

Let me talk about conservation for a moment because as we have reorganized and worked with the Department there have been very positive things happening. We have over 100 different partners in Michigan alone—local communities, businesses, farmers—as working together to preserve our water around our Great Lakes.

I am very concerned about the budget this year and the fact that the administration requested over \$400 million in mandatory funding cuts for conservation programs and particularly in light of ev-

everything that we are doing and the fact that we reorganized. We saved money in the programs on the front end.

But the cut particularly for the Conservation Stewardship Program, really affects our baseline in conservation going forward and will make it more difficult to do the things we want to do as we write another Farm Bill, which I hate to even say. Write another Farm Bill; it makes my blood pressure go up.

But I am very concerned about maintaining a strong baseline, and I am very, very concerned about what was proposed. So I wonder if you might talk about that.

Secretary VILSACK. Well, first of all, Senator, let me indicate that with the President's budget 20 million additional acres will be added to the record number of acres that are enrolled in conservation practices today. Well over 400 million acres are enrolled in conservation. We have over 600,000 producers and landowners involved in conservation. Those are record numbers.

Part of the challenge, however, is making sure that we right-size the amount of work that NRCS can do with the resources that are available.

I am troubled by the fact that during the course of my time as Secretary we have not been able to get a clean audit from NRCS, in large part, because the paperwork that needed to be done to verify the integrity work was not getting done in a proper way. We are making significant changes in how we do that so that we can assure taxpayers the resources are being spent properly. So it is important to right-size the amount of work with the number of workers.

We have had tough budgets in the last couple of years. The operating budget that I am dealing with is less than it was when I came into office.

Senator STABENOW. Right.

Secretary VILSACK. The reality is that has reflected itself in staff reductions in a number of departments, including NRCS.

Senator STABENOW. I understand that, and as I have been an advocate for your Department.

I just want to go on record saying in the area of conservation I am very concerned about anything, or anything in the budget, that undermines baseline going forward. I think that is a real concern.

I do want—you have already spoken about the work pilot programs. I think it is significant that we did focus on work and that you are implementing those pilots, and I think that is very, very important as we go forward with the SNAP program.

Let me ask you also about research. We put together the new Foundation for Food and Agricultural Research. I am wondering what the USDA's current focus is in terms of accepting applications, moving funding awards forward, and so on. Where are we on the new research foundation?

Secretary VILSACK. The 15-member board has been set up. The foundation has been incorporated. The tax exempt status application has been filed. The board has had two full meetings; the last meeting of which was with the Boston Consulting Group that went through a strategic planning process. Two hundred million dollars has been invested, and the board is now in the process of a search for an executive director to operate the foundation.

I anticipate and expect, by virtue of the good work that we have done to date, that we will begin seeing decisions relative to research sometime during calendar year 2015. That is, I think, the goal for the board.

They have been very active and very engaged, and I would anticipate and expect that they will do a terrific job of amplifying, of supplementing the good research that is being done at USDA and through NIFA.

Senator STABENOW. Finally, Mr. Chairman, one of the things I am concerned about is that we are hearing that the USDA feels constrained when defining actively engaged on a farm. I know this is a very challenging issue going forward, but I just want to clarify that the lead negotiators, those of us in the House and the Senate, understood the existing authority and discretion of the Department and want to work with you on this.

When we look at the fact that CBO is estimating that the PLC and marketing loan programs could pay out as much as \$16 billion more than we anticipated, it is very important we have accountability and those go actually to those who are farming. So it is very important.

I would just urge you that in our bill—nothing in the Farm Bill is preventing the USDA from exercising existing authorities or discretion to make the definition as clear and strong as possible. I think for the effectiveness and the integrity of the programs it is really important that the Department move forward on this, and I look forward to working with you on that.

Secretary VILSACK. May I respond, Mr. Chairman? I know the time is up.

[No response.]

Secretary VILSACK. The way in which the Farm Bill was drafted strongly suggests that whatever we do does not specifically apply directly to family farming operations.

Also, with reference to family farm corporations, the limitation of one management exemption applies.

So what we are focusing are on the general partnerships and limited partnerships that have often been the source of concerns, and that is where our jurisdiction, I think, is relative to actively engaged, and that is what we are focused on.

We will definitely come up with, hopefully, a more concrete and more specific definition so that folks understand precisely what applies and what does not apply. But I think it is important to point out that it is primarily focused on partnerships—limited and general partnerships.

Senator STABENOW. Well, I just want to stress that you do have the authority, and I appreciate and hope that you are going to move forward to use the authority you have.

So, thank you.

Chairman ROBERTS. Tom, I think it is exceedingly important that you work with the Committee on this, and I know you will, and keep us posted. We do not want a situation that sounds pretty good and then the law of unintended effects happens and then we have to fix it and we get into a technical correction.

We do not need technical corrections as opposed to administrative fixes, and we have already talked about that before when you were in Kansas. So I thank you for your cooperation.

Senator Casey.

Senator CASEY. Mr. Chairman, thank you very much.

Mr. Secretary, we are honored you are here today.

I wanted to start with some news, which might be news to a lot of folks here, but also information in your testimony that you were not able to get to because you were summarizing, and I wanted to highlight it.

On page 5 of your testimony, and I am reading from the third full paragraph, you say, "In fiscal year 2013, SNAP," the Supplemental Nutrition Assistance Program, "achieved a record level of payment accuracy of 96.8 percent. Payment errors in fiscal year 2013 were almost 64 percent lower than they were in fiscal year 2000, among the lowest in the Federal Government."

That information was validated most recently by a report by the Center on Budget and Policy Priorities. I will just read one sentence. "SNAP"—this is page 25 of the report.

"SNAP has one of the most rigorous payment error measurement systems of any public benefit program. It also has one of the best records of accuracy in providing benefits only to eligible households."

I wanted to highlight and ask just for your comment on how you achieved that and how that compares to other Federal programs.

Secretary VILSACK. Senator, we understand and appreciate that Congress is very interested, and so are the taxpayers that you all represent, in making sure that programs are managed with integrity and that folks who need help get the help.

So we have put a concerted effort on reviewing, examining, inspecting, data-mining, using the tools that we have available to us, in concert with states, to make sure that they understand precisely how these programs are to work and operate.

We are proud of the fact that we have reduced the error rate over time to a record level. We are also proud that the fraud rate is at 1.3 percent, which is significantly below many other programs.

There is still work to be done. So, in the budget that we have proposed, we have a series of additional integrity measures that we would like to take.

I would say a couple of things in direct response.

One is better training.

Two is data-mining—basically, taking a look at information that comes into our Department from the states and looking for partners.

Three is making sure that we focus our attention on where the problems exist. Eighty-two percent of SNAP benefits are redeemed at large-scale grocery store chains, where there is not as much of a problem as it is with the corner grocery store or the convenience store.

So our focus is on the places where we know there are challenges and issues, and we are going to continue to work until we get, theoretically, to zero.

Senator CASEY. I appreciate that.

I will just make one more note for the record. This same report, Center on Budget and Policy Priorities, page 17, says when it comes to extreme poverty, meaning families living on less than \$2 per person a day—hard to comprehend that. The report says, “Counting SNAP benefits as income cuts the number of extremely poor children by more than half from 3.6 million to 1.2 million.”

So I made the point, but let me move on to two issues that relate to—one more particularly relates to Pennsylvania, the other one more broadly.

The Emergency Food Assistance Program, authorized in the Farm Bill at \$100 million per year—the administration has a request for just 49 of the 100 million for this current budget year. I just wanted to ask you to comment on that because this is very important in terms of the transporting, storage, and distribution of these commodities and wanted to get your response as to why 49 as opposed to not a number closer to 100.

Secretary VILSACK. Senator, the 2016 budget request is \$49 million, as you indicated, which is the enacted level for fiscal year 2015 for TEFAP administration.

States have the option to convert 10 percent of their TEFAP food funds into administrative funds if they believe that they do not have adequate resources, but we have found that this funding level is indeed adequate for the administrative costs.

This is not necessarily the food purchasing costs. This is about administering the program. I think that is a significant distinction, and we have found that amount of 49 is sufficient to administer the program.

Senator CASEY. We may want to engage more on that. I know I am almost out of time. I will just make one note for the record, and I will send you this.

It is a letter from our Pennsylvania Agriculture Secretary, Russell Redding, regarding the Agricultural Conservation Easement Program, the so-called ACEP. He has some issues that he has put in the letter to me that I want to raise with you, and let me just ask for your commitment to spend some time with us and with Pennsylvania.

Secretary VILSACK. I have a great deal of respect for Secretary Redding. He is—Commissioner Redding. He is a very sharp guy. So we will certainly take his concerns seriously.

Senator CASEY. Thanks very much.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Cochran.

Senator COCHRAN. Mr. Chairman.

Mr. Secretary, welcome. We appreciate very much your service in the implementation of the Farm Bill.

One of the provisions of the bill relates to emergency watershed protection and programs to implement that. Under certain circumstances, the legislation gives the administration the authority to negotiate with Farm Bill beneficiaries to be sure that the authority to modify easements under the Emergency Watershed Protection Program is implemented.

Now what is the status of the implementation of this section of the Farm Bill?

Secretary VILSACK. I am not quite sure if I refer to you as Senator or Mr. Chairman since you are in charge of all the appropriations. I want to make sure I am respectful.

Senator GILLIBRAND. Once a Chairman, always a Chairman.

Chairman ROBERTS. I think you might say, Your Honor.

[Laughter.]

Secretary VILSACK. That would work as well.

Senator COCHRAN. I get no respect around here.

[Laughter.]

Secretary VILSACK. What I can tell you is that as it relates to implementation we are in the process of completing our implementation of that. We have put out resources.

We still have somewhat of a backlog which we are working to reduce. I know that our fiscal year '15 budget basically reduces the backlog a bit, but we still have work to be doing—still have work to do in that area.

Senator COCHRAN. Well, we hope to see results from the provision so that it can be implemented and the benefits flow to the landowners and others who are affected by this authority.

Another question relates to the implementation of the Unified Payment Limitation Proceeding and what the challenges being faced by USDA are encountering to develop a capability to track marketing loan benefits so that producers know their payment status relative to any new payment limitations.

Secretary VILSACK. This is an issue involving primarily cotton producers who may sell by themselves or may sell in connection with a cooperative and making sure that we are fully tracking both the transactions to make sure that whatever exemptions or limitations apply are appropriately applied.

We are working with the Cotton Council right now to create an interim effort to ensure, to the extent that we can, appropriate compliance. We are working on a long-term fix to this. We are not quite there yet.

We are certainly aware of the problem, and we are working with the Cotton Council to make sure that we do as good a job as we possibly can until we get the permanent fix. I would hope that sometime by the end of this year we have this figured out. It is on marketing assistance and loan deficiency programs.

Senator COCHRAN. Thank you for your personal attention to this issue.

One other question that I have relates to the USDA's Risk Management Agency. The question is: What can the Department do to provide producers with greater flexibility in trying to be sure that crop insurance purchases best fit their risk management needs based on a variety of production practices?

Is this something that has been brought to the attention of the Secretary's office and, if so, what progress is being made to deal with this challenge?

Secretary VILSACK. Well, that is a complicated question, Senator, and let me see if I can answer it, and if I do not I would be more than happy to amplify.

I mean, first and foremost, we work obviously with the insurance agents to make sure that they are fully aware of all the options

that are available and that they tailor whatever product lines are available to the particular producer's activity.

There are issues, and I know that the Chairman is very concerned about this.

There are issues relative to irrigated and non-irrigated land.

There are issues involving the application of the enterprise unit risk management process, which we are very, very fully aware of. We are doing our best to create the flexibility necessary to reflect what goes on in the countryside and balance it against the need for actuarial sounds of the program.

The last thing we want to do is create any uncertainty about the financial soundness of this program, if you will. I think we are striking a good balance.

Sometimes we also have to make sure that folks do not take advantage of a situation, and we are cognizant of that.

So we are focused on these issues, and I am aware of them and keeping an eye on them.

Senator COCHRAN. Well, we appreciate your personal attention to that issue.

Let me ask you, finally; can you share with the Committee that the Department is strictly following the language and intent of the Farm Bill as it moves forward with the actively engaged rule-making?

Secretary VILSACK. Yes.

[Laughter.]

Senator COCHRAN. Thank you very much.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Gillibrand.

Senator GILLIBRAND. Thank you, Mr. Chairman and Madam Ranking Member. I am very grateful for this hearing.

Thank you, Mr. Secretary, for your testimony today.

Chairman ROBERTS. Senator, how was your orange this morning?

[Laughter.]

Senator GILLIBRAND. It was delicious. I was grateful the Committee provided it.

Chairman ROBERTS. Well, thank you for making——

Senator GILLIBRAND. I am not sure which state provided it, but it was delicious.

Chairman ROBERTS. Well, you set the example for eating fruit.

Senator GILLIBRAND. Yes. Well, in fact, I was in Upstate New York yesterday.

Chairman ROBERTS. Are you saving those peels for me or what?

Senator GILLIBRAND. I will throw them away. I am a very responsible mother.

Chairman ROBERTS. All right.

Senator GILLIBRAND. So I was in Upstate New York yesterday, and I had this great opportunity to meet with kids about nutrition standards and what is in their school lunch, and I was surprised how much these young kids knew about the importance of fruits and vegetables. So I am going to turn my attention on that topic.

I specifically want to talk a little bit about that New York was selected to be one of eight of the pilot states to participate in the Farm Bill Pilot for Procurement of Unprocessed Fruits and Vegeta-

bles. The pilot allows schools to use their USDA dollars to buy produce directly from the local farms.

We have a lot of great farms in New York State that are participating—Reeves Farms, Torrey Farms, Beak & Skiff Apple Orchards, Old McMarley's Apple Farm. They have already signed up and become vendors for the pilot.

Now the pilot is particularly useful because it allows fresh vegetables to get into our schools, like fruits and vegetables—apples, squash, zucchini, cucumbers—that are locally grown, healthier economy.

I went to two schools yesterday and saw how these locally produced foods are displayed, offered, and put into the menus that the kids eat, and it really does make a difference.

So I wanted to know from you; how is the pilot going so far and what are other options that schools have to buy locally?

Secretary VILSACK. Well, we are encouraged by the fact that we were able to find eight states willing to step up and participate in this pilot.

We were not quite as successful on the canned and frozen side. We got four states that were interested and involved in that program.

We have made a major commitment of resources, time, and energy in creating a local and regional food system. We have done 13,000 investments in hoop houses to extend growing seasons in Upstate New York, a place I am very familiar with, having spent 7 years of my life up there. Winters can be long, but the growing season can be extended.

We have created new credit opportunities through the micro loan program.

We have created crop insurance opportunities we talked about earlier.

We have invested 379 investments in local food promotion and/or farmers market expansion through the programs that you all established in the Farm Bill in 2014. That number will continue to increase over time.

We have looked at ways in which we can create food hubs and marketing assistance, and we have also provided better marketing data and pricing so that folks have a better understanding.

Last, but certainly not least, we have expanded—while this is not to your point of schools, we have expanded the access of fruits and vegetables to SNAP families by providing EBT machines in over 5,000 farmers markets so that folks can redeem their SNAP benefits.

Senator GILLIBRAND. Now related to that, have you been able to start issuing the first round of grant awards under the Food and Security Nutrition Incentive Grant Program to help SNAP recipients.

Secretary VILSACK. Yes, we have encouraged applications for the first \$35 million of that program, and we expect and anticipate making those awards in 2015.

Senator GILLIBRAND. Okay. I would love a report on that so I can understand how that is actually going.

A related issue. When I was at these schools, we were focused a lot on the New York schools that are meeting the new nutrition

standards and how they are doing it. We now have about a 98 percent participation rate in New York State, which is really, really important.

Around the country, we are beyond 90 percent participation. So we are really getting this done, which makes me happy as a mother.

What kind of technical assistance and additional support is USDA providing to help schools be successful in making the new changes?

Secretary VILSACK. We are at 93 percent. We have provided Smarter Lunchroom grants. We have provided school equipment grants. We have provided and created a program called "Team Up for Success!"

For school districts that are struggling, we have teamed them up with a mentoring school in a couple of pilot areas, and we extend—we are going to extend this to a national effort this year. It was very successful.

The University of Mississippi assisted us in the nutrition center. Cornell has also been engaged and involved.

Senator GILLIBRAND. Yes, that Cornell program has been very successful.

Secretary VILSACK. BEN program.

Senator GILLIBRAND. Yes, the BEN Program, the BEN Center.

Secretary VILSACK. We have also utilized their resources.

There are a variety of other steps that we have taken, and we are pleased with the fact that 70 percent of elementary school kids and 63 percent of high school kids are enjoying the new standards.

Senator GILLIBRAND. Thank you.

Last issue with my 30 seconds. Obviously, I care a lot about dairy. We are the number three dairy producers in the whole country.

In the last Farm Bill, we put into place the Dairy Margin Insurance Program, and what we have seen is that only 48 percent of New York farms have signed up. Other states, like Vermont, are far, far more ahead.

Do you feel that USDA outreach and education efforts have been sufficient to enable producers to choose appropriately MPP coverage at a time of sharply falling milk prices?

Secretary VILSACK. I do. I think the fact that over 50 percent of dairies participate and over 55 percent of that number bought coverage at increased levels reflects the fact that there was a decision to be made.

We were not surprised at those numbers given the fact that dairy prices are still—while they have come down a bit, they are still in pretty good shape relative to the need for the margin protection. So I think we have done adequate outreach.

I am sure people will be more sensitive as they look at 2016 and participating in the program.

Senator GILLIBRAND. Thank you. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Thune.

Senator THUNE. Thank you. I never have a problem hearing you.

Mr. Chairman and Senator Stabenow, thanks for having this hearing and giving us an opportunity to catch up on a lot of these issues that are so important to those of us who represent states where production agriculture is a big industry; in the case of South Dakota, the number one industry.

I want to thank you, Mr. Secretary, for the hard work that you and your staff put in, in getting livestock disaster programs out the door last year. That was a very big issue, critical to South Dakota's livestock industry, and I appreciate your timely and effective response on that particular issue.

I want to raise a couple of issue with you. I think you are probably familiar with them already.

One of them has to do with mid-contract management of CRP acres. You know, South Dakota producers received letters last year, telling them that the residue they remove must be destroyed. Over the years, this has resulted in literally thousands of tons of feed that could have been put to use instead of being burned.

I have requested in a letter that you either allow the residue to be donated with no reduction to CRP annual payments or, if used by the participant, that the annual payment reduction be assessed.

You responded in a letter that this concern would be addressed in future CRP policy changes.

The question I have is: Can you assure me that CRP participants will no longer receive letters requiring them to destroy residue removed during mid-contract management on any CRP practices?

Secretary VILSACK. Senator, what I can assure you is that every farm actually has to be, in a sense, analyzed for its own circumstances and condition, which is why we have established and set up a system for an environmental assessment that would give us the range of options that will be available to each landowner.

Obviously, each landowner can, and we would certainly encourage them to, consider donation. That is an option that is available to everyone.

There is an option, obviously, for other utilization of the management, but of course, there carries with it a financial penalty, if you will.

But if you think about it, if people use it for their own personal purposes, they are saving expense. We do not want to have a double-dipping situation.

So there are options available.

I think hindsight is always 20-20. It probably would have been better if we had been a bit more flexible with our language in the memo that was sent out to producers, but we wanted to make sure that people understood what the rules were.

Senator THUNE. I totally get it. I mean, I understand the whole thing about double-dipping, which is why I think they would take a haircut on the payment if they were to use it themselves. But, if they were to donate.

It just seems like—and I have heard this for many years now—that you have got all this usable feed that gets wasted and destroyed, and it makes no sense.

The letter last year that went out did say—and it says that clipping bales must be destroyed. Please notify the office once the bales have been destroyed.

What I am suggesting, and I hope that you will agree with this, whether you do it case by case or whether you do it in some sort of standardized way, that there be a better approach to dealing with this, what I think is a very important issue.

Secretary VILSACK. I do not disagree that we could be a bit more sensitive with the language we use there.

Senator THUNE. Okay. All right. Well, hopefully, this next year you can and will be.

One other issue that is really important in South Dakota right now we have had for several years now. Farmers in Eastern, especially Northeastern, South Dakota have been faced with flooding and drainage issues, and thousands of requests have been made to NRCS for wetland determinations so that they know how to manage their land and still meet the conservation compliance provisions.

According to the most recent South Dakota NRCS report, we still have more than 2,000 undetermined wetlands in the state, which is just three times or more as many as in any other surrounding state.

So farmers are concerned. Our state's farm and commodities organizations are concerned. I believe that South Dakota NRCS office staff is making an effort to reduce this backlog, but so far, Mr. Secretary, the results just have not materialized.

I requested last summer a meeting, and there were some personnel from NRCS headquarters that attended, in Aberdeen. We had more than 350 farmers there, which tells you kind of how important this issue is to them, and I know he came back to Washington having heard firsthand these frustrations from some of these farmers due to the backlog.

But my question is: What more can you do at headquarters to help get this wetlands determination backlog under control?

Secretary VILSACK. Senator, we are trying to reduce the backlog. We did 23,000 wetlands determinations last year.

Two things we have done and will continue to do:

One is to create a different system for the determination of the wetlands. Some of the problems, I think, were based on the fact that local folks were making these determinations and there was a concern about that. That has changed.

Secondly, we are trying to right-size staffing levels to where the issues are.

So these numbers have come down. They, obviously, are not down to a place where you are satisfied, and I am not satisfied either.

However, it is important to note that we have had budget restrictions which have made it very difficult for us to have the staffing levels to do the work that you all want us to do. So, hopefully, when budgets are passed on, you all will be taking that into consideration as well.

We are doing our level best with the personnel that we have.

Senator THUNE. You know, in terms of resource, personnel, all that, I understand that. But when our state has three times more than any of the surrounding states, it strikes me at least that we need to—there has got to be more allocation of resource and personnel to this in South Dakota. So I would thank you for that.

Mr. Chairman, just a point of personal privilege, one of the next gentlemen to be up for a nomination to the FCA today is a South Dakotan, Dallas Tonsager. He has served South Dakota farmers and ranchers for a really long time as FSA/FHA Director in South Dakota, Under Secretary at the Department of Agriculture for Rural Development, and for five years, from 2004 to 2009, served on the FCA Board, a position for which he is currently up.

I wanted to welcome him and thank him for his service, and we look forward to processing his nomination.

Mr. Chairman, thank you.

Thank you, Mr. Secretary.

Chairman ROBERTS. Senator Bennet.

Senator BENNET. Thank you, Mr. Chairman, and congratulations to you on your ascension to your chairmanship. I look forward to working with you.

Chairman ROBERTS. I did not know I had ascended, but—

Senator BENNET. I would say. Well, it is not—and our Ranking Member, of course, has not descended anywhere. So we are still here, but congratulations.

Mr. Secretary, I want to say thank you to you for your service to the country and to our farmers and ranchers, particularly those who are in Colorado. You visited many, many more times than anybody would have had any right to expect, and I know that is true all across the country.

But the measured way you have approached this job over the last six years, I think, has established a model for what public leadership should like in Washington. So I just want to say thank you for that.

We have heard a fair amount of discussion this morning about the ARC and PLC election deadline at the end of March. In Colorado, I have heard a number of concerns that the FSA staff may not have enough time to process all the elections by the deadline given the constraints of state FSA offices.

Do you believe that the Agency will be able to process the ARC/PLC elections in time?

If not, is there a contingency plan and is there anything Congress can do to ensure the Agency is set up for success in the field for these and other programs?

Secretary VILSACK. Senator, I appreciate your kind words.

This is an issue that I am now focused on, on a daily basis. I have been receiving weekly reports. Now it is going to be a daily report.

I can tell you that as of last Friday 430,332 operators had made an election. That is probably, roughly, 26 to 27 percent of what we expect will occur.

There are options for the use of the registry for folks to sign up to be able to meet, technically, the deadline without the Ts crossed and the Is being fully dotted.

As we monitor this situation, both on the yields and base allocations and also on the sign-up, we will obviously be closely watching this and use the registry as an option.

If there is the need for an extension—that is something we have done in the past—I do not want to commit to that today because

it is sort of like your kids, going to tell your kids that they have another week to do their homework.

Senator BENNET. Right.

Secretary VILSACK. We want folks to make the decision.

We are encouraging producers who have made the decision, the folks who have gone to one of the almost 4,900 meetings that we have had or gone online and used the computer models, if they are ready to make the decision, they can make it now. If between now and March 31st, if they decide they have made a mistake, they can change it. So we are encouraging folks to get to their FSA offices today.

I will tell you the reports I am getting are that folks are surprised how little time it takes to sign up.

So we will continue to monitor it, and we will be as flexible as we can.

Senator BENNET. Well, maybe sending that message out would help. I know you are doing what you can.

We will keep an eye on it, too. If we start to run into real trouble, we will let you know.

I also wanted to talk for a moment about conservation. I share Senator Stabenow's concerns about what has happened with the budget there.

Last time this Committee met, we spoke with Chief Weller about the implementation of programs in the Farm Bill's conservation title.

In Colorado, we have heard very specific concerns about the agricultural land easement program, and I think we have made progress, but our producers and land trusts are still waiting for a clear rule and a handbook to move forward on their easements.

Can you give the Committee an update on the timing for publishing the rule and the handbook?

Secretary VILSACK. I just wanted to double-check. This spring, that work will be completed. We did get the program, in a sense, rolled out to give states flexibility between the various options that they have, and we will complete our work this spring.

Senator BENNET. Okay. I would only ask that you take a personal interest in this because I just want to make sure that it aligns with what the Committee was intending to do when we passed this to begin with.

I think Chief Weller is there now, but we have had some issues.

Secretary VILSACK. I would just simply say that we—that I get a report every week on every aspect of this Farm Bill.

Senator BENNET. Okay.

Secretary VILSACK. So you can be assured I am taking personal interest in it.

Senator BENNET. Thank you.

The last matter I wanted to raise with you is the application of the Endangered Species Act which, has become a huge issue for a lot of people in Colorado. I say that as a supporter of the Endangered Species Act. It is a statute that has protected a lot of wildlife, which makes the West a special place to live.

We have appreciated NRCS's efforts to facilitate habitat conservation for the greater sage-grouse through the Sage Grouse Initiative.

I wonder whether you could discuss the Agency's ongoing work in this arena in light of the certainty brought about by a five-year Farm Bill and whether you could talk about whether this Agency, your Agency, might also consider dedicating some resources to the recovery of the already listed Gunnison sage-grouse which occupies a much smaller range in Colorado and Utah than does the greater.

Secretary VILSACK. What can I tell you, Senator, is that we are committed to trying to help producers deal with the challenges of the Endangered Species Act as they perceive them.

We have invested \$424 million in the Sage Grouse Initiative over the last 5 years. We have worked with over 1,100 producers. We have impacted 4.4 million acres of land. We have converted roughly 430,000 acres into permanent easement. So this is something we are committed to.

We have worked with the Department of Interior to create what we call regulatory predictability. In exchange for producers adopting a suite of practices that we know work, they get a 30-year commitment, if you will, from the Department of Interior that if that species is listed they are already deemed in compliance.

I will go back to the office and find out, specifically with reference to the Gunnison sage-grouse, what our plans are.

But our plan is to continue this level of support, and we are also obviously focused on a number of other species, including lesser prairie chicken and a variety of other species in other areas of the country where we are faced with the same set of issues.

Senator BENNET. Thank you very much for your testimony.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Boozman, but let me say if I might, Senator, we have the same problem with the lesser prairie chicken. I thank you for your comments, and we want to work with you in doing some research on the Endangered Species Act.

The original intent was to take a look at conservation—and you have talked about those easements and things of this nature—not to simply list every living creature that we can find and then have a problem when it does not rain in the habitat for a particular species, goes to where that habitat is, and then the listing occurs, and then we have a problem.

You and I have talked about this, and we have already had a vote in this session on this specific species.

We are talking with the Environmental and Public Works Committee to see if we could set the predicate of some of the challenges that we face here and what kind of legislation may—and I emphasize “may”—be needed. I understand that is under their jurisdiction, but we are the folks getting hit.

I have been trying to point out that when it rains and if it rains and when it rains, that the habitat will grow, the lesser prairie chicken will come back and, after that, will be the greater lesser prairie chicken.

So I appreciate your work and the focus on this so that we do not get all wrapped around the axle on something that we may not need to do.

I apologize to Senator Boozman.

Senator Boozman.

Senator BOOZMAN. Well, thank you, Mr. Chairman.

Thank you, Mr. Secretary, for being here, and I do want to thank you very much for your hard work in implementing the Farm Bill. I know this has been very difficult, but you and your staff are doing a good job.

In particular, I want to thank you for working with our rice farmers in regards to the payment timing issues that we are dealing with. Rice farmers in Arkansas truly greatly appreciate your willingness to work with them on that issue.

Very quickly, the Farm Bill required the USDA to propose a plan for reorganizing the Department's trade functions and your report on the plan within 180 days. This included the establishment of an Under Secretary for Trade and Foreign Agricultural Affairs.

After the plan was overdue, Congress appropriated funds this past December to ensure the completion of the plan in coordination with a third party, and the USDA's Office of the Chief Economist was directed to begin the study within 60 days of the passage.

I guess my question is: Has the Office of the Chief Economist begun the study and what is your timeline for establishing the Under Secretary for Trade and Foreign Agricultural Affairs, which you know better than anybody is so important to the industries?

Secretary VILSACK. Well, I could not agree with you more, Senator, that trade is important. Thirty percent of all ag sales are export-related, and that is roughly equivalent to net farm income. So it is important.

The Chief Economist Office. I asked about this issue yesterday, and they are in the process of completing the work to hire the consulting group that is required by the budget law, the '15 budget law, and that we were supposed to spend \$600,000, in a sense, re-studying this issue.

So they are hiring the consultant who will conduct that study, who will look at precisely how it could be done, how many various agencies and mission areas within USDA will be engaged in this—because it is not just the Foreign Ag Service. It is APHIS. It is a variety of other departments within the USDA—and then come up with a set of recommendations as to how we would best implement.

I do not want to commit myself to a timeline until I see what the report is, but I can tell you that we are making progress in getting this thing through the process, and we understand the importance of it.

Senator BOOZMAN. Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Donnelly.

Senator DONNELLY. Thank you, Mr. Chairman, and congratulations. We are honored to have you as our Chairman.

Chairman ROBERTS. Thank you, sir.

Senator DONNELLY. Mr. Secretary Vilsack, thank you for your work on the Farm Bill.

I would just like to—before I ask any questions, I would like to mention that Jeff Hall is a nominee for the Federal Farm Credit Administration Board. He is the president and founding member of an association management and consulting firm. He has 30 years of experience in agricultural policy.

He is from Kentucky, but Mr. Hall is also a partner in his family's farm in Southern Indiana. He received his B.S. degree from Purdue University.

We are very strong in our support of him, and we look forward to his nomination.

Mr. Secretary, in regards to our popcorn farmers in Indiana it is a big part of our ag heritage and what we do every year—our producers are facing a February 27th deadline in order to decide whether to update their yield history and reallocate base acres.

In order to make those updates, our popcorn growers need a conversion yield factor to convert those yields when compared to field corn yields. USDA delivered that yield factor just last Wednesday. So our growers only have 10 days with all the available information to make a decision on yield updates.

Given the short deadline, can you ensure the USDA will work with our popcorn producers if they need a little bit extra time to make that decision?

Secretary VILSACK. Senator, what we are encouraging the producers in your state to do is to basically get themselves on the registry, which basically complies with the deadline requirement but would give them potentially additional time to make whatever decisions they have to make to cross the Ts and dot the Is. So there is a vehicle and a process by which they can buy themselves, if you will, some additional time.

Senator DONNELLY. Okay. We also have some rural development issues in our state that are important.

Number one I want to mention is—I have talked to you about it before—the Town of Waverly in Morgan County is looking to take advantage of the Rural Economic Development Loan and Grant Program in order to expand wastewater infrastructure in the area. The USDA has not yet completed rulemaking needed to allow them to take advantage of the program.

Second is we have some counties looking to take advantage of the Community Facilities Program to facilitate the construction of airport hangars and promote rural development in those areas. There are some current administrative policies that are hanging that up a little bit.

We just want to make sure that the Department of Agriculture and the agencies can work with our communities to figure out the best way forward in these development plans.

Secretary VILSACK. Senator, we are aware of the concerns on both projects, and I would say two things.

One, we will continue to work with your staff to try to figure out how to get around various prohibitions and restrictions that may be in a budget bill.

I have also instructed my staff to begin understanding that they ought not just to limit their assistance and help to what exists within the boundaries of USDA. We ought to be a full-service operation. So, if a community does not comply with a certain requirement that we have, we ought to be talking to our sister agencies through the Rural Council to determine whether or not there is another agency of the government that could potentially provide help.

I do not think we do enough of that, and I am encouraging our team to be a little bit more expansive in their thinking and more creative in their thinking in trying to solve these problems.

Senator DONNELLY. Thank you because I know you understand that for a lot of our rural communities there are a lot of agencies,

but the Department of Agriculture is one that they look to for foremost guidance in a number of areas, and you become the lead representative to try to grow our rural economies and our rural areas. So we appreciate the effort to try to be an interface, in effect, for so many of our communities.

Thank you.

Thank you, Mr. Chairman.

Chairman ROBERTS. Senator Ernst.

Senator ERNST. Thank you, Mr. Chair.

Secretary Vilsack, I want to thank you for your years of service to not only the Federal Government but also to the State of Iowa. So, thank you very much, sir.

Veterans do experience unique challenges as they leave the military workforce and enter the civilian workforce. We have a program in Iowa now that is Home Base Iowa, where we are trying to bring back our men and women of the Armed Services and establish their home again in Iowa.

Careers in agriculture are really a great fit for a number of these returning servicemen and women, and I know that in the 2014 Farm Bill there were provisions included for veterans which encourage and promote them to enter this area.

To what degree has the USDA been able to implement these specific programs that assist veterans transitioning into the ag community?

Secretary VILSACK. Senator, I appreciate the question, and you are absolutely right.

We are very sensitive to the opportunities that farming can provide to our returning veterans, particularly those who have been in combat. As you well know from your own personal experience, it is an issue that you have to deal with, and you have to provide help and assistance.

We have done a couple of things.

First of all, I will instruct my staff to make sure that Karis Gutter, who is the military veteran liaison, gets in touch with your staff to give you a more full briefing on all the steps that are being taken.

But we established that liaison. He is a former Marine, served with distinction in the Marine Corps, very committed to this, and he is in our Farm Service Agency.

Chairman ROBERTS. Excuse me, Mr. Secretary. There are no former Marines. He is a Marine.

[Laughter.]

Secretary VILSACK. Apologies, Mr. Chairman. I should know that. My nephew is a Marine.

He serves with distinction and is very, very much committed to this effort.

Also, the Deputy Secretary has been tasked with a beginning farmer and rancher program. We are trying to expand significantly our reach in veterans. She actually came, as you probably know, to Iowa and had a conversation with folks there.

We recently announced \$18 million of assistance under the beginning farmer and rancher program, with some emphasis on attracting veterans and women and people of color into the farming business.

We are working diligently with the Departments of Defense and Veterans Affairs. Part of our challenge is getting the information to folks before they make the decision, before they actually leave military service.

We have a hard time physically getting on base during that period of time. As folks sort of transition out of the military, they are given opportunities on base for additional information. We are trying to encourage the Defense Department to allow us access to allow Karis and his team to make a presentation on these bases so that folks consider this as an option.

Finally, we are working with a number of veterans groups that are committed to this, and we are providing resources to them to do outreach on our behalf.

So there is an aggressive, comprehensive, and very, very personal effort in terms of our veterans.

Senator ERNST. Thank you, Mr. Secretary. I do appreciate that and look forward to working with your staff on those issues. I think it is a great, great issue for many of our states out there.

Engaging our military bases through their transition assistance programs, I am glad you brought that point up. So however we can assist in making that happen, we would love to do so.

So, thank you very much, Mr. Secretary.

Thank you, Mr. Chair.

Chairman ROBERTS. Senator Hoeven.

Senator HOEVEN. Thank you, Mr. Chairman. Greetings to you and to our Ranking Member.

Certainly to you, Secretary Vilsack, thanks for being here today. Appreciate it.

The first question is on conservation compliance. I have concerns under the new Farm Bill that conservation compliance is tied to crop insurance and have tried to find ways to make it more farmer-friendly.

One of the concerns I have is that NRCS is now using the term "obvious wetland." So they are requiring, obviously, farmers to comply with the criteria that they call obvious wetlands as a measure of Farm Bill conservation compliance.

Can you tell me what constitutes an obvious wetland and how that was determined and how it is applied by NRCS?

Secretary VILSACK. Senator, I think they would probably—I would probably like to get you a more technical response to that.

Let me just simply say that right now our focus, or my focus, has been making sure that producers understand their obligation to produce the—what is it? The AD-1026 form by June 1st.

It is roughly around 6,000 producers that we are concerned do not know that they have to do that. Many, many, many producers understand that, but some producers do not. So we are encouraging that.

But we will get you a more technical definition of this.

Honestly, I was under the impression that this compliance issue is not a significant issue in terms of as fundamental changes in the way in which we have done this. We have had compliance before tied to direct payments. Prior to that, before, we had it tied to crop insurance.

Senator HOEVEN. Yes, it was tied to the commodity program before. So it is not like farmers have not been working with it in a lot of cases.

Other than those that did not participate——

Secretary VILSACK. Right.

Senator HOEVEN. —in the commodity programs and only participated in crop insurance; for them, it is new.

The other issue is in my part of the country region, that is prairie pothole regions. So the concept of an obvious wetland, when you have drier years and wetter years, is tough, and that is where they are hitting some problems with NRCS.

So your help there, taking a look at it, and then just as much flexibility as possible is helpful and important.

Secretary VILSACK. We are working very closely with folks in your state making significant investments because of the unique challenges you all face up there.

Senator HOEVEN. Right. Then a follow-up to that is one of the things that NRCS is doing is they are using some of the wildlife groups like Ducks Unlimited. I have an avid sportsman, and I love to hunt and fish, but I am also a big advocate for farmers, as are you, and there is concern on the part of our farmers that creates a potential conflict of interest or problem when NRCS is using a group like DU on this wetlands compliance issue.

So can you address that for me? Because this is a concern that I have been hearing from my farm groups from about—in my state and others.

Secretary VILSACK. I think that what we are attempting to do is to make sure that we are leveraging our resources effectively. There is a tremendously—there is a great interest in all of these conservation programs, and the response to the Regional Conservation Partnership Program is a good reflection of the interest of partnerships and collaboration.

Yours is the first comment that I have received expressing concern about the collaboration, and it is—actually, to be honest with you, Senator, it is a little surprising because I have not found that conflict in other parts, but we will certainly look into it.

Senator HOEVEN. Would you be willing to look into it?

Secretary VILSACK. Sure.

Senator HOEVEN. There are some cases where I think they are working with other groups and I think it has gone well, but there are some concerns here. Your willingness to look into it——

Secretary VILSACK. Sure.

Senator HOEVEN. —I think would be very important.

Secretary VILSACK. If you would give us specific producers, we would be happy to reach out to them or I will have, obviously, folks talk about this generally.

Senator HOEVEN. Absolutely, I will give you some of the groups, the farm groups and associations that have contacted me, and if you are willing to follow up on that, that would be great.

The third question I had really relates to implementation on the Farm Bill, where somebody has made a land acquisition. Typically, if the prior producer will not give them their historical yields and so forth for establishing base and enrolling in a program, you have gone to the county T-yields and so forth.

But there was also a proposal by some of the farm groups to use three fields that are contiguous or in the area because the county average may be a lot lower than what those acres have been producing.

Is there any willingness, or are you willing, to take a look at something like that kind of proposal for establishing new base acres for a farm program?

Secretary VILSACK. Senator, We are always trying to work with folks. I do not want to commit myself specifically to saying, yes, that we will do that, but we should always be willing to take a look at whatever suggestions producers are making to improve the programs.

Senator HOEVEN. I think that is the biggest thing with implementation of this Farm Bill, particularly as they are trying to make a decision, between ARC and PLC. Just any flexibility you can give them is much appreciated.

Secretary VILSACK. I would say that in relationship to the crafting of the legislation that there may be things folks would like us to do that the legislation simply does not allow us to do. We have run across that in a couple of circumstances, where the language is very specific in the Farm Bill, but we will do what we can to be willing to listen and do what we can to be as flexible as we can within the existing statutory directive.

Senator HOEVEN. Thanks, Mr. Secretary. Appreciate it.

Chairman ROBERTS. Let me say that the question I submitted for the record is a follow-on to Senator Hoeven's concern.

The Farm Bill reattached—so now I am not submitting it for the record—wetland compliance—and in my part of the world, our part of the world, highly erodible land; the acronym for that is HEL, by the way, H-E-L—conservation compliance requirements to crop insurance.

Well, to implement and to administer and force this new requirement, I know that there will be three separate agencies within the Department, if you say Risk Management Agency, RMA, and the Natural Resources Conservation Service.

So what you have said is encouraging to me with regards to a multi-agency process that will involve some complexity, both from an agency/administration perspective and also from the perspective of a new producer just learning how to come into compliance for the first time, because you have got three separate agencies to deal with.

You have already made the commitment to have representatives from these agencies really try to communicate and provide information on a continual basis to us and to our individual producers, and I thank you for that.

Well, thank you, Mr. Secretary.

We have the distinguished Majority Leader here. Would the distinguished Senator have any questions of our most cooperative Secretary of Agriculture?

Senator MCCONNELL. Thank you, Mr. Chairman. I do not. I am here, whenever you think the time is right, to introduce a nominee.

Chairman ROBERTS. Your time is my time, and the time is right.

That will conclude the first portion of our hearing this morning, looking at Farm Bill implementation. Other issues were brought up, but that is the primary goal of this hearing.

I want to thank each of our producer witnesses for taking time out of their busy schedules to come to Washington and share their perspective on how things are working out in farm country.

I also thank Secretary Vilsack again for his time and ongoing efforts to make sure the critical investments we made in this Farm Bill are implemented in a way that works for farmers and ranchers all across the country.

I very much appreciate your hard work and look forward to opportunities to work together, sir.

To my fellow members, we would ask that any additional questions that any member might have for the record be submitted to the committee clerk five business days from today or by 5:00 p.m. next Tuesday, March 3rd.

We now ask Mr. Hall and Mr. Tonsager to come to the table, please.

Secretary VILSACK. Mr. Chairman, can I thank the Majority Leader for taking me off the hot seat?

[Laughter]

Senator MCCONNELL. Anything I can do for you, Mr. Secretary, let me know.

Chairman ROBERTS. We now move to our third and final panel for today's hearing. We welcome today's two nominees to serve on the Board of the Farm Credit Administration—Jeffery Hall and Dallas Tonsager.

The Farm Credit Administration is comprised of three board members and serves as the lead regulatory body overseeing the lending associations and banks which comprise the Farm Credit System.

Our first nominee is Mr. Jeffery Hall. I yield to the distinguished Majority Leader.

Senator MCCONNELL. Thank you very much, Mr. Chairman, Senator Stabenow.

I wanted to welcome my constituent and friend, Jeff Hall, to the Committee as consider his nomination for the Farm Credit Administration Board.

Inspired by his upbringing on a family farm in Southern Indiana, Jeff has devoted his 30-year career to serving farming across my state. Early in his career, he took a position with the Kentucky Farm Bureau, where he learned directly from the brightest in Kentucky agriculture. Thereafter, Jeff joined my staff as Legislative Assistance for Agriculture, where he worked on issues for this very Committee.

Later, he served as Assistant to the Dean of our highly regarded College of Agriculture at the University of Kentucky from 1994 to 2001. From 2001 to 2009, he was appointed State Executive Director to USDA's Farm Service Agency in Kentucky, where he was responsible for administration of the Agency's commodity, conservation, and lending programs.

Finally, Jeff has dedicated his spare time to assisting those in agriculture as he has held leadership positions within the Louisville AG Club and the Kentucky Pork Producers Association.

Given Jeff's wealth of experience serving the farming community, his tremendous work ethic, and can-do attitude, I do not have any doubt he will be a great member of the Farm Credit Board. I am personally very proud of his accomplishments and very happy to be here today to introduce him to the Committee. He is a fine fellow and would do an excellent job.

Chairman ROBERTS. We thank the Majority Leader for taking time out of his busy schedule to introduce the nominee.

Our second nominee, Mr. Dallas Tonsager, is familiar to this Committee. A farmer from South Dakota, Mr. Tonsager currently owns and operates Tonsager Consulting, a rural development consulting group based out of McLean, Virginia.

Prior to this, he served as the Under Secretary for Rural Development at the Department for four years and previously served as a board member of the Farm Credit Administration, the same position he is being considered for now.

Prior to his service on the Farm Credit Administration, he held a number of jobs in both the public and private sectors. He received a bachelor's of science degree from South Dakota State University—Go Jackrabbits!

Gentlemen, I look forward to hearing your testimony today and asking you both some questions in regards to the role you would play on the Farm Credit Administration should you be confirmed.

Before we swear you in and we hear from you, I want to turn things back over to Senator Stabenow for any remarks that she would like to make.

Senator STABENOW. Well, thank you very much, Mr. Chairman.

Welcome to both of you. We are very pleased to have both of you willing to serve. I look forward to supporting your nomination on the floor as we move forward.

This is a critical time for our country and for our rural economy. The Farm Credit System supports rural communities in every part of the country, and it is very, very important.

American agriculture is experiencing significant changes right now, from price swings to adverse weather conditions, and that demands careful and dedicated attention, and I am confident that both of you will be able to provide that.

Mr. Chairman, I apologize. I am going to be having to step away at this point, and I am going to have confidence that left to your own devices, we will be in good hands without my being here with you.

But I do apologize, and it is not for lack of support or understanding of the significance but because of a prior commitment.

So, welcome.

Chairman ROBERTS. I thank the Senator.

Gentlemen, there are two questions that I need to ask you under oath before you testimony, if you would stand and raise your right hand, please.

Do you swear that the testimony you are about to present is the truth, the whole truth, and nothing but the truth; so help you, God?

Mr. HALL. I do.

Mr. TONSAGER. I do.

Chairman ROBERTS. Second, do you agree that, if confirmed, you will appear before any duly constituted committee of Congress if asked to appear?

Mr. HALL. I will.

Mr. TONSAGER. I will.

Chairman ROBERTS. Please be seated.

Mr. Hall, why don't you proceed?

**STATEMENT OF JEFFERY S. HALL, OF KENTUCKY, TO BE A
MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD,
FARM CREDIT ADMINISTRATION**

Mr. HALL. Thank you, Chairman Roberts, Senator Stabenow, and members of the Committee. It is an honor to appear before you here today, and I am humbled to be nominated for the position of a board member of the Farm Credit Administration.

I want to offer my special thanks to Senator McConnell, who came in and made his introduction. He has been a great supporter for many years and I of him.

Probably the biggest thing that happened was 27 years ago, getting to come on his staff, sit in this very room and participate in the 1990 Farm Bill and work with him.

It is especially an honor to be sitting at this end of the table and recognizing the importance of this.

I also want to say I am proud to have my wife and my two children with me here today. I did not have a hard time talking my kids into missing school. So I am glad they are with me and get to experience this, this morning.

As Senator McConnell and Senator Donnelly said, I was raised on a Southern Indiana farm where it really gave me a great understanding, not only for the hard work that farmers put in on a regular basis but the importance of agriculture in this country. That farm has been in our family since 1818, almost 200 years when it was homesteaded.

What I learned growing up on that farm has shaped my life and my career. It gave me inspiration to go to Purdue University to study agriculture and become the first person in my family to graduate from college. It was that opportunity that allowed me to experience more and gain a much deeper appreciation of agriculture.

In addition to my time working for the United States Senate, my professional career has included time at the Kentucky Farm Bureau, the University of Kentucky, and the U.S. Department of Agriculture's Farm Service Agency. Each and every step of my career path has broadened my base of knowledge and increased my appreciation for the vital role that agriculture plays in our nation's economy.

The productivity of America's farmers over the past century is unparalleled for thousands of businesses that provide inputs and the thousands more that process, market, and deliver finished goods. They are the very core of our nation's wealth and abundance.

The productivity of our farmers has fundamentally transformed our nation's economy. The Farm Credit System has played a crucial role for nearly 100 years by providing a reliable source of credit

to farmers, ranchers, ag businesses, and families who live and work in rural America.

As a former System borrower, I believe in the important mission of the Farm Credit System. As a farmer and former State Director of the Farm Service Agency, I know the very real consequences that regulations have on the daily lives of our farmers and ranchers.

I do believe that regulations are important, but I also believe that over-regulation can become a burden to individuals and businesses and limit their productivity.

I believe all regulatory agencies, especially those that have a focused mission like the Farm Credit Administration, need to balance the interests of the regulated community with clear, enforceable boundaries. It is vital to have a strong, independent regulator.

If confirmed as a board member, I will make it my primary responsibility to support commonsense rules that protect the safety and soundness of the System.

While the farm economy has been very good over the past couple of years and the overall economy is improving, there are some challenges that we will face very soon. With interest rates at historic lows, rising interest rates are inevitable. Loan repayments will become higher and will have an impact on our farmland prices.

Commodity prices are always a concern. Increasing volatility in those prices will add pressure to marketing decisions by the borrowers and, ultimately, their profitability. With the current outlook for grain prices and the changing value of the dollar and the volatility in the global economy, the need for a system to provide good, stable credit is more important than ever.

In my lifetime, one of the most dramatic changes in agriculture has involved the infrastructure that provides products and services to the farmers and the accessibility to markets that sell their products. Our rural communities were once a hub of rural commerce, with feed mills, equipment dealers, farm supply stores, and livestock markets.

While it is a bit nostalgic to look back and think about those days, I think it is important to recognize the importance of infrastructure that supports our farmers. I am excited about the opportunity to be on the Farm Credit Administration Board and learn more about the partnership that the USDA has with the Rural Infrastructure Opportunity Fund.

In conclusion, the business of farming has changed dramatically, but the mission of the Farm Credit System and the role of the Farm Credit Administration are just as important as ever. I believe that the farmer-owned cooperative Farm Credit System is essential to providing sound, adequate and constructive credit to America's farmers and ranchers.

I believe the Farm Credit System, commercial banks, community banks and USDA loan programs have an important role to play in our rural economy. Farmers and agriculturally related businesses benefit by having multiple competitive sources of credit. If rural America is going to continue to prosper, we must all work together.

Mr. Chairman, members of this Committee, I am honored to be considered for a position on the Farm Credit Administration Board. If I am confirmed and appointed, I will pledge to fulfill my respon-

sibility to the best of my abilities. I will work with other board members to ensure the System remains safe, and I will promise to keep an open line of communication with your staff and you as Chairman of the Committee.

I thank you for the opportunity to be present today.

[The prepared statement of Mr. Hall can be found on page 68 in the appendix.]

Chairman ROBERTS. Well, thank you very much.

Mr. Hall, I neglected to—when you made reference to your family. I would like for your wife Elaine, your daughter Kathryn, your son William, who is doing a good job of holding up that wall underneath that light—

[Laughter]

Chairman ROBERTS. —and your friend Steve Connelly, to please rise.

At the same time, Mr. Tonsager, if you would have your wife Sharon and your son Joshua, please rise so the Committee can welcome them, please.

Thank you very much.

[Applause.]

Chairman ROBERTS. Mr. Tonsager.

STATEMENT OF DALLAS P. TONSAGER, OF SOUTH DAKOTA, TO BE A MEMBER OF THE FARM CREDIT ADMINISTRATION BOARD, FARM CREDIT ADMINISTRATION

Mr. TONSAGER. Thank you, Mr. Chairman, and I would also like to thank Ranking Member Stabenow, for the invitation to appear before the Committee today.

I am grateful to President Obama for nominating me for this position.

I would like to thank former Senator Tim Johnson, Senator Heitkamp, and Senator Thune and other members of the Committee and their staff who have been supporting and helping me with this nomination process.

I also appreciate the support I have received from many of the farm organizations.

I would like to recognize my wife Sharon, and my son Josh, who are here today, as well as my son Keith, daughter-in-law Lindsey and granddaughter Ilia, who cannot be here today.

I am excited to have this chance to work with the members of this Committee, the farmer members of the cooperatives of the Farm Credit System, and the other private financial institutions that serve rural America.

If you choose to confirm my nomination, I plan to follow closely the guidance provided by the Farm Credit Act and to be transparent in my work.

I have devoted my career to farming and to serving the needs of rural America. I believe that becoming a board member of the Farm Credit Administration allows me to continue that work. It is my hope to gain further insight into the dynamics of the capital markets and how they affect our rural citizens. I further hope that my experience will benefit the work of the Farm Credit System institutions.

I have had the good fortune to spend most of my life on a family farm, and to be part of a small community and its local institutions, to have lived through some very good times as well as some very bad ones. As you all know, agriculture is full of complexity and pitfalls.

The work of the Senate Agriculture Committee, the House Agriculture Committee, and Congress as a whole has led to the creation of many institutions that have shaped rural America.

I am proud to have lived on a farm that exists because of the Homestead Act, to have gone to a local—to a land-grant university, and to get electric power from a local rural electric cooperative.

Another institution, the Farm Credit System, has consistently provided capital to rural America through good times and bad. The Farm Credit Administration is charged with ensuring the safety and soundness of the Farm Credit System and Farmer Mac. That charge means we must anticipate and prepare for the constantly changing risks farmers face, and we must help make sure the support they need is always there. Confidence in the strength of the Farm Credit System is critical to all the stakeholders in rural America.

I would like to recognize the work of FCA Board Chairwoman and friend Jill Long Thompson and old friend and board member Lee Strom.

I look forward to working with my future colleagues, Ken Spearman and Jeff Hall.

Thank you for your consideration, and I look forward to any questions.

[The prepared statement of Mr. Tonsager can be found on page 82 in the appendix.]

Chairman ROBERTS. Gentlemen, thank you for your patience.

I have several questions here on behalf of myself and my colleagues.

This is a question for you both. Of the criticism I have heard from our rural bankers back home is that the Farm Credit Administration is less of a regulator of the Farm Credit System and more of a rubberstamp. Pardon that pejorative.

How will you ensure that there is robust oversight of the System and what ideas do you have going forward to make sure that confidence in the Farm Credit Administration is maintained?

We will start with Mr. Tonsager.

Mr. TONSAGER. I feel very confident in the capacity of the FCA to offer oversight of the Farm Credit System institutions. Having had the opportunity to work there previously, and having seen the back and forth that occurs and the competitive arguments that occur, having seen the number of responses to various regulations that have been put forward by all parties from rural America, I feel very comfortable in the capacity of the Farm Credit Administration, its employees, and the Board of Directors to carefully consider the arguments of all parties.

Chairman ROBERTS. Mr. Hall.

Mr. HALL. I think my previous experience sitting in this room and understanding the importance of the statutes as they are written and the rules that are set by this Committee give me the guidance to make sure that we are following those rules.

If there are occasions outside of those that we need brought to our attention, believe me, we will take care of those things. So we will follow those rules, Mr. Chairman.

Chairman ROBERTS. I would just emphasize again, in my opening statement, too many farmers and ranchers and people in rural America believe they are being ruled, not governed. It is basically because of the tremendous over-regulation that we have seen in farm country and, for that matter, every sector of the Kansas economy, and I think that also represents every other state.

I especially appreciate your commitment for strong oversight.

Second question: Crop insurance is a critical tool to producers in Kansas and all throughout the country and many of the entities who finance them. What thoughts do you have about risk management and how should Farm Credit look at these tools as you consider the forecast for the ag economy?

Mr. Hall, why don't you go? We will go back and forth.

Mr. HALL. Yes, sir. As the previous panels have stated the importance of crop insurance, I really do not need to go back and repeat that. We understand how important crop insurance is. I think the Farm Credit System, by offering that opportunity to producers to purchase crop insurance, is important.

I think it is also a part of our responsibility to make sure that the producers, the borrowers, understand the best use of crop insurance. Maybe some educational programs that we can work together with educational institutions to provide more information might be of importance.

Chairman ROBERTS. Mr. Tonsager.

Mr. TONSAGER. Yes. I think—having been a farmer in the 1980s, I think there is much to be learned from the experiences we had at that time.

How we handle risk personally on our individual farms and how we handle risk in the financing of farms is absolutely critical, and the crop insurance program is a critical part of that risk mitigation process that all farmers should consider. So I think it is a bottom-line issue for those—all lenders in rural America, whether or not people carry that risk mitigation tool of crop insurance.

Chairman ROBERTS. I thank you for that.

As Chairman of the Committee, one of my top priorities again is making sure that the agencies under my jurisdiction, our jurisdiction here in the Committee, understand that our farmers often feel times that our government is more of an adversary than a partner.

I hate to keep picking on that, but I hear that in town hall meeting after town hall meeting, farm group after farm group or any other commodity organization.

By the way, I am going to go overtime with regards to the timer, and there is nobody else here that is waiting.

[Laughter]

Chairman ROBERTS. Except you, gentlemen, which I appreciate.

What kind of outreach and engagement do you plan on undertaking to show that the Farm Credit Administration is looking to provide Kansas farmers or, for that matter, any farmer all across the country, that the appropriate regulatory balance is being met?

Now you can play a certain role in this to really be of help to us. If confirmed, will you commit to traveling out to farm country,

more especially my State of Kansas, to meet with Farm Credit lenders and Kansas bankers? I think that would be a good thing to do as you travel around the country, to receive that kind of input.

The answer is yes, by the way.

[Laughter.]

Mr. TONSAGER. Mr. Chairman, it is a great pleasure to get the chance to go out and visit producers everywhere. I was recalling my first term in the FCA. I think in my first 18 months I made 26 trips to visit with boards and other parties.

I think we have an obligation to be an arm's-length regulator certainly, but we also have an obligation to communicate with the Farm Credit institutions, as well as other rural lenders, and have dialogues with them about the status of credit.

Chairman ROBERTS. I appreciate that.

Mr. Hall.

Mr. HALL. I completely agree. I understand we are an arm's-length regulator.

But I can tell you, as a state director of the Farm Service Agency traveling out to the county offices, I really learned what happens with producers. I learned the program technicians and the county executive directors are the ones that know more about the programs than the state directors sitting in the state office. So I intend to travel as much as possible.

Chairman ROBERTS. Thank you for that.

With the potential of continued decreases in commodity prices, which you both have mentioned, and a drop in the value of farmland, what concerns do you have about farmers' ability to pay back the interest and principal on their loans in the near future and do you know if any System lenders are taking this forecast into consideration when issuing loans now?

Mr. HALL. Just coming into this position, we have not been briefed on sort of the status of individual associations and where they are, but I promise you that once we get in there that is something that I intend to take a look at—how each association is handling, number one, land price changes, commodity price fluctuation. All those things are going to be an important part of how we move forward because there are challenges.

I lived through the '80s and the farm crisis, and I do not see that on the horizon, but I do think there are challenges that we need to be prepared for.

Chairman ROBERTS. I appreciate that.

Mr. Tonsager.

Mr. TONSAGER. Yeah, I think we have a real obligation to work closely with the System and, as the regulator, with the staff, to look for all the early warning signs of any potential systemic problems that we can see.

I know the System was looking hard at those when I was there the last time, looking for the amount of risk they could assume under very explosively expensive farmland price growth and concern about that effect in the long term.

So, yes, I think we must be looking closely at the related issues.

Chairman ROBERTS. Everybody on this Committee knows, when we hear from competitors that the System is expanding, according

to them, into areas of the economy that some argue Congress might not have envisioned when the System's lending jurisdiction was expanded back in the early '90s. I remember those days and when I was a member of the House Agriculture Committee.

What limits are there to the lending authority of the Farm Credit System and does the Farm Credit Administration authorize System lending to any company engaged in business in the rural part of the country regardless of the availability of private financing?

Mr. TONSAGER. Well, I think the number one question, having been an under secretary at USDA and been in the rural development mission area, is to make sure that there is adequate credit for all rural Americans and for agriculture to grow.

We need to, I think, take a hard overall look at value-added agriculture, the things that add value to the processing of our products.

I think we need to work closely with the private sector and the Farm Credit System to make sure that there is especially long-term credit available.

So I think that is the overarching question as we go forward. Is the private sector meeting the needs of rural America? Is Farm Credit meeting the needs?

If there is a lack of capacity for credit, then we need to answer the question, working together with both the System, the private sector, and addressing that.

I think we do have a need to look closely at the statute and the guidance of the statute, but we need to look expansively in how we make sure capital—investment capital, credit capital—is available to accomplish what we need to have done to help rural America grow.

Chairman ROBERTS. Mr. Hall.

Mr. HALL. I believe that similar-entity legislation is maybe 20 years old, and it was addressed at that point.

I think there are some clear guidelines provided in statute that we need to follow. I guess as a regulator our responsibility is going to be make sure that we stay within those guidelines that are provided.

Sometimes that line may get a little gray when it comes to different kinds of loans to be approved, and I think that is where communication with you and with the staff to make sure we are staying within our authority is vital.

Chairman ROBERTS. I appreciate that.

I have two more, three more, but I am going to submit those to you for the record because tempus is fugiting with regards to your commitments and that of the Chairman.

Thank you to both of our witnesses for your time and willingness to be considered for service to agriculture and rural America as a member of the Farm Credit Administration Board.

We will not be voting on your nomination today, but we are working to schedule a business meeting as soon as possible for a Committee vote that can actually be taken off the floor. So, hopefully, we can address this just as quickly as possible.

To make that possible, I ask members to submit any additional questions that they may have—pay attention, staff—for the record by 5:00 tomorrow and Wednesday, February the 25th.

Thank you, everyone, for your time today.

A special moment. We are adjourned.

Mr. TONSAGER. Thank you.

Mr. HALL. Thank you.

[Whereupon, at 12:24 p.m., the Committee was adjourned.]

A P P E N D I X
FEBRUARY 24, 2015

**Senate Committee on Agriculture, Nutrition & Forestry
The Agricultural Act of 2014: Implementation after One Year and Farm Credit Administration
Pending Nominations
Tuesday, February 24, 2015
Statement for the Record**

Senator Klobuchar

Chairman Roberts, congratulations on becoming Chairman of the Senate Agriculture Committee. Over the years, you have shown your commitment to America's farmers and ranchers through your work on the 1996 Farm Bill as Chairman of the House Agriculture Committee, and as Ranking Member of this committee as we began writing the 2014 Farm Bill. This committee is proof of what can get done in the Senate when we work together, across the aisle, and I look forward to doing what I can to ensure that tradition continues.

I would also like to thank Senator Stabenow for her long-time leadership and congratulate her on her record of achievement while serving on this committee.

And, Mr. Chairman, I can't think of better subjects for your first hearing than what we'll be discussing today. On implementing the 2014 Farm Bill, we'll hear right from the producers and learn from their real-life experiences working with the policies created in the bill. And, we'll hear from Secretary Vilsack who can report on implementation from the department's perspective.

We all worked hard to pass a bipartisan Farm Bill last year, but I know our work is not done. We must make sure the programs are being implemented as Congress intended to support farmers and rural communities in Minnesota and across the country, and I look forward to continuing to work on new and innovative policies for our future.

Secretary Vilsack, I appreciate all your work to swiftly implement Farm Bill provisions and I want to work with you on issues that are important to my state. Livestock producers in Minnesota are currently struggling with wolf depredation after a recent court decision reinstated federal protections for the gray wolf and ended effective state management of the wolf population. I am hopeful the U.S. Department of Agriculture can take action to help these producers as calving season approaches. I am also interested in the economic impact the administration's more open trade policies with Cuba could have on American farmers and ranchers. That is why I have introduced bipartisan legislation to lift the current embargo and eliminate legal barriers to Americans doing business in Cuba.

Access to credit is one of the most important issues farmers and ranchers face, and I am pleased that the committee will hear from pending Farm Credit Administration board nominees. I sent a letter along with Senator Hoeven to Chairman Roberts and Ranking Member Stabenow asking that consideration of Mr. Hall and Mr. Tonsager be one of the committee's first actions in the new Congress so that the Farm Credit Administration can continue its important oversight role. I look forward to working with the members of this committee on all of these issues and more in the 114th Congress.

U.S. Senate Committee on Agriculture, Nutrition and Forestry
Hearing: *The Agricultural Act of 2014 implementation after one year*
Testimony of Michael DeRuiter, Michigan fruit grower
February 24, 2015
9:30 a.m.

Thank you, Chairman Roberts and Ranking Member Stabenow for the kind introduction, and I thank the members of the committee for the opportunity to testify today.

I'm Michael DeRuiter, a specialty crop farmer from Hart, Michigan. I'm pleased to be here today to support the committee's work on the Farm Bill, which has had a big impact on my farm and the farms in our region of the state.

On our farm we raise approximately 1,000 acres of tart cherries, apples and peaches. We also have a processing facility, where we process cherries in July and August. I'm a third generation farmer and my wife Amanda and I are raising what we hope will be the fourth generation to farm our land.

I farm with my brother and father on the eastern shore of Lake Michigan—what may be the largest, most diverse specialty crop region in the state. We grow mostly tree fruit; however the neighbors around me grow a lot of vegetables including asparagus, squash, onions, carrots and pumpkins to name a few.

I'd like to briefly share with you how the Agricultural Act of 2014 has been impactful not only to my farm, but to Michigan as a whole. While there are many critical programs in the bill that help our industry, I'd like to focus on a few specific areas: conservation, research, nutrition, and crop insurance.

Conservation: Farming in western Michigan, with so much water all around us, conservation is an important consideration. For our farm to be economically viable for the next generation, we must think about sustainability, soil health and Integrated Pest Management (IPM) programs on a daily basis. Our family believes strongly that we need to leave our farm in better shape than when we started. To that end, our farm is verified in the Michigan Agricultural Environmental Assurance Program, or MAEAP. MAEAP verification requires having a third-party auditor inspect our farm to verify that we are following good agricultural practices, and that we participate in conservation programs that help improve soil health and protect the environment. Today our orchards are all no-till systems to protect our soils from run-off and nutrient movement.

MAEAP is an important, voluntary program in Michigan that continues to grow, but it wouldn't work without NRCS programs that assist farms with technical and financial

assistance to build and pay for chemical containment systems, storage facilities, fueling pads and other similar projects. NRCS today has a unique partnership with state agencies and conservation districts that helps farmers implement lasting conservation practices.

Research is also vital to our farm and Michigan agriculture as a whole. New technology and programs to reduce pesticide use and enhance IPM are critical. Funding available through the Specialty Crop Research Initiative has helped us move all specialty crop research forward. I want to highlight one project: RosBREED I, a \$14 million program under the last Farm Bill that provided the research framework for the apple, peach, cherry, blueberry and strawberry industries to map the genome in Rosaceae. This project brought together breeders from all over the world to develop and identify the genetic markers for fruit quality, and led to the RosBREED II proposal, funded last year for another \$10 million. RosBREED II will focus on cherry leaf spot and Armillaria, two key disease threats in the cherry industry. Cherry leaf spot control costs our farm thousands of dollars every year. Armillaria lives in the soil and over time we will not be able to replant our cherry orchards unless we can develop resistant varieties. The Specialty Crop Research Initiative has been critical, promoting collaboration across state lines and around the world to address key researchable problems. There is no other funding source to address these issues today.

Nutrition: Michigan is one of the eight pilot states for a new school-food pilot program exploring local sourcing. This is a very big deal for specialty crop growers. Finding new ways to provide fresh fruits and vegetables to our nation's schools is a very good idea. The pilot program will redefine how schools work with local farms, vendors and shippers to decrease food transportation costs. It will also allow the government to streamline the buying process and get more locally grown fruits and vegetables into our schools. Our state is pleased to be part of the pilot, providing buying flexibility while supporting local farmers and processors. I can't leave this topic without also talking about the bonus procurements from USDA and how it helps farmers remove surplus product from the market and get it into the hands of needy families. Specialty crop industries across the nation have benefited tremendously from the program.

Crop Insurance/Noninsured Crop Disaster Assistance Program (NAP): Crop insurance for specialty crops is of vital importance. For several years in our area you could buy crop insurance for apples and peaches but not cherries. In 2014, for the first time ever, a tart cherry policy became available to all growers. While NAP is an important option for farmers, we also needed a broader risk management tool like crop insurance, which covers for multiple perils, beyond disasters. We purchased crop insurance last year and, while we had a nice crop, growers in southwestern Michigan

suffered a wind storm on June 2nd that ruined most of their crop. Those growers are working with their crop insurance adjusters to recuperate the damage from that storm. This is a good news story for cherry growers, and as a young farmer it is vital that there is support for programs like this. Specialty crops are high-value crops with high input costs. We need programs to help mitigate the risk so that young farmers don't go broke because of one adverse weather event.

NAP is also very important, and the new buy-up policy is a great tool for smaller farms and other non-insured crops. The policy implemented in the new Farm Bill provides better coverage for farmers and is a step in the right direction for those farms that don't have crop insurance today.

The new Farm Bill is an important tool for my farm and the many, diverse farms across western Michigan. Thank you again for the opportunity to join you here today. I'd be happy to answer any questions you might have.

Rich Felts

Owner/Operator/Partner of Felts Farms LLC in Kansas

Senate Agriculture, Nutrition and Forestry Committee

The Agricultural Act of 2014 Implementation After One Year

February 24, 2015

Chairman Roberts, Ranking Member Stabenow, and members of the committee. It is an honor and privilege to sit before you today. My name is Rich Felts. I live near Liberty, a small but thriving community in Montgomery County, Kansas. We farm very close to the lowest point in Kansas – a spot in the Verdigris River as it leaves Kansas and enters Oklahoma. In this community, my wife Shirley and I have raised four children and are the proud grandparents of six spoiled grandchildren. My brother, Larry, and I are the fourth generation to farm this ground and my son, Darren, and nephew-in-law, Adam, both of whom do the heavy lifting now days, are the fifth generation. Together, we farm 3,000 acres of ground – everything from highly productive to marginal – where our primary crops are wheat, soybeans and corn. We also have facilities to market 4,000 head of hogs annually; the past few years we have custom-fed breeding stock before marketing the pigs when they reach 270 pounds. We also background about a 60 head cow herd. Additionally, I am serving my first term as president of the largest agricultural organization in the state, Kansas Farm Bureau. To the 40,000 voting members of our organization, Chairman Roberts has been a steadfast advocate for producers who farm in areas of the country where Mother Nature throws droughts, freezes, floods, fires, high winds and pest invasions at us, sometimes all in the same year.

Personally, this is a very timely hearing. Just last week I was in the Montgomery County, Kansas Farm Service Agency (FSA) office making decisions on reallocating my base acres, updating my crop yields and determining which Title I program I wanted to enroll in for the next four years. And, I do want to

emphasize four years as I am hopeful that whatever the future of farm policy happens to be, it will provide more certainty and stability than what farmers and ranchers all across the country had to deal with in 2011, 2012 and 2013.

Without question, crop insurance has been the cornerstone of the safety net for Kansas producers over the past decade. Like most farmers, I can tell you about my crop production year-by-year just by remembering some very significant weather events. In 2007 we had *the* Easter freeze in April that killed off nearly all of the wheat and then in late June and early July we experienced what is considered to be the flood of record on my property next to the Verdigris River. Not only did we have no wheat production, the flood decimated our corn and the waters didn't recede soon enough to allow us to rehabilitate the soil in time for us to plant soybeans or any other crop. In 2011 we had a March that felt like July. It was so hot that whatever wheat did produce grain was harvested somewhere between 30 and 45 days ahead of normal, with about 60 percent of our normal production; the farther west you drove the worse it was. At that time, with the help of Chairwoman Stabenow, Ranking Member Roberts and USDA Secretary Vilsack, a lot more attention from multiple federal agencies went into determining "flash" drought conditions and how quickly those of us in Kansas could be impacted.

Then came 2012. This committee is no stranger to the nationwide impacts of the drought that year and Kansas was no different. By this time my friends in western Kansas were three to five years into a drought. If it were not for the federal crop insurance and the Livestock Forage Program (LFP), many would not be farming today. Our members in western Kansas sure wish a limited irrigation crop insurance product was available back then; they do remain hopeful USDA will approve such an option soon.

As you know, the 2014 Farm Bill amended and brought back to life the LFP provisions which expired before the rest of the titles in the 2008 Farm Bill, making it retroactive to October 1, 2011 and allowing the program to more effectively assist farmers and ranchers as the drought entered our state in 2010 and slowly spread over the next three years. When the signup opened this past year, 62,000

Kansans applied for LFP assistance and while I understand that payments are expected to be significant this year we hope weather conditions improve and our livestock producers do not have losses at this level moving forward.

If it were not for the federal crop insurance and the Livestock Forage Programs, many Kansas farmers and ranchers would not be in operation today. The banks would not be willing to give these hard-working Americans an operating note or line of credit, agricultural producers would not be protecting and conserving our natural resources for future generations, Main Street businesses such as the hardware store, grocery store or various agribusinesses would take a severe hit and likely be forced to close, and our nation would not be able to provide the food, fuel and fiber that the world depends on us to provide.

It's just as important to remember, the federal crop insurance program only pays farmers when they have experienced a loss – whether that be from lack of yield production or a lack of revenue. I would be remiss if I did not at least mention that I have been blessed with some very productive crop and livestock producing years, 2014 being one of the highlights. These are the years that keep me excited to farm. I never enjoy calling my crop insurance agent or scheduling a time for the adjuster to visit any of my fields but I do know that the premiums I pay every single year allow me to sleep at night knowing if I manage my business in a proper manner and just in case Mother Nature has other plans for my field I can still call myself a farmer next season.

Two weeks ago Kansas Farm Bureau hosted a Commodities Conference where our members heard from state Farm Service Agency (FSA) and regional Risk Management Agency (RMA) employees. In Kansas we are fortunate to have a strong working relationship with these agencies and the folks who work there. We also have a great partnership with the first land grant university in the nation – Kansas State University. The Extension branch of the university has published several informational factsheets and is just wrapping up a series of producer outreach and education events on the new Title I programs within the 2014 Farm Bill. Farm Bill education efforts between K-State, Kansas Farm Bureau and the FSA

have been stellar, with nearly 200 public meetings across the state. But this is a very complex Farm Bill; between the decisions of yield updating, base reallocation and farm program selection, there is a great deal of data to sort through, calculations to make, and often multiple landlords and/or tenants to communicate with – some of whom do not live nearby. And while the online decision tools have been extremely helpful, many of our members don't have computer access or the technical expertise to use them effectively. Additional time and certainty throughout the signup period may be very beneficial as producers work through the process.

Again, we commend Secretary Vilsack and the employees in Kansas FSA, NRCS and RMA on their efforts to implement this Farm Bill in a timely manner and their leadership to ensure policies among multiple sister agencies are coordinated and up to date with evolving farming practices.

Our members, however, have run into a glitch; on some operations when a covered commodity such as corn was planted following a non-covered commodity – such as rye or any other fall-planted cover crop – the corn acres are not being recognized as eligible for base reallocation. As you know, a growing number of producers across the country are planting cover crops to not only reduce soil erosion and compaction but also to increase microbial activity, improve soil structure and enhance water infiltration. We found out about this issue last fall and immediately reached out to our state FSA office as well as Senators Roberts and Moran. We appreciate all of their assistance in communicating this issue to FSA headquarters, where Secretary Vilsack and his team took the necessary steps to remedy the problem. We hope this software fix will be available soon. Members of Kansas Farm Bureau and producers all across the nation who are caught up in this situation must be given adequate time to determine how they address their base acres given this new information.

Additionally on the topic of cover crops, turnips and radishes are two plants that are often included in cover crop mixes because they do a great job of breaking up a hard pan in addition to improving soil structure and enhancing water infiltration. But because they are technically vegetables,

farmers must schedule a field visit and pay a fee to FSA in order to verify that the cover crop was not harvested as a vegetable. Clearly cover crops, regardless of what is in the mix, are not intended for harvest as a vegetable; and cover crop mixes that include turnips, radishes or any other vegetable should not be penalized with additional fees versus cover crop mixes that do not.

While not under the jurisdiction of this committee, farmers and ranchers all across the country have to deal with a magnitude of weather events as well as burdensome intrusion of government. Whenever Kansas Farm Bureau hosts a meeting – anywhere from Johnson City to Johnson County – we receive more questions about EPA, OSHA, USFWS, DOT, CFTC and FDA regulations than we do about farm programs. I grew up believing the USDA was the “people’s department” and I can truthfully say throughout my adult farming career this has been the case. USDA has been responsive to drought, they have been proponents for trade, they implement strong conservation measures through volunteer programs and cost share agreements, and they help keep our food supply safe. Other departments and agencies within the federal government have not be a friend to agriculture or rural America. As this committee continues to discuss and champion the causes those of us back on the farm believe in, I strongly encourage you to keep in mind how the reckless behavior of some of the other governmental entities burdens farmers in Kansas.

In closing, crop insurance is a crucial tool for farmers across the United States. It is the *only* program producers like me actually put our own skin into every year. It protects us from catastrophic losses and precludes the need for unbudgeted ad-hoc disaster legislation that often takes Congress years to pass and even more time for USDA to dole out. The positive changes this committee made to crop insurance in the 2014 Farm Bill will only solidify the program as the cornerstone of risk management moving forward. The other major changes to farm policy in the 2014 Farm Bill will take some more time to fully understand, but one thing is certain, farmers and ranchers appreciate the certainty a five year

Farm Bill brings to their operation. Thank you for your time and I would be happy to answer any questions you may have.

Prepared Statement of Jeffery S. Hall
Nominee for Board Member of the Farm Credit Administration

Chairman Roberts, Senator Stabenow and distinguished members of this Committee, I am honored to appear before you today. I am humbled to be nominated by President Obama for the position of Board Member for the Farm Credit Administration.

I want to offer a special thank you to Leader McConnell for his recommendation to this position, for his continued support for many years, and most of all for giving me an opportunity to come to Washington and work for him nearly 27 years ago. Sitting in this room today brings back memories of the many hearings and meetings that I attended and reminds me of what an honor it is for me to sit before you today.

I would like to recognize my wife, Elaine who is with me here today and stands beside me every day. Our two children, Kathryn and William, who are missing school to be here today.

I was raised on a family farm in southern Indiana that has been in our family since it was homesteaded in 1818. What I learned growing up on that farm has shaped my life and my career. It gave me the inspiration to attend Purdue University, studying agriculture and becoming the first person in my family to graduate from college. It was that opportunity that allowed me to experience more and gain a much deeper appreciation for agriculture.

In addition to my time working in the United States Senate, my professional career has included working for the Kentucky Farm Bureau, the University of Kentucky, College of Agriculture, the United State Department of Agriculture, and most recently a small consulting business that primarily managed small trade associations. Each and every step of my career path has broadened my base of knowledge and increased my appreciation of the vital role that agriculture plays in our nation's prosperity.

The productivity of America's farmers over the past century is unparalleled and the thousands of businesses that provide inputs and the thousand more that process, market and deliver the finished goods are at the very core of our nation's wealth and abundance. The productivity of our farmers has fundamentally transformed our nation's economy. The Farm Credit System has played a crucial role for nearly one hundred years by providing a reliable source of credit to farmers, ranchers, agricultural business, and families who live and work in rural America.

As a former system borrower I believe in the important mission of the Farm Credit System. As a farmer and former State Executive Director of the Farm Service Agency, I know the very real consequences that regulations have on farmers and ranchers. I do believe regulations are important, but I also do believe that overregulation can become a burden to individuals and businesses, which limits their productivity. I believe all regulatory agencies, especially those that have a focused mission like the Farm Credit Administration, need to balance the interests of the regulated community with clear and enforceable boundaries. It is vital to have a strong independent regulator. If confirmed as a board member, I will make it my primary responsibility to support common sense rules that protect the safety and soundness of this system.

While the farm economy has been very good over the past couple of years and the overall economy is improving, there are some challenges we will soon face. With interest rates near historical lows, rising rates are inevitable. Rising interest rates will increase loan repayments and this is already having an impact on farmland values.

Commodity prices are always a concern and increasing volatility in those prices will place added pressure on marketing decisions by borrowers and ultimately their profitability. With the current outlook for grain prices, the changing value of the dollar, and volatility in the global economy, the need for the System to provide a stable source of credit to agricultural producers and rural America remains as important as ever. Additionally, access and availability of water, particularly for producers in western states, will add pressure to their ability to produce many crops and may force changes in production practices and add to the costs of production.

In my lifetime, one of the most dramatic changes in agriculture has involved the infrastructure that provides products and services to farmers and the accessibility to markets to sell their products. Our rural communities were once the hubs of rural commerce with feed mills, equipment dealers, farm supply stores and livestock markets. While it is a bit nostalgic to look back at how things used to be, I think we should recognize the importance of investing in the infrastructure that supports our farmers and provides much needed economic development activity to our rural communities. I am excited about the System's partnership with USDA's Rural Infrastructure Opportunity Fund.

In conclusion, the business of farming has changed dramatically since 1916, but the mission of the Farm Credit System and the role of the Farm Credit Administration is just as important as ever. I believe that the farmer-owned cooperative Farm Credit System is essential to providing sound, adequate and constructive credit to American farmers and ranchers. I believe the Farm Credit System, commercial banks, community banks, and USDA loan programs all have an important role to play in maintaining a competitive

marketplace for credit. Farmers and agriculturally related businesses benefit by having multiple, competitive sources of credit. If rural America is going to continue to prosper, we must all work together.

Mr. Chairman and members of this committee, I am honored to be considered for a position on the Farm Credit Administration Board. If I am confirmed and appointed, I will pledge to fulfill my responsibilities to the best of my abilities. I will work with the other Board members to ensure the System remains safe and sound and I will promise to keep an open line of communications with members of this Committee and your staff. I want to thank you for allowing me to appear before this committee today and I would welcome any comments or questions.

TESTIMONY
Presented to the
Committee on Agriculture, Nutrition and Forestry
U.S. Senate
By
Ronnie Lee
On behalf of the
National Cotton Council and Southern Peanut Farmers Federation
February 24, 2015

Introduction

I would like to thank Chairman Roberts, Ranking Member Stabenow, and Members of the Committee for the opportunity to offer the views of the National Cotton Council and Southern Peanut Farmers Federation regarding implementation of the Agricultural Act of 2014 (Farm Bill). My name is Ronnie Lee, and my family and I raise cotton, peanuts, corn, small grains, pecans, hay and cattle in Bronwood, Georgia.

The National Cotton Council (NCC) is the central organization of the United States cotton industry. Its members include producers, ginner, cottonseed processors and merchandisers, merchants, cooperatives, warehouse and textile manufacturers. Cotton is a cornerstone of the rural economy in the 17 cotton-producing states stretching from Virginia to California. The scope and economic impact extends well beyond the approximately 19 thousand farmers that plant between 9 and 12 million acres of cotton each year. Taking into account diversified cropping patterns, cotton farmers cultivate more than 30 million acres of land each year. Processors and distributors of cotton fiber and downstream manufacturers of cotton apparel and home furnishings are located in virtually every state. Nationally, farms and businesses directly involved in the production, distribution and processing of cotton employ almost 200,000 workers and produce direct business revenue of more than \$27 billion. Accounting for the ripple effect of cotton through the broader economy, direct and indirect employment surpasses 420,000 workers with economic activity well in excess of \$100 billion.

The Southern Peanut Farmers Federation (Federation) is comprised of the Alabama Peanut Producers Association, the Florida Peanut Producers Association, the Georgia Peanut Commission and the Mississippi Peanut Growers Association.

Importance of Sound Farm Policy

Our industries believe that sound farm policy is essential to the economic viability of the cotton and peanut industries. We appreciate the tremendously challenging and lengthy process this Committee endured to bring the 2014 Farm Bill to passage. We applaud the Committee's efforts in what was a difficult budgetary and political environment that was further complicated by outside challenges. It was critically important to provide certainty to those involved in production agriculture since they make long-term investment decisions based in part on federal farm policy.

As this Committee is well aware, the U.S. cotton industry faced the unique challenge of resolving the longstanding World Trade Organization (WTO) dispute with Brazil. In developing new farm

legislation, the U.S. cotton industry followed through on its pledge to work with Congress and the Administration to resolve the Brazil WTO case and remove the imminent threat of retaliation. Given the cyclical and volatile nature of commodity prices and generally thin margins relative to production input costs, it is critical that U.S. farm policy is designed and implemented to provide a sound foundation for production agriculture. Our industries are focused on efforts to ensure the continued implementation of the farm bill in accordance with the statute and Congressional intent. In addition, we want to work with this Committee and the full Senate and Congress to ensure the 2014 Farm Bill and the Federal Crop Insurance Act are maintained. We believe any attempts to reduce funding for either Act will only undermine the purpose and ability of farm policy to provide the safety net and effective risk management tools necessary for production agriculture. In addition, at the time of passage, the Congressional Budget Office (CBO) estimated that the 2014 Farm Bill would save \$23 billion over 10 years. The reauthorization of the farm bill by the Agriculture Committees represents one of the few areas in the Federal budget that has actually generated savings.

In the cotton industry, we are currently experiencing a significant downturn in cotton prices relative to prices just one year ago when the 2014 Farm Bill was signed into law. As is the case with many commodities, U.S. cotton prices are largely influenced by the global cotton market, which is impacted by various macroeconomic factors and government policies in major cotton producing and importing countries.

Like other commodities, the peanut market fluctuates and peanut prices are low at this time. The University of Georgia's National Center for Peanut Competitiveness (the Center) has been monitoring peanut acres through its representative farms for many years. These representative farms stretch across all regions of the Peanut Belt. The Center reports that the 2014 certified planted peanut acreage of 1,342,689 acres was below 2005, 2008 and 2012 certified acres. These three years are high acreage points for U.S. peanut plantings. The 2015 peanut planted acreage would require a 28% increase over the 2008-12 Olympic average of peanut planted acreage to exceed acreage in 2005 and 2012.

The Runner variety of peanuts comprises about 80% of U.S. peanut consumption. Runners are used primarily for peanut butter. For all varieties of peanuts, processors need approximately three to four months carryover. When evaluating the supply and demand of the 2014 crop, we will have approximately a 120 day carryover, for all peanuts, when we begin the 2015 crop year. Runner peanuts will have approximately a 99 day carryover, which is a very tight market for Runner peanuts.

Peanut Policies

The peanut industry is pleased with the peanut provisions of the 2014 Farm Bill. I would also like to acknowledge USDA's implementation of the farm bill to date. Although all regulations are not finalized, the Department has done a good job of Farm Bill implementation in a timely manner. In addition, Congress included a new Peanut Revenue Insurance Program in the 2014 Farm Bill. The Risk Management Agency (RMA) team worked with stakeholders to establish this new program. RMA's effort was an inclusive process and has produced an insurance tool that we believe will benefit farmers. We are in an educational stage with peanut organizations and land grants providing information to producers about the new insurance policy.

Stacked Income Protection Plan

Farmers understand that agriculture is an extremely risky endeavor, but they also understand that effective risk management is the key to long-term viability. While the goal of farm programs is not to completely remove the risk associated with farming, farm programs should strive to provide opportunities for effective risk management. The Stacked Income Protection Plan (STAX) was designed to work in concert with other insurance products in order to provide a fiscally responsible and effective safety net for upland cotton producers. STAX, like other area-wide, revenue based crop insurance policies, establishes a level of protection based on coverage levels selected and purchased by producers and the commodity price determined by the U.S. futures market. This results in a market-oriented farm policy that is unlikely to influence planting decisions and allows producers to plant based on market signals.

We strongly commend RMA for the tremendous work it has done to implement the STAX policy for upland cotton in an efficient and timely manner, making the policy available for 2015 in all cotton producing counties that already had an underlying cotton policy in place. We estimate STAX will be available on more than 99% of cotton acres in 2015. We appreciate RMA's accessibility and transparency during this implementation phase and their receptiveness to industry input and feedback.

As with any new crop insurance policy, there are some unanticipated issues that we hope to address for the 2016 crop year as we continue working with RMA. Our focus will be to ensure STAX is expanded to all counties with any cotton production starting in 2016 so that all cotton producers have the opportunity to purchase STAX for their risk management needs. We also are focused on providing additional flexibility for producers in tailoring their risk management choices by allowing STAX purchase decisions by growers to be completely independent for irrigated and non-irrigated practices.

Crop Insurance Enhancements

Across the Cotton Belt, crop insurance is an essential risk management tool for cotton producers. Given the diversity of weather and production practices, we supported the farm bill provisions that provided a menu of insurance choices that are diverse and customizable, thus allowing for the fullest participation and most effective coverage. We urge RMA to maintain this goal of flexibility in the ongoing implementation of the 2014 Farm Bill crop insurance provisions. We believe providing maximum flexibility is important to make crop insurance as cost effective as possible and strongly support the crop insurance enhancements that provided greater flexibility for producers, such as enterprise units by practice and coverage levels by practice. We appreciate the timely implementation by RMA to make these changes effective for the 2015 crop year.

One of the enhancements critical to many areas of the Cotton Belt that are facing multi-year drought conditions is the actual production history (APH) yield exclusion option for crop insurance. This important enhancement should allow producers in these drought stricken areas to purchase insurance coverage for a level of production more representative of actual production levels during periods of more normal weather conditions.

Upland Cotton Marketing Loan

The non-recourse marketing loan program for upland cotton remains a cornerstone of farm policy for the U.S. cotton industry. While resolution of the Brazil WTO case required a modification to the program by utilizing a formula for determining the annual upland cotton loan rate, other existing features of the upland cotton marketing loan were retained in the 2014 Farm Bill. These include an effective determination of the adjusted world price (AWP) for purposes of loan redemption in times of low prices, as well as the provision of storage credits should the loan redemption price fall below the loan rate.

In the current economic environment and low price situation for U.S. cotton, the marketing loan program is an especially crucial tool for multiple segments of the cotton industry to effectively market cotton and provide cash flow for producers to meet financial obligations. One of the hallmarks of the marketing loan program is its function to ensure cotton flows through the marketing channels and encourages orderly marketing of the crop throughout the year. An impediment to the proper functioning of the marketing loan program is the application of a payment limit, and in the case of the 2014 Farm Bill, the unified payment limit that applies to multiple farm bill programs.

Implications of Unified Payment Limitation

One of the most challenging implementation issues has been the imposition of the unified payment limit on the marketing loan program. Unlike previous farm bills, this is the first time a single, unified limit has applied to multiple programs – marketing loan program, Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC). This fact, coupled with the direct attribution provisions that were first instituted with the 2008 Farm Bill, has resulted in an extremely complex and challenging task for USDA's Farm Service Agency (FSA) to be able to accurately and timely track the accrual of marketing loan benefits to an individual producer. Since producers can and do market their cotton (and other crops) using multiple marketing channels – marketing cooperatives, private merchants, direct marketing – the complexity of tracking marketing loan benefits through these multiple transactions has proven to be beyond the capability of FSA's current systems.

For producers of multiple crops, the implications of the unified payment limit will be particularly harmful as a portion or all of a producers' payment limit could be used for marketing loan benefits as the crop is marketed throughout the year. In many cases the exact time of loan redemption is out of the producers' control if the commodity is marketed through a cooperative or a private merchant that has the option to redeem the loan commodity at any time. With the expected ARC and PLC payments for the 2014 crop scheduled to be paid in October 2015, many producers could find themselves with either no limit left for the payments or only eligible to receive a portion of the payments. In the worst case, a producer receives payments in excess of the limit and is required to repay a portion of the payment to USDA.

NCC has worked closely with FSA in recent months to help facilitate information sharing between FSA and industry marketers in an attempt to develop more accurate and timely tracking of loan benefits. To date, this process has not made the progress we had hoped for. In addition, we continue to be concerned about the long-term impact on marketing decisions as producers see the impact of this unified payment limit. Looking ahead, it is likely that some cotton will be placed in the marketing loan for the full 9 month term and then be forfeited to USDA, rather than being

forward contracted or actively marketed during the year. This practice will lead to cotton being locked in the loan program, disrupting cotton flow to the market and to end users, and leading to potentially greater government costs. In an attempt to address this growing problem, we continue to urge USDA to utilize existing authorities to follow the intent of the marketing loan program, which is to minimize the forfeiture of loan commodities and encourage loan redemptions. In fact, last year's "cromnibus" appropriations bill included report language that stated:

"The Secretary is directed to operate the marketing assistance loan program in a way that encourages redemption and minimizes forfeitures of loan commodities to the Federal government, and enables the orderly marketing of loan commodities throughout the year. Further, the Secretary shall ensure that the marketing assistance loan program remains a viable tool for all producers to use in marketing loan commodities freely and competitively."

We appreciate all the efforts of USDA, to date, to work through the many issues created by the unified payment limit on the marketing loan program. We intend to continue working with USDA, and would urge this Committee to work USDA as well, to find a workable solution to the unintended consequences of this provision – a solution that allows the marketing loan program to function as intended since its implementation nearly 30 years ago.

'Actively Engaged' Rulemaking

Another area of concern regarding implementation is USDA's current rulemaking to modify the parameters used to determine whether an individual is 'actively engaged' in a farming operation and eligible to participate in farm programs. While we have concerns about the potential unintended consequences from this rulemaking, we want to emphasize the very narrow scope of the farm bill provision that resulted in the 'actively engaged' rulemaking. The farm bill clearly stipulates that no changes in the 'actively engaged' provisions will apply to individuals or entities comprised solely of family members. Further, the bill only requires the Secretary of Agriculture to define the term "significant contribution of active personal management." Beyond this, the only other possible change is, if the Secretary determines it is appropriate, to establish limits on the number of individuals by farm type that can qualify based on active personal management. However, this is not a change required by the statute. And even this provision cannot apply to or impact any individuals or entities made up solely of family members. We urge this Committee to work closely with USDA as this rulemaking proceeds to ensure any changes to 'actively engaged' provisions closely adhere to the narrowly crafted provision in the farm bill.

The NCC has always maintained that effective farm policy must maximize participation without regard to farm size or income. Artificially limiting benefits is a disincentive to economic efficiency and undermines the ability to compete with heavily subsidized foreign agricultural products. Artificially limited benefits are also incompatible with a market-oriented farm policy. Arbitrary restrictions on the contribution of management and labor are out of touch with today's agricultural operations and would only contribute to inefficiencies.

In addition to the 'actively engaged' rulemaking, we also want to ensure that no other changes or modifications are made relative to program eligibility, including the spousal rule and how USDA carries out this provision.

Extra Long Staple Cotton

The 2014 Farm Bill continued the Extra Long Staple, or “Pima” cotton loan program as well as a competitiveness provision to ensure U.S. Pima cotton remains competitive in international markets. The balance between the upland and Pima programs is important to ensure that acreage is planted in response to market signals and not program benefits.

Conservation Programs

Conservation programs continue to be extremely popular across the cotton and peanut belt. Specifically, the Environmental Quality Incentives Program and the Conservation Stewardship Program both enjoy broad participation. We commend the Committee for streamlining conservation programs in the 2014 farm bill. This will make the programs easier for the Natural Resources Conservation Service (NRCS) to administer, but more importantly easier for producers to utilize. These programs have become integral parts of many producers operations and achieve the goal of improving and protecting the environment while also improving farming operations.

Export Promotion Programs

The continuation of fully funded export promotion programs, including the Market Access Program (MAP), Foreign Market Development (FMD) Program, and Emerging Markets Program (EMP), is critically important in an export-dependent agricultural economy, including for cotton and peanuts. In the case of U.S. cotton, approximately 80% of the crop is exported annually. Individual farmers and exporters do not have the necessary resources to operate effective promotion programs which maintain and expand markets – but the public-private partnerships facilitated by the MAP and FMD programs, using a cost-share approach, have proven highly effective and have the added advantage of being WTO-compliant.

Exports are also important for peanut farmers. Between 2004 and 2014, peanut exports have more than doubled. Exports to the main markets of the European Union, Canada, Mexico and Japan continue to grow, while China presents significant expansion opportunities for U.S. peanut exports. As a result of the 2014 Farm Bill, we anticipate sufficient peanut production going forward which will allow for increased exports of U.S. peanuts. While we recognize that we are in a challenging budgetary period, it is important to consider future options to enhance these programs, which have not seen a budget increase in more than 10 years. Meanwhile, many of our international competitors continue to outspend the United States in export promotion activities.

USDA Purchasing Programs

Federal government purchases of peanut butter continue to decline even though peanut butter remains one of the cheapest proteins, helps deter obesity and addresses malnourishment. Federal peanut butter purchases reached a peak of approximately 80 million pounds in the mid 1990’s but the amount of purchases have continued to decline with less than 30 million pounds purchased in the 2012-13 time period and even fewer purchases in 2013-14. We understand that there are additional variables with regard to these purchases such as state and local product requests. We would like for USDA to determine what has caused the decline and how, working with USDA, we can turn this situation around.

Farm Bill Education and Outreach

Given the fundamental changes and new policies included in the 2014 Farm Bill, our industries put a substantial focus and priority on conducting outreach to and education of producers, landowners, crop insurance agents, lenders, and other industry members to ensure they have complete, accurate information. This is critically important given the many choices and decisions that producers and landowners are facing in the farm bill, many of which will be in effect for at least the five-year duration of this bill. We want to be sure decisions are made with the best information available and with the best understanding possible of the implications.

To this end, the NCC has conducted two separate rounds of farm bill meetings across the Cotton Belt. This included 49 meetings in the spring of 2014 following the bill's passage, and then 25 meetings in the fall of 2014 once additional information was available from USDA. In addition, NCC conducted four webinars to provide the same information shared at the meetings. It is estimated that more than 6,500 individuals were reached through these efforts.

The Federation has held farm bill educational meetings across its member states as well as farm bill webinars. In addition, state land grant universities have provided farm bill peanut educational opportunities for our producers.

Conclusion

We appreciate the opportunity to provide these comments on the importance of maintaining the 2014 Farm Bill and the Federal Crop Insurance Act with no further budget reductions and to provide our perspective on implementation progress and challenges to date. We look forward to continuing to work with the Agriculture Committees and USDA on full implementation of the farm bill and to address any shortcomings or unintended consequences. As producers in the midst of making critical decisions on the various program options provided in the farm bill and program election and sign-up deadlines are still ahead, it would be highly disruptive and punitive to make adverse policy changes or budget reductions while the bill is still being implemented. And, with cotton's safety net now comprised solely by the marketing loan program and crop insurance, we are especially concerned by the recent actions and statements focused on eliminating key crop insurance tools. Farm policy generally, and cotton policy specifically, were substantially reformed, funding reduced, and market orientation increased in the 2014 Farm Bill, so now is not the time for further changes that will only undermine the foundation of risk management for production agriculture.

Thank you and I will be pleased to respond to questions at the appropriate time.

Testimony of

Clay Mitchell

**Before the
United States Senate Committee on
Agriculture, Nutrition, and Forestry**

**328A Russell Senate Office Building
Washington, DC February 24, 2015**



Chairman Roberts, Ranking Member Stabenow and Members of the Senate Committee on Agriculture, Nutrition, and Forestry:

I appreciate the opportunity to share with you my experience with implementation of the Agricultural Act of 2014 (the "Farm Bill"). My name is Clay Mitchell. I am a corn and soybean farmer from Buckingham, Iowa. As I scramble to adjust to the crash in grain prices and titrate the costs on my farm, the implementation of the Farm Bill is providing critical stability to the policies that affect my operating and investment decisions. It also provides critical stability to conservation incentives that tip operations like mine into sustainable systems.

I started farming full time in 2000 when corn prices averaged below \$2 and non-land farming costs were \$200 per acre. According to the Economic Research Service, the average farmer in our Heartland Region was unprofitable from 2000-2006. During the subsequent commodity bubble, we had a 29-month run from 2011-2013 when corn prices averaged over \$6.50 per bushel and non-land farming costs were \$500 to \$600 per acre. Today we have corn prices in the mid-three dollars per bushel. We have 2007 corn prices but 2013 costs, which are still \$500-\$600 per acre. I concur with economists who predict that this year we will have the largest drop in farmer income since the Great Depression.

My farm rests in an interesting place in the spectrum of American grain farms. Iowa is productive, but with innovative technology and strict agronomy, we have pushed our 10-year average yields into the highest tier in the state, far above 200 bushels per acre. Like most Iowa farms, it is rain-fed, meaning that I do not have the expense of irrigation. All of which is to say that my break-even cost is as good as it gets in this business. In an economic-only analogy, I am the equivalent of Saudi Arabia in oil production and the new areas that got converted to corn over the last decade, where break-even costs are much higher, are the Canadian tar sands.

Agriculture Risk Coverage

I put great effort toward dynamically adjusting my operation to changes in grain prices beyond static considerations of diminishing returns. How can I preserve returns of \$2 per bushel corn by maintaining as much yield as possible with very low expenditures, and when we have \$8 corn, can I take the lid off of yields using technologies and exotic agronomics that are too expensive to use at lower prices? We can respond to the market with farming systems that work over that whole range. It is the rapid shifts in revenue that hurt.

In rural communities that depend on grain production, farmers are the shock absorbers of grain revenue volatility. Cash rents are extremely stable relative to commodity prices. We have seen in the past several years input prices that appear to have unhinged from grain prices. The Farm Bill gave us the opportunity to sign up for either the Price Loss Coverage (PLC) or Agriculture Risk Coverage (ARC) programs to help with revenue drops.

To help with program selection, extension agents, the Farm Service Agency (FSA), Farm Credit, and agricultural journalists put together many calculators, seminars, and articles. They helped me determine that the ARC program was better suited to my farm than PLC. When it came time to sign up, my local FSA office in Tama County was organized and courteous. I hear a lot of older farmers say they wish their social security office could operate as efficiently as the FSA office.

Crop Insurance

Crop failures are less common on my farm than in most of the country. They are once-in-a-lifetime events. Even so, I spend between 5 and 15% of my non-land production costs on crop insurance. For a family like mine that has been farming here for 13 generations and has a long look, a once-in-a-lifetime crop loss is much too frequent to bet the farm. Because an entire crop investment can be lost, our downside case grows in direct proportion to the crop investment. In the absence of crop insurance, my cropping decisions would be so dominated by the chance of crop failure, however rare, that I would be forced to trim my crop investment to suboptimal levels. The crop insurance that continues in the Farm Bill is more than a smoothing tool; it is an enabler for optimal cropping.

The Risk Management Agency (RMA) has been collecting big data on grain production before it became a fad in our industry. The best data on the distributional form of farm-level yields comes from RMA data, and the RMA has a tremendous ability to study relationships between farming practices and these distributions. I am very excited that RMA is beginning to recognize the importance of soil conservation on yields. As the RMA is newly seeking to study the relationship between sustainable practices and yield stability, I am hopeful that they will be able to underwrite actuarially sound advantages to practices like cover cropping.

Conservation Stewardship Program

Historically, some conservation programs have carried some inherent unfairness and perverse pre-enrollment incentives by disqualifying farmers who are already engaged in the intended practices. The Conservation Stewardship Program (CSP) is special because it rewards good practices regardless of history. The CSP takes a complete conservation inventory of the farm and rewards the net aggregated conservation practices with a 5-year contract with regular audits. I ended my first 5-year CSP contract in 2014 and have re-enrolled for 2015-2020. My farm has been in no-till for decades, but the CSP program was the enabler for me to adopt cover cropping. In Iowa, these two practices make the difference between losing several tons or more of soil per acre per year and holding and improving soil. Whereas most farmland in the world is in a constant state of decline that ultimately leads to abandonment, with these practices, a farm is like an oil well that never runs dry, productive in perpetuity.

Conservation Reserve Program

The Farm Bill authorized early termination of Conservation Reserve Program (CRP) contracts under limited circumstances. The deadline for that opportunity was January 30, 2015. My

father inherited a CRP contract that entered its ninth year this year, and we took the opportunity to end the contract. That will enable us to begin some land improvements this year. We will do direct seeding into the CRP sod, maintaining the soil benefits that were created during the CRP term.

Wetland Mitigation

While we all value the many benefits of America's wetlands, let us be clear that within farmed cropland, an affirmative wetland determination and agricultural production value are at extreme cross-purposes. Not only do too-wet soils cause grain yield to collapse, but they also impede timely operations in the whole field. Drainage is the improvement that has had by far the largest positive benefit to America's farmland values. In drafting the Farm Bill, both houses of Congress considered the devastating effect that affirmative wetland determinations can have on farmland owners, while at the same time considering the value that wetlands bring to our landscapes.

By funding wetland banking and encouraging rules to allow a 1-1 wetland mitigation ratio, the Farm Bill is on track to a balanced solution. As of today, we have fields pocked with small wetlands and are awaiting mitigation rules that are still being written. If the wishes of Congress are followed, we expect our grain yields and resource use efficiency to improve by 30%, and at the same time, wetlands that are outside of cropping areas can flourish with diverse and native species.

Beginning Farmers

The social fabric of my community depends upon a polypoly of farmers; that in turn requires beginning farmers to replace retiring farmers. In most of the programs we have discussed, the Farm Bill gives a much-needed preference to beginning farmers.

With the drop in commodity prices, planted acres should and will drop back in marginal areas. Where it is cost effective to plant, there will be no vacancy in farmland. There is never vacancy in American farmland. But sustainable practices and a legion of farming families exist on that landscape on the cusp of policies in the Farm Bill.

Thank you for allowing me the opportunity to share my thoughts and for your commitment to farming families.

Respectfully,
Clay Mitchell

Senate Agriculture Committee Hearing
Remarks by Dallas Tonsager

I would like to thank Chairman Roberts and Ranking Member Stabenow for the invitation to appear before the committee today. I am grateful to President Obama for nominating me for this position, and I would like to thank former Senator Tim Johnson, Senator Heitkamp, Senator Thune, and other members of the committee and their staff for supporting my nomination. I also appreciate the support I've received from major farm organizations.

I would like to recognize my family—my wife, Sharon, and son Joshua, who are here today, as well as my son Keith; daughter-in-law, Lindsey; and granddaughter, Ilia, who cannot be here.

I am excited to have this chance to work with the members of this committee, the farmer-members of the cooperatives of the Farm Credit System, and the other private financial institutions that serve rural America. If you choose to confirm my nomination, I plan to follow closely the guidance provided by the Farm Credit Act and to be transparent in my work.

I have devoted my career to farming and to serving the needs of rural America. I believe that becoming a board member of the Farm Credit Administration allows me to continue that work. It is my hope to gain further insight into the dynamics of capital markets and how they affect our rural citizens. I further hope that my experience will benefit the work of the Farm Credit System institutions.

I have had the good fortune to spend most of my life on a family farm, to be part of a small community and its local institutions, to have lived through some very good times, as well as some very bad ones. As you all know, agriculture is full of complexity and pitfalls. The work of the Senate Agriculture Committee, the House Agriculture Committee, and Congress as a whole has led to the creation of many institutions that have shaped rural America. I am proud to have lived on a farm that exists because of the Homestead Act, to have gone to a land-grant university, to get electric power from a local rural electric cooperative.

Another institution, the Farm Credit System, has consistently provided capital to rural America through good times and bad. The Farm Credit Administration is charged with ensuring the safety and soundness of the Farm Credit System and Farmer Mac. That charge means we must anticipate and prepare for the constantly changing risks farmers face and we must help make sure the support they need is always there. Confidence in the strength of the Farm Credit System is critical to all the stakeholders in rural America.

I would like to recognize the work of FCA Board Chair Jill Long Thompson and Board Member Lee Strom. I look forward to working with my future colleagues, Ken Spearman and Jeff Hall.
Thank you for your consideration, and I look forward to your questions.

**Statement by
Thomas Vilsack
Secretary of Agriculture
Before the Senate Committee on Agriculture
February 24, 2015**

Chairman Roberts, Ranking Member Stabenow, and Members of the Committee, I am pleased to provide an update on the U.S. Department of Agriculture's (USDA) progress in implementing the Agricultural Act of 2014 (2014 Farm Bill) and the state of rural America. First, I would like to take this opportunity to thank the Committee for its hard work in crafting this critical piece of legislation. The Farm Bill provides the necessary tools to allow the proud men and women of rural America to feed hundreds of millions around the world and resources to support economic development and job creation in rural America.

The new Farm Bill, with 12 titles and more than 450 provisions, is a large piece of legislation and implementing it has required a coordinated effort across all areas of USDA. We made implementation a top priority at the Department. Immediately after enactment, USDA established a 2014 Farm Bill implementation team composed of key sub-cabinet officials and experts from every mission area of the Department to put new programs in place and make mandated reforms to existing programs. I am proud of the work USDA employees have undertaken to implement the Farm Bill. Through their hard work, this effort has been called "the most successful farm bill implementation" to date.

After only recently marking the one-year anniversary of the Farm Bill being signed into law, I am pleased to say that we have made major progress on every title of the law and achieved significant results for those impacted by the law. I have no doubt that these results will only continue as we begin year two.

TITLE I: COMMODITIES

Farmers, ranchers and those working in supporting industries maintain an agriculture sector that has seen strong growth over the past five years. Agriculture accounts for about \$775.8 billion in economic activity, supports one out of every eleven jobs in the economy, and helps to maintain vibrant, thriving rural communities. U.S. agriculture is expanding into new markets around the world, spurring innovation, and creating jobs and opportunity on and off the farm.

The future of rural America depends on the continued leadership of our farmers and ranchers, and we must make sure they have the tools they need to continue to grow, and a strong safety net to support them during tough times.

At the direction of the President, USDA made the disaster programs our number one priority and expedited the implementation of these programs. The new Farm Bill reauthorized disaster assistance programs (including the Livestock Forage Disaster Program, the Livestock Indemnity Program, the Emergency Assistance for Livestock,

Honeybees, and Farm-Raised Fish Program, and the Tree Assistance Program) that had not been operational since 2011.

These programs provide much-needed relief to struggling farmers and ranchers impacted by natural disasters. I'm proud to say that within 60 days of enactment, USDA began accepting applications for disaster assistance programs restored in the 2014 Farm Bill. This was truly a significant accomplishment, as it took a year to implement disaster relief programs after the last farm bill was passed in 2008.

As of February 12th, USDA has received over 593,000 applications for these programs and more than \$4.8 billion in disaster program payments have been issued to producers to assist in their financial recovery. The Farm Bill also extended the Noninsured Crop Disaster Assistance to retroactively cover 2012 crop losses due to frost or freeze and has since made more than \$13.4 million to impacted producers. While these disaster payments will not replace all of the losses farmers and ranchers faced, they provided some relief to ensure that extreme weather won't cause families to lose their farms.

In September, USDA ushered in one of the most significant reforms to U.S. farm programs in decades by unveiling the Agricultural Risk Coverage (ARC) and Price Loss Coverage (PLC) programs. Producers will have through the end of March 2015 to select which program works best for their operations.

To help farmers choose between ARC and PLC, USDA helped create online tools that allow farmers to enter information about their operation that is used to provide projections about what each program will mean for their operation under possible future scenarios. USDA provided \$3 million to the Food and Agricultural Policy Research Institute (FAPRI) at the University of Missouri and the Agricultural and Food Policy Center (AFPC) at Texas A&M (co-leads for the National Association of Agricultural and Food Policy), along with the University of Illinois (lead for the National Coalition for Producer Education) to develop the tools. Since passage of the Farm Bill, the Farm Service Agency has participated in over 4,600 events around the country to help educate producers and the new online tools have been accessed nearly 150,000 times.

USDA's Farm Service Agency and Risk Management Agency also worked together to offer certified yield data that producers can use to better calculate how the new safety net programs can offer the best protection against market swings. This is the first time that producers will update yields since 1986.

More than 23,000 of the Nation's dairy operations – over half of all dairy farms in America – have enrolled in the new Margin Protection Program. During the three months of the enrollment period, USDA conducted a robust education and outreach effort to the Nation's dairy producers. The Department held over 500 public meetings, sent out nearly 60,000 direct mailings, and conducted more than 400 demonstrations of the Web-based tool designed to help applicants to calculate their specific coverage needs.

TITLE II: CONSERVATION

USDA's conservation efforts have enrolled a record number of acres in programs that have saved millions of tons of soil, improved water quality, preserved habitat for wildlife and protected sensitive ecological areas largely due to the investments made by the farm bill. USDA has partnered with a record number of farmers, ranchers and landowners to enroll more than 79 million acres of agricultural working lands in the Environmental Quality Incentives Program (EQIP) to help producers implement conservation practices. In addition, more than 67 million acres, an area about the size of the State of Colorado, have been enrolled into the Conservation Stewardship Program (CSP) to incentivize the most productive, beneficial conservation practices.

At the end of 2014, USDA published interim final rules for CSP and EQIP. The EQIP interim final rule includes efforts to simplify the existing regulation regarding conservation practice scheduling, payment limitations and other administrative actions.

USDA launched the Regional Conservation Partnership Program (RCPP) in May 2014. This new Farm Bill program is an entirely new approach to conservation efforts. RCPP is a competitive program where local partners, in partnership with Natural Resources Conservation Services (NRCS) design conservation projects that are specific to their region. It has three funding pools: 35 percent of total program funding directed eight to designated critical conservation areas, including the Great Lakes Region, Chesapeake Bay Watershed, Mississippi River Basin, Longleaf Pine Range, Columbia River Basin, California Bay Delta, Prairie Grasslands, and the Colorado River Basin; 40 percent directed to regional or multi-State projects through a national competitive process; and 25 percent directed to State-level projects through a competitive process established by NRCS State leaders.

Nearly 600 pre-proposals were submitted for RCPP, and the top pre-proposals were invited to submit a full proposal. This resulted in 210 full proposals requesting \$1.4 billion – four times the available funding for the first round (\$370 million). In January, USDA awarded funding to 115 high-impact, locally-led projects across all 50 States and the Commonwealth of Puerto Rico. USDA provided more than \$370 million that will leverage an estimated \$400 million in partner contributions. The total investment of nearly \$800 million will improve the Nation's water quality, support wildlife habitat and enhance the environment.

These partnerships empower communities to set priorities and lead the way on conservation efforts important for their region. To build on the first round of projects, we anticipate announcing the availability of roughly \$230 million in funding for the next application period in early spring.

The 2014 Farm Bill extended authority to enroll acreage in Conservation Reserve Program (CRP) through September 30, 2018 and requires enrollment to be no more than 24 million acres beginning October 1, 2016. Enrollment under continuous CRP and 1-year extensions were offered last year and FSA expects to publish a rule late this spring

to fully restart the program and implement the remaining Farm Bill changes. With the cap on acreage, the Department is focused on ways to increase per acre conservation, wildlife and environmental benefits through a variety of targeted approaches.

TITLE III: TRADE

USDA is supporting America's farmers and ranchers as they build on record agricultural exports. In FY2014, exports of U.S. food and agricultural products reached a record \$152.5 billion and supported nearly one million American jobs. The potential for agricultural exports is considerable and USDA is already taking action to help producers secure and expand market access for American agricultural products. But it is also critically important that we have Trade Promotion Authority as we seek approval of trade agreements that support and create U.S. jobs while helping American agriculture to compete even more successfully. Trade Promotion Authority will help ensure that America's farmers, ranchers, and food processors receive the greatest benefit from these negotiations, and builds on efforts that have helped achieve record agricultural exports over the past six years.

The new Farm Bill provides mandatory funding to continue funding for trade promotion and market expansion for U.S. agricultural products overseas. An independent study released in 2010 found that trade promotion programs like Market Access Program (MAP), and Foreign Market Development (FMD) provide \$35 in economic benefits for every dollar spent by government and industry on market development. USDA moved quickly to implement trade promotion programs reauthorized under the 2014 Farm Bill. Through the MAP, USDA has provided \$173.2 million in FY2015 to 62 nonprofit organizations and cooperatives to help build commercial export markets for U.S. agricultural products and commodities. Participants contribute on average a 214 percent match for generic marketing and promotion activities and a dollar-for-dollar match for promotion of branded products. Through the FMD Program, USDA has provided \$26.7 million in FY2015 to 22 trade organizations to help create, expand, and maintain long-term export markets for U.S. agricultural products.

In addition to the MAP and FMD programs, eligible organizations can apply for funding through the Quality Samples Program (QSP), Emerging Markets Program (EMP), and the Technical Assistance for Specialty Crops (TASC) Program, which includes the programmatic change under the 2014 Farm Bill to allow participants to address technical barriers to trade regardless of whether they are related to a sanitary or phytosanitary barrier.

TITLE IV: NUTRITION

The Supplemental Nutrition Assistance Program (SNAP) provisions of the 2014 Farm Bill preserve the fundamental structure of the program, invest in helping SNAP participants move to self-sufficiency, strengthen program integrity efforts, continue to modernize the program through technology, and emphasize the importance of good nutrition through enhanced retailer standards and grants for incentives that help SNAP

participants stretch their dollars further to buy fruits and vegetables.

SNAP helps millions of hardworking families put healthy food on the table as they get back on their feet. More than half of SNAP recipients are children and the elderly, and less than 7% of households receive cash assistance. Among SNAP households with at least one working-age, non-disabled adult, more than half work – and more than 80 percent work in the year before or after receiving SNAP. With a stronger economy SNAP participation is beginning to gradually decline. Comparing Fiscal Year 2014 with Fiscal Year 2013, average participation decreased 2.3 percent or by approximately 1.1 million people. While the economic trends are encouraging, SNAP remains critical to millions of Americans.

The Farm Bill provided \$200 million for SNAP employment and training pilots to help participants find jobs and increase their earnings. The funds will be used to develop and test innovative approaches that connect SNAP recipients with the preparation, training, work supports, and opportunities they need to enter and remain in the workforce, to move to self-sufficiency, and to build stronger futures for their families. USDA put out a request for proposals for up to ten pilot projects in August 2014. We were pleased with the strong response to this RFP with proposals from over 30 States and we expect to announce the grantees in March. USDA will continue to work with all States to maximize their E&T programs, supported through the existing \$90 million of 100 percent Federal funding and the 50/50 match funding for State E&T programs.

The new Farm Bill builds on USDA's ongoing efforts to root out any waste, fraud, and abuse from the program, protect the taxpayer investment in SNAP and make sure that the program is there for those who truly need it. In FY2013, SNAP achieved a record level of payment accuracy of 96.8 percent. Payment errors in FY2013 were almost 64 percent lower than they were in FY 2000, among the lowest in the federal government. USDA efforts have also resulted in a significant reduction in trafficking – USDA's *The Extent of Trafficking in the Supplemental Nutrition Assistance Program: 2009-2011* study shows that the exchange of SNAP benefits for cash – which was estimated to be as high as 4 percent 15 years ago, down to just 1.3 percent according to the most recent data.

The Farm Bill provided \$100 million in matching grant funds through the Food Insecurity Nutrition Incentive program to support projects that provide incentives at the point of sale to reduce the cost of fruits and vegetables and encourage SNAP participants to purchase more of these healthy foods. We announced the first round of funding in September 2014, with applications due in December 2014. We look forward to announcing the first round of awards this Spring. Once the projects are selected and implemented, they will be thoroughly evaluated to help us identify the most effective strategies for increasing fruit and vegetable purchases and improving the nutrition and health status of SNAP participants.

The Farm Bill also authorized a Fresh Fruit and Vegetable Program (FFVP) pilot to allow participating schools in at least five States to serve canned, frozen, and dried forms of fruits and vegetables through the program. Four States – Alaska, Delaware, Kansas, and

Maine – applied to participate. The pilots are operating this school year. Each pilot has an evaluation component and results of the evaluations are expected in fall 2016.

USDA also issued guidance and provided technical assistance to State agencies regarding the requirement that State and local agencies begin phasing out the participation of women, infants and children in the Commodity Supplemental Food Program, resulting in a smooth transition to a seniors-only program.

TITLE V: CREDIT

The 2012 Census of Agriculture data indicate there is tremendous growth potential for small and mid-sized producers, but many need additional support in order to become competitive. Accordingly, USDA has expanded efforts to connect small- and mid-sized farmers and ranchers with tools and resources to help them access capital, get information about land management and conservation practices, manage risk, find local markets, and other educational resources that will help them grow their operations and expand into new markets. The new Farm Bill expands 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.

USDA has acted quickly to implement changes to Farm Loan Programs, including, among other things, eliminating loan term limits for guaranteed operating loans; modifying the definition of beginning farmers; allowing debt forgiveness on youth loans; and increasing the guaranteed amount on conservation loans from 75 to 80 percent and 90 percent for socially disadvantaged borrowers and beginning farmers. USDA also implemented changes in the interest rate on Direct Farm Ownership loans that are made in conjunction with other lenders and increased the maximum loan amount for the down payment loan program from \$225,000 to \$300,000. On March 25, 2014, FSA issued an agency directive implementing non-discretionary microloan provisions. USDA also raised the borrowing limit for its microloan program from \$35,000 to \$50,000. Since the program began in January 2013, USDA has issued more than 10,000 microloans, 70 percent of which went to beginning farmers.

TITLE VI: RURAL DEVELOPMENT

USDA has made strategic investments in infrastructure, housing and community facilities to help improve quality of life in rural America. Since 2009, USDA has helped more than 900,000 families buy, repair or refinance a home; extended new or improved broadband service for 1.4 million Americans; improved or constructed more than 158,000 miles of electric line; invested in approximately 7,000 water and wastewater projects for nearly 14.5 million Americans; invested in more than 6,600 critical community facilities projects; and provided grants and loans to assist nearly 89,000 small and mid-sized businesses in rural America, creating or saving an estimated 420,000 jobs.

The 2014 Farm Bill reauthorized the tools that enable USDA to continue offering

municipalities, businesses, and families the financing tools that can prompt economic growth and prosperity in rural communities. USDA is making good use of these tools in communities across the country. Because the Farm Bill included funding to address the backlog of water/wastewater improvement projects across the country, USDA acted quickly and on April 22, 2014, awarded \$150 million in grants, plus an additional \$237 million in loans and grants through the Water and Environmental Program, to 116 projects in 40 States and the Commonwealth of Puerto Rico to improve water and wastewater services and ensure that rural communities have access to reliable, clean and safe water. These awards go predominantly to very small, remote, and poor places.

USDA has also acted quickly to implement key new Farm Bill provisions that invest in rural businesses and critical infrastructure in order to strengthen rural communities and build on its rural development initiatives. In FY2015 USDA will reopen the farm bill broadband program with new rules that align with the changes the Congress included in the 2014 Farm Bill and make approximately \$50 million in loans available to help ensure every corner of this country has reliable, high-speed internet access.

Similarly, in FY2015 USDA will accept applications for the Value-Added Producer Grant program, which helps agricultural producers generate new products, create and expand marketing opportunities, and increase income. Since 2009, USDA has awarded 863 Value-Added Producer Grants totaling \$108 million.

The new Farm Bill streamlines the Rural Business Opportunity Grant (RBOG) program and Rural Business Enterprise Grants (RBE) program to create a new Rural Business Development Grant Program with all the same authorities as the previous two programs. In FY2014, USDA ran RBOG and RBE as separate programs and in FY 2015, will issue a final rule establishing the new Rural Business Grant Program. In September 2014, USDA announced nearly \$3 million in grants to 28 organizations in 12 States through the two programs. This is just one example of how this Committee is enabling USDA to work smarter, making USDA programs more accessible to the people who rely on them. Another is a provision Congress included that will enable USDA to prioritize finance of otherwise eligible projects that are part of a long-term, regional economic development plan.

Even as we make these investments, rural America continues to face a unique set of challenges when it comes to combating poverty. While poverty is not limited to rural America, nearly 85 percent of persistent poverty counties are located in rural areas. In fact, one-third of rural counties have child poverty rates of over 30 percent, at a time when research increasingly demonstrates the negative effect of poverty on child development and educational attainment. Children are our future and we must do more to create better futures for our children and families and those striving to reach the middle class—this is something I look forward to working on with all of you.

TITLE VII: RESEARCH, EXTENSION, AND RELATED MATTERS

Scientific breakthroughs have helped our farmers, ranchers and growers increase

production on the same amounts of land, using fewer inputs. Studies have shown that every dollar invested in agricultural research returns up to \$20 to the economy.

In the past six years alone, research by USDA scientists has led to over 750 patent applications covering a wide range of topics and discoveries. USDA also continues to aggressively partner with private companies, universities and others to transfer technology to the marketplace to benefit consumers and stakeholders. In fiscal year 2014 alone USDA received 83 patents, filed 119 patent applications, and disclosed 117 new inventions. Helping drive these innovations, USDA also had 267 active Cooperative Research and Development Agreements with outside investigators, which includes universities and other organizations, including 102 with small businesses.

In July, USDA created the Foundation for Food and Agricultural Research (FFAR) and appointed individuals to a 15-member board of directors. The foundation's board of directors was chosen to represent the diverse sectors of agriculture. Seven of these board members were selected by the unanimous vote of the board's five ex-officio members from lists of candidates provided by industry, while eight representatives were unanimously elected from a list of candidates provided by the National Academy of Sciences. Congress mandated that the ex-officio members choose the initial 15 board members from among the lists provided by these two groups. The board members have the option of adding additional members, if they so choose.

FFAR will leverage public and private resources to increase the scientific and technological research, innovation, and partnerships critical to boosting America's agricultural economy. In a time of federal budgetary restraints, the new foundation is another innovative way to continue and expand investment in agricultural research. It will complement existing Federal and Federally-funded agricultural science research endeavors and accelerate solutions to the challenges American agriculture.

Other research provisions of the 2014 Farm Bill focus on investments at colleges and universities throughout the United States, with an emphasis on Land-Grant institutions. The Farm Bill provides new or expanded investments in research critical for the success of beginning farmers and ranchers, specialty crop producers, and organic producers.

As authorized by the Farm Bill, USDA has provided significant sums for a variety of research, extension, and education efforts. For example, on Feb 2, 2015, USDA announced more than \$18 million in grants to educate, mentor, and enhance the potential of the next generation of farmers to sustain careers in agriculture through the Beginning Farmer and Rancher Development Program. This program aims to support those who have farmed or ranched less than 10 years with workshops, educational teams, training, and technical assistance throughout the United States. USDA's National Institute of Food and Agriculture awards grants to organizations that implement programs to train beginning farmers and ranchers.

On October 2, 2014, USDA announced the award of \$ 51.8 million in grants through its Specialty Crop Research Initiative to support the specialty crop sector by developing and

disseminating science-based tools to address the needs of specific crops. These research and extension project grants fund a wide variety of efforts, including research to improve crop characteristics, identifying and addressing threats from pests and diseases, improving production and profitability, developing new production innovations and technologies, and developing methods to respond to food safety hazards.

Through the Organic Research and Extension Initiative (OREI), USDA awarded on September 29, 2014, more than \$19 million in grants to help producers and processors who have already adopted organic standards grow and market high-quality organic agricultural products. OREI's priority concerns include biological, physical and social sciences. OREI-funded projects assist farmers and ranchers with whole farm planning by delivering practical research-based information and will improve the ability of growers to develop the Organic System Plan required for certification.

TITLE VIII: FORESTRY

Under the new Farm Bill, the Forest Service is provided greater tools to maintain the Nation's forests and grasslands, including permanent stewardship contracting and Good Neighbor authorities, and provisions to aid efficient planning and implementation of landscape scale projects that reduce insect, disease and fire risks. These tools give the agency increased ability to work collaboratively with States, Tribes and a wide range of citizens and stakeholders to accomplish critical forest and watershed restoration work and conserve the Nation's forests and grasslands.

Last May, USDA designated more than 45 million acres in 94 national forest areas across 35 States to address insect and disease threats that weaken forests and increase the risk of forest fire. These designations bolster the agency's ability to accomplish restoration projects that not only combat insect and disease threats, but reduce the risks of catastrophic wildfire and impacts from invasive species. The Forest Service will work with States, Tribes, partners, and stakeholders to develop and implement projects in the designated areas.

TITLE IX: ENERGY

New opportunities in advanced biobased products and renewable energy expand the potential to strengthen rural manufacturing, particularly of products made from renewable materials from our farms and forests. Rural America desperately needs those jobs, and every American benefits from our expanded competitiveness in this globally emerging market.

USDA is helping to create markets for advanced biofuels from non-food, non-feed sources - from the farm field to the end user. With changes in the Farm Bill, the Department has increased the reach of the voluntary labeling of "USDA Certified Biobased Product" and expanded federal procurement for biobased products. To date, USDA has identified 97 categories, including cleaners, carpet, lubricants, paints, of

biobased products for which agencies and their contractors have mandatory purchasing requirements.

To encourage feedstock production for renewable energy, the Biomass Crop Assistance Program (BCAP) is incentivizing more than 850 growers and landowners farming nearly 48,000 acres to establish and produce dedicated, nonfood advanced biofuel feedstocks for energy conversion facilities. In July, we selected 36 energy facilities in 14 States to accept biomass deliveries supported by BCAP. We expect to announce the new BCAP rule to implement the changes in the Farm Bill to continue this important work in the near future.

USDA has also invested in the work needed to create advanced biofuels refineries. Since 2009, USDA has invested in efforts to create 9 new advanced refineries nationwide. We have also created six regional research centers across America to develop advanced biobased energy technology that's appropriate to every region. With the nearly \$900 million in mandatory money provided in the Energy Title of the 2014 Farm Bill, we can continue these efforts to expand the biobased economy and support economic development opportunities in rural America.

The new Farm Bill makes significant investments in the bioeconomy and renewable energy programs. The legislation preserves the Rural Energy for America Program (REAP), which provides critical investments in renewable energy and energy efficiency across rural America, helping to reduce our dependence on foreign oil. Over the past few years we have collected good feedback from folks around the country about how we could improve the REAP program—and Congress also provided some direction in the 2014 Farm Bill. In December, USDA published a new REAP rule, which takes these changes into account and also strives to make the program more accessible to rural business owners and producers of all kinds. The rule went into effect earlier this month and USDA will be announcing the availability of approximately \$280 million in grants and loan guarantees for the new REAP program in the near future.

TITLE X: HORTICULTURE

A surge in consumer demand for locally-produced food is creating jobs and opportunity throughout rural America, for farms as well as small businesses that store, process, market and distribute food locally and regionally. USDA data indicate that local food sales were at least \$6.1 billion in 2012, with industry sources estimating the market's value at more than \$9 billion. Perhaps more important for USDA's mission, our research shows that money spent on local food continues to circulate locally, creating demand for other businesses and services in rural communities. As such, this strategy is a critical piece of USDA's work to support rural economies more generally.

With the release of the Census of Agriculture results last year, USDA learned that over 160,000 farmers and ranchers nationwide are selling their products locally. They're tapping in to growing consumer demand for locally-grown food; consumers want to support their local economy when they purchase food, whether that's at a farmers market,

a grocery store, or their workplace cafeteria.

Direct-to-consumer sales like those that take place at a farmers market help consumers connect with the source of their food and learn more about agriculture. Today, we have more than 8,200 farmers markets registered with the AMS National Farmers Market Directory. As direct-to-consumer sales and the local foods economy matures, it is opening opportunities for farms of all sizes, especially mid-sized farms, to supply larger-volume buyers like local retailers. USDA has invested in local food infrastructure - from cold storage facilities, to processing plants, to food hubs that aggregate and distribute local products - and has helped facilitate new market access for these producers. Recently, we launched a new set of Local Food Directories to help consumers find Community Supported Agriculture enterprises, food hubs and on-farm stores.

The 2014 Farm Bill continues to build on programs established in the 2008 Farm Bill to promote local and regional food systems and support specialty crop and organic agriculture. Sales of specialty crops total nearly \$65 billion per year, making them a critical part of the U.S. economy. In October, USDA announced \$66 million for 838 Specialty Crop Block Grants to State departments of agriculture for projects that help support specialty crop growers, including locally grown fruits and vegetables, through research and programs to increase demand. As directed by the Farm Bill, the block grants were allocated to U.S. States, the District of Columbia, and territories based on a formula that took into consideration both specialty crop acreage and production value. Nearly all States saw an increase in funds.

In September, USDA awarded over \$27 million in competitive grant funds for projects through the new Farmers Market and Local Food Promotion Program that support local and regional food systems. As directed by the 2014 Farm Bill, priority will be given to projects that benefit underserved communities, including those that are located in areas of concentrated poverty with limited access to fresh locally or regionally grown foods.

In order to help prevent the introduction or spread of plant pests and diseases that threaten America's agriculture economy and the environment, in April 2014 USDA allocated \$48.1 million to 383 projects in 49 States, Guam and Puerto Rico through the Plant Pest and Disease Management and Disaster Prevention Program. The projects are helping States and other partners continue providing and strengthening protections against agricultural threats and could also allow the reallocation of resources to other critical programs. In addition, in June, USDA allocated \$ 5 million to support 19 projects in 14 States through the National Clean Plant Network cooperative agreements program.

As required by the new farm bill, USDA published an interim final rule and request for comments on an amendment to regulations under the Export Apple Act in April of last year to allow bulk containers of apples to be shipped to Canada without U.S. inspection.

TITLE XI: CROP INSURANCE

The crop insurance program has become an increasingly important component of the farm safety net, and crop insurance protections for all farmers, particularly beginning farmers and ranchers, have been strengthened under the new Farm Bill. For example, changes made by the 2014 Farm Bill have allowed us to provide better crop insurance coverage for almost 1,300 beginning farmers and ranchers already, only 10 percent into the reporting cycle. We've also expanded coverage for 26 organic crops so that these producers can buy the level of insurance that meets their production needs.

USDA is now able to offer Whole-Farm Revenue Protection plan of insurance to provide safety net protection for specialty, fresh fruit and vegetable growers and organic producers, as well as reward farm diversification through premium discounts on crop insurance coverage. The Whole-Farm Revenue Protection plan of insurance was made available in 45 States for 2015. USDA has started the work to expand Whole-Farm Revenue Protection to the rest of the country. These areas are targeted for expansion for the 2016 crop year.

Last summer, USDA implemented Farm Bill changes to make crop insurance more affordable for beginning farmers and ranchers. Exemption from the administration fee, the increased premium support, and the ability to use substitute yield adjustment will make it easier for these producers to obtain crop insurance helping them to address risk as they start up their agriculture businesses.

USDA staff worked hard to implement several 2014 Farm Bill programs ahead of schedule, such as ARC, PLC, the Price Loss Coverage, Supplemental Coverage Option and Stacked Income Protection Plan. Because of that, USDA was able to leverage data from ARC and PLC to extract the information needed to implement Actual Production History (APH) Yield Exclusion earlier than expected.

In October, USDA announced that the APH Yield Exclusion will be available for farmers of select crops starting in spring 2015. APH allows eligible producers who have been hit with severe weather to receive a higher approved yield on their insurance policies through the federal crop insurance program. The APH Yield Exclusion is being implemented beginning with the 2015 crop year for corn, soybeans, spring wheat, cotton, grain sorghum, rice, barley, canola, sunflowers, peanuts, and popcorn.

APH Yield Exclusion will be available for additional crops beginning with the 2016 crop year, including winter wheat. USDA is currently reviewing crops that will be eligible for APH Yield Exclusion for the 2016 crop year. The choice of crops and counties selected for 2016 and subsequent crop years will be based on data availability criteria designed to ensure actuarial soundness and program integrity. USDA expects to announce the new crops throughout the year with most of the announcements to be made in the fall of 2015.

TITLE XII: MISCELLANEOUS

In November, USDA announced Karis T. Gutter, a Marine Corps Reserve veteran and current USDA Deputy Under Secretary for Farm and Foreign Agricultural Services as the

first USDA Military Veterans Agricultural Liaison, a position created by the 2014 Farm Bill. The MVA Liaison will coordinate USDA leadership across the Department to provide information, resources and support for active duty military and veterans interested in agriculture. The MVA Liaison will also have authority to facilitate formal relationships between USDA and other government agencies and non-profit organizations to strengthen USDA support for veterans.

In December, USDA awarded grants to 62 community-based and non-profit organizations and educational institutions to conduct training, outreach and technical assistance for socially disadvantaged (including Tribal) and veteran farmers and ranchers through the 2501 Program. USDA has assisted more than 6,100 beginning, small, veteran and socially disadvantaged farmers and ranchers through the program since October 2014.

USDA also implemented the receipt for service requirement in the 2014 Farm Bill and has issued 101,462 receipts for service to USDA customers between December 1, 2014 and January 28, 2015.

CONCLUSION

Again, thank you for this opportunity to update you on USDA's progress to implement the 2014 Farm Bill. Farmers, ranchers, rural communities and other USDA stakeholders have waited several years for this legislation, and USDA has made implementation of the bill a high priority.

I am pleased to say that in just over a year, important progress has been made on every title, including updates to risk management tools, modifications to farm loan programs, announcements regarding available funds for agricultural research and much more. Moving forward, USDA staff and I will continue to engage with Members of Congress and stakeholders during the implementation process and as we continue to carry out critical mission of serving America's farmers, ranchers and rural communities.

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 24, 2015

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY
Questions for Executive Nominees
114th Congress

1. Basic Biographical Information

Please provide the following information.

| <i>Position to Which You Have Been Nominated</i> | |
|--|---------------------------|
| <u>Name of Position</u> | <u>Date of Nomination</u> |
| Board Member, Farm Credit Administration | January 8, 2015 |

| <i>Current Legal Name</i> | | | |
|---------------------------|--------------------|------------------|---------------|
| <u>First Name</u> | <u>Middle Name</u> | <u>Last Name</u> | <u>Suffix</u> |
| Jeffery | Scott | Hall | |

| <i>Addresses</i> | | | | | |
|---|--------------|--------------------|---|--------|------|
| <u>Residential Address</u> (do not include street address) | | | <u>Office Address</u> (include street address) | | |
| | | | Street: | | |
| City: Louisville | State: KY | Zip: 40223-3792 | City: | State: | Zip: |

| <i>Other Names Used</i> | | | | | | |
|-------------------------|--------------------|------------------|---------------|-------------------------------------|--|--|
| <u>First Name</u> | <u>Middle Name</u> | <u>Last Name</u> | <u>Suffix</u> | <small>Check if Maiden Name</small> | <u>Name Used From</u> (Month/Year) (Check box if estimate) | <u>Name Used To</u> (Month/Year) (Check box if estimate) |
| | | | | | Est <input type="checkbox"/> | Est <input type="checkbox"/> |

| <i>Birth Year and Place</i> | |
|---|-----------------------|
| Year of Birth (Do not include month and day.) | Place of Birth |
| 1957 | Kirkland, WA |

| <i>Marital Status</i> | |
|--|----------|
| Check All That Describe Your Current Situation: | |
| Never Married | Married |
| Separated | Annulled |
| Divorced | Widowed |
| <input checked="" type="checkbox"/> | |

| <i>Spouse's Name</i> (current spouse only) | | | |
|---|-----------------------------|---------------------------|------------------------|
| <u>Spouse's First Name</u> | <u>Spouse's Middle Name</u> | <u>Spouse's Last Name</u> | <u>Spouse's Suffix</u> |
| Elaine | Mitchell | Hall | |

| <i>Spouse's Other Names Used</i> (current spouse only) | | | | | | | | |
|---|--------------------|------------------|---------------|-----------------------------|--|--|--------|----------|
| <u>First Name</u> | <u>Middle Name</u> | <u>Last Name</u> | <u>Suffix</u> | <u>Check if Maiden Name</u> | <u>Name Used From</u> (Month/Year) (Check box if estimate) | <u>Name Used To</u> (Month/Year) (Check box if estimate) | | |
| Elaine | Marie | Mitchell | | X | 10/1963 | Est <input type="checkbox"/> | 6/1989 | Est |
| Elaine | Marie | Casebier | | | 6/1989 | Est <input type="checkbox"/> | 5/1992 | Est x |

| <i>Children's Names (if over 18)</i> | | | |
|--------------------------------------|--------------------|------------------|---------------|
| First Name | Middle Name | Last Name | Suffix |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

2. Education

List all post-secondary schools attended.

| <u>Name of School</u> | <u>Type of School</u> (vocational/technical/trade school, college/university/military college, correspondence/distance/extension/online school) | <u>Date Began School</u> (month/year) (check box if estimate) | <u>Date Ended School</u> (month/year) (check box if estimate) (check "present" box if still in school) | <u>Degree</u> | <u>Date Awarded</u> |
|------------------------------|---|---|--|----------------------|----------------------------|
| Purdue University | University | 8/1975 | 5/1979 | BS | 1979 |
| | | Est <input type="checkbox"/> | Est Present <input type="checkbox"/> <input type="checkbox"/> | | |
| | | Est <input type="checkbox"/> | Est Present <input type="checkbox"/> <input type="checkbox"/> | | |
| | | Est <input type="checkbox"/> | Est Present <input type="checkbox"/> <input type="checkbox"/> | | |

3. Employment

(A) List all of your employment activities, including unemployment and self-employment. If the employment activity was military duty, list separate employment activity periods to show each change of military duty station. Do not list employment before your 18th birthday unless to provide a minimum of two years of employment history.

| <u>Type of Employment</u> (Active Military Duty Station, National Guard/Reserve, USPHS Commissioned Corps, Other Federal employment, State Government (Non-Federal Employment), Self-employment, Unemployment, Federal Contractor, Non-Government Employment (excluding self-employment), Other) | <u>Name of Your Employer/Assigned Duty Station</u> | <u>Most Recent Position Title/Rank</u> | <u>Location</u> (City and State only) | <u>Date Employment Began</u> (month/year) (check box if estimate) | <u>Date Employment Ended</u> (month/year) (check box if estimate) (check "present" box if still employed) |
|---|---|--|--|---|--|
| Non-Government | The Capstone Group | President | Louisville, KY | January 2009 | Present |
| Federal Employment | US Department of Agriculture, Farm Service Agency | State Executive Director | Lexington, KY | March 2001 | January 2009 |
| Federal Employment | Cooperative Extension Service, University of Kentucky | Extension Associate | Lexington, KY | March 1994 | March 2001 |
| Federal Employment | United States Senate | Legislative Assistant | Washington DC | November 1988 | March 1994 |
| Non-Government | Kentucky Farm Bureau | Market Analyst | Louisville, KY | August 1984 | November 1988 |
| Non-Government | Merrill Lynch | Account Executive | Louisville | April 1981 | August 1984 |

(B) List any advisory, consultative, honorary or other part-time service or positions with federal, state, or local governments, not listed elsewhere.

| <u>Name of Government Entity</u> | <u>Name of Position</u> | <u>Date Service Began</u> (month/year) (check box if estimate) | <u>Date Service Ended</u> (month/year) (check box if estimate) (check "present" box if still serving) |
|----------------------------------|-------------------------|--|--|
| | | Est <input type="checkbox"/> | Est <input type="checkbox"/> Present <input type="checkbox"/> |
| | | | |

4. Honors and Awards

List all scholarships, fellowships, honorary degrees, civilian service citations, military medals, academic or professional honors, honorary society memberships and any other special recognition for outstanding service or achievement.

Kentucky Pork Producers, Outstanding Service to Agriculture - 2009

Louisville Ag Club, Outstanding Service to Agriculture - 2008

Employer Support of the Guard and Reserve - 2006

5. Memberships

List all memberships that you have held in professional, social, business, fraternal, scholarly, civic, or charitable organizations in the last 10 years.

Unless relevant to your nomination, you do NOT need to include memberships in charitable organizations available to the public as a result of a tax deductible donation of \$1,000 or less, Parent-Teacher Associations or other organizations connected to schools attended by your children, athletic clubs or teams, automobile support organizations (such as AAA), discounts clubs (such as Groupon or Sam's Club), or affinity memberships/consumer clubs (such as frequent flyer memberships).

| <u>Name of Organization</u> | <u>Dates of Your Membership</u> (You may approximate.) | <u>Position(s) Held</u> |
|---|---|-------------------------|
| Kentucky Agriculture Council | 1994 – current | Treasurer & President |
| Louisville Ag Club | 1985 – current | Director & President |
| Kentucky Agricultural Water Quality Authority | 2001 - 2009 | Ex-officio |
| Governor's Commission on Family Farms | 2004 – 2006 | Member |
| Agribusiness Industry Network | 1995 - current | Vice President |
| | | |

6. Political Activity

(A) Have you ever been a candidate for or been elected or appointed to a political office?

| <u>Name of Office</u> | <u>Elected/Appointed/ Candidate Only</u> | <u>Year(s) Election Held or Appointment Made</u> | <u>Term of Service (if applicable)</u> |
|-----------------------|--|--|--|
| NONE | | | |
| | | | |
| | | | |
| | | | |

(B) List any offices held in or services rendered to a political party or election committee during the last ten years that you have not listed elsewhere.

[illegible]

(C) Itemize all individual political contributions of \$200 or more that you have made in the past five years to any individual, campaign organization, political party, political action committee, or similar entity. Please list each individual contribution and not the total amount contributed to the person or entity during the year.

[illegible]

7. Publications

List the titles, publishers and dates of books, articles, reports or other published materials that you have written, including articles published on the Internet.

[illegible]

8. Lobbying

In the past ten years, have you registered as a lobbyist? If so, please indicate the state, federal, or local bodies with which you have registered (e.g., House, Senate, California Secretary of State). YES

Federal – Secretary of the Senate & Clerk of the House of Representatives

FOR ESIGHT

A PUBLICATION OF THE KENTUCKY LONG-TERM POLICY RESEARCH CENTER VOL. 4 NO. 3 1997

Building a Learning Community in Bowling Green

By Edward M. Yager, Jr.

The rise of a knowledge-based, technologically driven, global economy (Drucker, 1993) has created new and significant challenges for Kentucky communities. In some cases, the pace of change and the complexity surrounding it has been confusing to community leaders, who search for ways to effectively lead in this changing environment.

One way of bringing some clarity to these developments is through the use of a metaphor. A metaphor allows us to understand one element of experience in terms of another by emphasizing the similarities of two objects or phenomena. Although some risk of distortion exists, powerful insights can be generated when the appropriate metaphor is used.

An increasingly interdependent, knowledge-based global economy that relies substantially on information processing suggests that communities with effective capacity for self-development may resemble the functioning of the human brain. A brain metaphor directs our attention toward brain-like functions existing within a community, such as rationality, creativity, memory, learning, and decisionmaking. Scholars increasingly argue that these brain-like qualities are important, and will continue to be important, in successful and prosperous communities in the global economy (Blakely, 1994; Fosler, 1988; Luke et al., 1988; and others). Moreover, the brain metaphor has already been successfully employed in organizational studies by a host of researchers, including Herbert Simon who discovered important insights into organizational decisionmaking (Simon, 1947). In fact, Simon's discoveries won him the Nobel Prize! Consequently, by understanding certain processes in the brain, we may gain increased understanding of building "brain-like" capacity in Kentucky communities to effectively compete in the changed economic environment that rewards "smart" communities.

The Learning Community

Communities, like brains, must have the capacity to learn if they are to be effective, particularly in today's fast-paced environment. One important discovery about the human brain that has implications for building learning communities is the brain's largely decentralized,

Edward M. Yager, Jr., is an assistant professor of political science in the Department of Government at Western Kentucky University.

holographic and specialized design. Recent scientific evidence suggests that brain function is largely decentralized and distributed—there seems to be no center or point of control, but rather a process out of which order emerges, rather than being imposed from a single focal point (Morgan, 1997). In other words, the brain's learning capacity is based upon networked intelligence that is self-organizing.

Neuroscientist Karl Pribram of Stanford University has suggested that the brain's design is holographic and creates processes where "the whole can be encoded in all the parts, so that each and every part represents the whole" (Morgan, 1997: 75). Each brain cell, for instance, has the encoding of DNA which contains information required to unfold the complete development of the human body. To supplement its holographic design, the brain also reveals characteristics of a specialized nature. Split brain research, for instance, has demonstrated that the brain's right hemisphere assumes a dominant role in creative, intuitive, emotional, acoustic, and pattern-recognition functions and controls the left side of the body. On the other hand, the left hemisphere is more involved with rational, analytic, reductive, linguistic, visual, and verbal functions while controlling the right side of the body (Morgan, 1997). In general, the brain appears to be largely a decentralized, networked intelligence with processes of both a holographic and specialized nature.

Do these findings have any relevance for Kentucky communities in the Information Age? If we accept the proposed metaphor, then the decentralized, networked intelligence that we find in the brain suggests that elite control of a community, also known as the "good old boy" network, may seriously impair the community's maximum potential for learning and adapting to changing conditions. Rather, a community that has broad-based civic participation, and encourages citizen dialogue and collaboration, more closely resembles the networked intelligence of the human brain, and is therefore better positioned to become a learning community.

| Inside . . . | |
|---|---|
| 1997 Conference Highlights | 4 |
| Form Economy a Foundation for More Prosperous Communities | 5 |
| Scanning Kentucky | 9 |

In addition, and also corresponding to brain functions, the learning community is likely to be *both* specialized and holographic. Adam Smith, Frederick Taylor, and other scholars have analyzed the virtues of vocational specialization and its wealth generating potential. Specialization provides for the development of expertise and functional proficiency, which increases economic efficiency. Without vocational specialization, the community's reservoir of knowledge is diminished and its capacity to learn impeded. On the other hand, the community's specialized functions must be exercised in a highly interdependent fashion. Unless the specialized components of the community work together cooperatively, learning capacity again will be diminished. This suggests, then, the need for holographic features within the community to provide cohesion and integration. Citizens must see the "big" picture, extending beyond their specialized pursuits, to a knowledge and concern about the entire community. In other words, citizens should be, metaphorically speaking, encoded with the community's "DNA"—that is, they should be unified on fundamental purposes, values, and vision for the community at large. Some degree of unity is crucial before diverse elements of the community can effectively collaborate—sharing knowledge and information on a variety of community issues.

A learning community, which resembles an effectively functioning brain, will be well positioned to "learn how to learn" in the information age. This means, according to a recent study, going beyond the routine collection and processing of information to the actual creation of new insights and knowledge (Nonaka and Takuchi, 1995). Community collaboration is essential to gain fresh perspectives on com-

munity issues—and creative insights require a community dialogue which questions the status quo, old routines, old standards, and old ways of doing business. A spirit of innovation is imperative in order to build the learning community.

Bowling Green's "Community of the Future"

The brain-like features of community learning capacity just reviewed are currently being developed by the Community of the Future project in Bowling Green and Warren County. Under the auspices of the Bowling Green-Warren County Chamber of Commerce and Western Kentucky University's Institute for Economic Development, Bowling Green's Community of the Future project is part of a network of over 30 communities in 15 states involved in establishing learning communities for the 21st century. The project strongly encourages participating communities to cultivate and develop the features common to the metaphor of effective brain functioning: decentralized and networked learning processes linked to both holographic and specialized designs. Although the Bowling Green effort has not received much publicity, The Kentucky Long-Term Policy Research Center noted in 1995 that "(in Bowling Green), the Communities of the Future project has established a national capacity building focus, emphasizing technology, citizen networks, leadership development, and consensus democracy" (Smith-Mello, 1995: 67).

Under this approach, the old paradigm of top-down (elitist) community leadership is considered a major impediment to community learning, growth, and development. Rather, the Communities of the Future concept encourages decentralized, broad-based citizen networks as the basis for shared vision and on-going collaboration on community issues. Communication technologies are expected to enhance these collaboration efforts. With a broader base of diverse citizens participating and learning from one another through collaborative efforts, the community's capacity to learn and adjust to changing circumstances is expected to be enhanced. Specifically, the Center for Communities of the Future has recommended the following elements in building community learning capacity:

- Allow a broader base of citizens to set the collective agenda for any community.
- Design processes of citizen involvement to tap the strengths of a community's diversity when developing a strategy for any important issue.
- Gain citizen ownership and support for specific plans of community action.

With the consulting assistance of Rick Smyre, President of the Communities of the Future, the Bowling Green project has established a Steering Committee which is currently exploring ways of building a learning community with increased capacity for transformation in the Information Age. This has involved some discussion about other projects throughout the nation, including demonstration projects in Covington, Lexington, Louisville and Somerset.

FORESIGHT

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Farm Economy a Foundation for More Prosperous Communities

By Jeffery S. Hall

Most of us hold strong feelings for farms and rural life even though we are likely to be two to three generations removed from them. We value the ideals of farm life as a part of our history that is well worth preserving. A drive through the countryside, past grazing cattle, the smell of newly mown hay, and arrow straight rows of corn offers a nostalgic escape from the rush of modern life. For many, summer weekends on grandparents' farm are an idyllic childhood memory.

But nostalgia can cloud our thinking. Without a frame of reference for the demands of modern agriculture, we tend to view farms the way they used to be. But things have changed dramatically. Earlier this century, one third of the nation's population lived on a farm. Today, only 2 percent of Americans live on a farm and only 1 percent is actively engaged in production agriculture. Because agriculture has become so much more efficient over the past 40 years, Americans spent 40 percent less of their income on food last year than they did in 1957. That translates into \$400 billion in extra disposable income in 1997 alone. We have grown so accustomed to the abundance of our nation's food supply that this achievement is seldom recognized as one of the most remarkable success stories of the century.

Instead, the economic contributions of agriculture are often overlooked or even ignored. Many of us simply take them for granted. But when viewed in terms of the web of relationships agriculture involves, the economic potential of farming is immense. If the objective of economic development is to create new wealth and retain the wealth which already exists, then farming and agriculture are a valuable foundation on which to build more prosperous communities throughout Kentucky. To do so, we must better utilize our indigenous natural resources in ventures of value-added manufacturing and processing. We can no longer simply mine, cut, or harvest our raw materials and send them elsewhere. We must enrich our understanding of today's agricultural economy and seize more opportunities.

Our Food & Fiber System

The expanse of the nation's food and fiber system is immense. Its marketing alone involves 17 percent of the U. S. workforce and contributes 14 percent to the

total gross national product. Food processing, wholesaling, retailing, food service, and marketing generated about \$450 billion in income last year.

The contribution of farming to Kentucky's economy is also significant. In 1994, according to the U.S. Census Bureau, 400,000 Kentuckians relied on farming for employment either directly or indirectly. An estimated 113,602 people were employed on farms and another 87,220 employed in agriculture-related services, manufacturing, and processing. Indirectly, it is estimated that another

200,000 people provided the final links between farmers and consumers. Consequently, more than one of four working Kentuckians is in some way linked to agriculture.

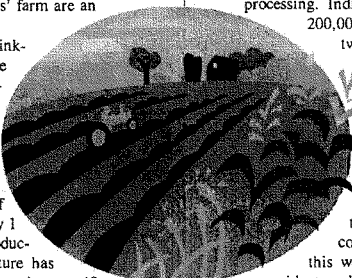
For states that recognize its enormous potential, this complex web of economic relationships is an invaluable resource that links nations, states, counties, communities, and individuals. It can serve as a common bond for the future. However, this web of relationships did not occur by accident and will not flourish without adequate support and proper nurturing.

Moving Up the Food Chain

In order to cultivate a more vibrant farm economy in the Commonwealth, we must help farmers move up the food chain whenever possible by adding value to their original product. We must reduce dependence on mass produced, low-profit, raw commodity production and help farmers forge new marketing arrangements, integrate production and marketing, and produce goods designed for specific end uses and specific markets.

A recent report by Dr. James V. Worstell for the Office for Environmental Outreach of the Kentucky Department of Agriculture, *Kentucky farms and markets: emerging policy opportunities*, summarizes results from a series of 30 local meetings held across the state. The constraints associated with marketing farm products were identified as the key barrier to sustaining Kentucky's farms. Meeting participants concluded "... Kentucky will be able to create a more profitable and solid foundation for the future in direct proportion to the availability of new, sustainable marketing opportunities for Kentucky farmers."

Why is marketing so important? Because, since the turn of this century, production agriculture has relied more heavily each year on someone else to do the marketing. These intermediaries have made billions of dollars assuming a responsibility that farmers have been reluctant to integrate into their work. By nature, by training, and by desire, most



Jeffery Hall is Coordinator of Ag Project 2000, a statewide economic development initiative with the mission of increasing farm income. The opinions expressed here are his own.

farmers are producers. They focus on growing things—not on selling what they produce. Driving a \$75,000 tractor or a \$100,000 combine is more important than using a \$2,000 computer to access information about the best markets for their products.

A long-term goal of processing more Kentucky-grown agricultural products within the state will help close the gap between farmers and markets. More importantly, it will increase farm income, add significantly to the value of local small businesses, and expand the total economic activity of the state. Increasing the number of local buyers also stimulates competition for primary products, thus increasing market prices for farmers and creating additional income and employment in both rural and urban areas.

Expanding Markets

Markets for agricultural products have been dramatically altered over the past 50 years, and most of the forces of change have originated with the consumer. The marketplace now offers a wider variety of consumer products through a larger range of outlets. Today, an estimated 240,000 different packaged food products are made by U. S. food manufacturers. In 1995 alone, nearly 17,000 new food products were introduced to domestic and world consumers. In 1994, consumers paid \$540 billion for domestically produced food items that left the farm gate valued at \$115 billion; farmers received only 20 cents of every \$1 spent on food.

Where did the other 80 cents go? It went toward building and maintaining the massive infrastructure that supports the nation's largest industry—the processing, packaging, distribution and marketing of food products. Farmers produce commodities that food marketers want in order to meet consumer demand. As a consequence, farm income is more closely linked to the ability to produce commodities than it is to consumer demand. But when the production end of the food chain becomes more focused on the consumer end, the potential for increasing the farmer's share is enormous.

Some of this nation's most innovative entrepreneurs are Kentucky farmers. Some cultivate thousands of acres while others manage just a few. Some have adopted satellite technology to pinpoint nutrient applications and monitor crop yields. Others are raising crops with a predetermined end use that makes livestock grow faster or allows cookies to taste more consistent. Beef farmers in our state now forge contracts in the export market before calves are even born. Vegetable growers contract with urban residents to deliver weekly baskets of organically grown produce. We are raising specialty cabbage in eastern Kentucky and gourmet popcorn in western Kentucky.

Agriculture will continue to evolve and change because it is market- and consumer-driven. Just as every other

industry has undergone reorganization and restructuring, so too must farming. It does not necessarily have to become industrialized or integrated to make the transition. Instead, as entrepreneurs across the Commonwealth are demonstrating, the new farm economy has room for all types of farms.

Kentucky has clearly reached a crossroads in its history. At this juncture, we must work together to give the family farm an opportunity to survive. State and local leaders must understand that decisions, albeit well intentioned, can have unintended consequences. Policies crafted to preserve the family farm could in fact stifle the growth needed to maintain our markets.

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Reckoning with Tobacco's Future

Giving small farms the chance to survive also means reckoning with tobacco's future. Tobacco production is the backbone of most family farms in our state and it traditionally has been our most valuable crop. Indeed, Kentucky is the most tobacco-dependent state in the United States. According to the U. S. Department of Agriculture, 17 of the nation's 20 most tobacco-dependent counties are in Kentucky. This is not only reflected in the percentage of income that tobacco contributes to Kentucky's total farm cash receipts but what it contributes to farm income in individual counties. In 1994, the most current data available, the sale of tobacco accounted for more than 5 percent of personal income in 26 of our counties. While tobacco income as a share of total personal income for the entire state is only 1 percent, its importance is magnified at the local level. Not many other subsectors within a local economy can claim such a share.

Tobacco production provides the income which allows most of our smaller farms to exist. If the proposed tobacco settlement makes its way through Congress and into law, it must include provisions to assist tobacco producers and tobacco-dependent communities. Even if the settlement fails, and it very well may, we should still seek a portion of the taxes collected on tobacco to be designated for agricultural development initiatives in tobacco-producing regions. Federal, state, and local governments already collect six times more money from taxes on tobacco than farmers earn producing the crop. It is hard to find another product which is taxed as heavily. It is reasonable to seek some of this money to assist tobacco-producing states with the economic transition ahead.

It is impossible to precisely predict how much Kentucky farmers will earn from tobacco five years from now. Whether more or less than today, we must focus on creating new opportunities for all of our farmers. Whether you call them replacement crops or supplemental crops, the diversification and growth of agriculture should be a priority for the leadership of this state.

THE KENTUCKY LONG-TERM POLICY RESEARCH CENTER

Kentucky Agriculture's Tremendous Potential

Agriculture holds tremendous potential in Kentucky. An estimated 88,000 farms cover nearly 14 million acres of the state, and the farmers of this land hold assets valued at an estimated \$17 billion. The basic production of farm commodities generated \$3.1 billion in sales last year, but it doesn't end there. Just to produce their crops or raise their livestock, farmers spent \$2.7 billion for goods and services, including expenses like feed and fertilizer, interest paid to financial institutions, local property taxes, fuel and electricity, and wages to local workers. An estimated \$8 billion of additional economic activity is generated in other sectors of the state's economy because of the many goods and services that farmers and their families buy. Agricultural product processing and related activities already comprise one of the largest manufacturing sectors in the state economy.

Because agriculture extends into all areas of Kentucky, realization of its potential could have a broad-based economic impact. Every county in Kentucky has some type of agriculture. Income from farming exceeds \$100 million in four Kentucky counties and \$50 million in another nine counties. In fact, 82 of our counties have farm receipts in excess of \$10 million. Leslie County, the smallest county in terms of cash receipts, still generated \$200,000 in income for local farmers.

Agriculture's impact extends well beyond our rural communities. While the farm income in Jefferson County ranks relatively low, the agricultural economy in the Louisville area has a larger payroll than any other industrial sector, including health care, banking, and automotive. It also is the most productive industry in the Louisville area based on the dollars in value added to products, according to a 1996 study by the Louisville Area Chamber of Commerce's Agribusiness Committee.

Contrary to most beliefs, Kentucky agriculture is diverse. For 30 years farm income has been evenly divided between crops and livestock. While tobacco, beef cattle and horses account for over half of farm income, seven different commodities generate more than \$100 million in farm gate receipts. Another 15 farm products had sales over \$10 million. These statistics do not include the impact of forest products, which many estimate to exceed \$1 billion in income at the primary and secondary industry level.

Importantly, Kentucky agriculture has a solid history on which to build. For more than 25 years, Kentucky has been home to more farmers than any other state east of the Mississippi River. We rank fourth nationally. However,

because we have so many small farms, farms dependent on tobacco and farms which will not survive without tobacco, we rank 20th when it comes to farm income.

Kentucky has, nevertheless, followed a national trend of fewer farmers on larger farms. Just 5 percent of our farms generate one half of farm income. These larger commercial farms generate annual sales of more than \$100,000 annually. According to the latest Census of Agriculture, 56 percent of farmers in this state do not farm as their primary occupation.

They work at an off-farm job and spend evenings and weekends tending to their farm. They look for the farm to basically pay its own way and rely on their off-farm income for family living expenses.

Census numbers also show that nearly 90 percent of Kentucky's farm families depend on a family member to generate some off-farm income in order to make a living. Even a farm with sales of more than \$100,000 often cannot generate enough net income to sustain a family, since more than 70 percent of the income goes to cover production costs.

Positioning Kentucky for the Future

For 60 years, the federal government enhanced rural prosperity by manipulating crop prices and boosting farm income. A new era

began in April 1996 when Congress shaped a much diminished federal role and federal farm policy shifted to a more market-driven strategy to raise farm and rural income. In this new context, the greatest challenge farmers face is that of anticipating and negotiating volatile prices for goods and services, as well as those for their products. In the years ahead, improvements to our marketing infrastructure, including creative marketing alliances, can provide Kentucky farmers with the risk reduction tools to compete and prosper in this new era.

Fortunately, we have a tremendous resource base. From the fertile fields of western Kentucky to the tree-covered mountains in the east and the productive lands between, we have what it takes to farm here in Kentucky. We have the rainfall to make our crops grow lush without irrigation and the surface water to supply our livestock. We have a moderate climate that offers a long growing season for plants and places very little stress on livestock.

When our farm products leave the farm, we have a nearly ideal location to reach the consumer. We are within a one day drive of two thirds of U. S. consumers. We have more than 2,000 miles of railroad tracks and commercial air service at five major airports.

Given this enormous resource base, what must we do to seize a greater share of the opportunity that awaits us?

Kentucky Agriculture

88,000 Farms
13.7 million acres of farms
4.4 million acres of harvested cropland
\$17.5 billion in farm assets
\$1.6 billion in livestock sales
\$1.4 billion in crop sales
\$2.8 billion in production expenses
\$44.8 million in government payments
44% farm as main occupation
53 the average age of farmers
30% of farmers under age 45
99% of farms family owned

Sources: U.S. Bureau of the Census, 1992 Census of Agriculture and Kentucky Ag Statistics Service


Clearly, government has a key role to play in shaping policies and processes that will enable Kentucky farmers to grow more prosperous.

State Government. Kentucky must make long-range investments in and enable dramatic expansion of production and processing and encourage agricultural development. Specifically, state government should designate two thirds of the revenue (approximately \$10 million) generated from the current excise tax on tobacco products to agricultural development. This would reallocate, rather than increase taxes. Additionally, tobacco states should push for a portion of the current federal excise tax (just 2 percent would generate \$120 million) on tobacco products to be returned to tobacco-producing states for agricultural development.


Kentucky Department of Agriculture. The Kentucky Department of Agriculture should be restructured. Today, two thirds of the Department budget goes toward consumer protection rather than development of the state's farm economy. The Department inspects gas pumps, calibrates scales, monitors amusement rides for safety, and regulates pest control firms. Remaining funds are designated for commodity price collection, animal health programs, and department overhead. Little money remains to help the general farm economy. Regulatory functions should be moved to another agency, allowing the Department to define a clear mission of serving Kentucky's agricultural community, and the Commissioner of Agriculture should become an appointed cabinet level post in the Governor's Office.


Economic Development Cabinet. In recent years, the Economic Development Cabinet has paid increased attention to agriculture as a targeted industry. More than 9,000 new jobs have been created in the food and wood sector of the state's economy over the past three years alone. But Kentucky needs to step up the pace of agriculture industry recruitment and expansion. Given Kentucky's accessibility to two thirds of the nation's consumers, we can become a central location for processing and transporting food and wood products. The Cabinet for Economic Development should review and change the criteria for providing incentives to take into account the typically higher employment multipliers for agriculture-related industries.


Agriculture in Kentucky could be one of the most affordable economic development strategies that any community can employ. The basic infrastructure already exists and our most important asset, human capital, is in place. Routine agricultural expansion is more affordable than recruiting a new industry and the new wealth is created and spent locally.


Agriculture's contribution to Kentucky is visible all around us. From the farm to the consumer's plate, the links in this complex chain, however, often go unrecognized. Agricultural development can help increase the wealth of our citizens. But realizing its enormous potential will require a serious commitment and a combined effort, not just from agriculture, but from everyone who benefits from a more prosperous Kentucky. 


Publications and Other Products from THE KENTUCKY LONG-TERM POLICY RESEARCH CENTER


 **The Kentucky State Budget Game** (1997). An interactive learning tool, this computer game puts players, students and interested citizens alike, in the seat of power. They make tough policy choices, balance the budget, and watch public support rise and fall. Can be downloaded from the Center's website or ordered on diskette.


 **Exploring the Frontier of the Future** (1996). The Center's second biennial trends report includes 30 articles on the trends that are influencing the Commonwealth's future by some of the state's leading experts.


 **Forecasting Kentucky's Environmental Futures** (1996). A collaborative effort of the Kentucky Institute for the Environment and Sustainable Development and the Cabinet for Natural Resources and Environmental Protection to forecast possible environmental futures.


 **\$5.8 Billion and Change: An Exploration of the Long-Term Budgetary Impact of Trends Affecting the Commonwealth** (1996). An analysis of alternative future budgetary scenarios, driven by key trends influencing the future of the state.


 **Choosing Prosperity: Maximizing Returns on Public Investment in Workforce Development** (1996). An exploration of strategies for meeting the needs of Kentucky workers and workplaces in a cost-effective manner.


 **Visioning Kentucky's Future** (1996). Results of a ground-breaking effort to capture the ideas of citizens in a vision for the future of the Commonwealth, goals for realizing it, and benchmarks for measuring our progress.

 **Scanning Kentucky 1995: The Year in Review** (1996). A report on the issues 1995 scans suggest will have an impact on the Commonwealth in coming years.

 **Reclaiming Community, Reckoning with Change: Rural Development in the Global Context** (1995). A report on the transformational potential of broad civic engagement and initiatives focused on increasing the capacity of communities to engage in self-development.

 **Farms, Factories and Free Trade: Rural Kentucky in the Global Economy** (1995). An in-depth look at global prospects for rural industries and strategies for success.

 **The Context of Change: Trends, Innovations and Forces Affecting Kentucky's Future** (1994). Now in its second printing, the Kentucky Long-Term Policy Research Center's inaugural biennial report on issues that are likely to influence the future of the Commonwealth.

 **The Future of Burley Tobacco: Potential Outcomes, Points of Leverage and Policy Recommendations** (1994). A quantitative analysis of factors that are likely to influence the market for burley tobacco and, in turn, the livelihoods of Kentucky tobacco farmers over the next decade.

When selling bec

Poor infrastructure making it harder to get agricultural products to market

By Jeffery S. Hall

Agriculture in Kentucky has been blessed with abundant natural resources and a strong network of easily accessible markets to sell whatever is produced. If a farmer could produce something, a buyer was usually available.

Tobacco warehouses, feed mills, dairies, livestock markets and produce stands always have been a part of Kentucky agriculture and in many communities have been a central point of commerce.

But as the state's economy has become more industrialized and service oriented, maintenance of our agricultural infrastructure has been ignored. While we have been able to increase the volume of farm production, the chore of getting farm products to market has become more difficult.

Dozens of livestock markets have crumbled with age, never to be repaired. The local feed store has closed and has been replaced by larger, regional grain elevators. The milk truck that hauled milk from the farm to the nearby dairy is gone; in its place a tractor-trailer rig moves the product hundreds of miles. While there is still a market for almost any agricultural product, the challenge has become one of logistics and the question is whether the markets will accept what farmers are selling.

Sometimes, when you stop and take the time to look at how farming and agriculture have changed, you wonder how things got to this point. Who changed the rules? Who let it happen?

The answers: Consumers changed the rules, and agriculture met the challenge.

The most significant changes often are the most gradual, and there

is no better example of this than agriculture. In 40 years the number of farmers has been reduced by half, but farmers now produce more food and fiber, and in a wider variety, than at any point in history. During the same time, Americans' disposable income spending on food has declined by 40 percent.

Modern food production is focused on consistency and convenience, and farmers are meeting the demand by making some fundamental changes in the way commodities are produced. Marketplace forces also are allowing some extraordinary relocations of commodity production sites.



Hall

Twenty years ago, Kentucky had 20,000 dairy farms. Today, there are fewer than 4,000. Of the 30 largest milk-producing states, only Tennessee has lost more dairy farms than Kentucky.

Where is milk production increasing the most? New Mexico, Idaho and Arizona are all experiencing explosive growth. All now produce more milk than Kentucky despite the fact that Kentucky has more available feed supplies, more abundant water, is closer to more consumers, and has a long tradition in the dairy business.

Hog production is growing at the fastest rate in Oklahoma and South Dakota. Kentucky and Missouri, meanwhile, are experiencing the most rapid reduction in the number of breeding herds. What will happen when we no longer have the necessary supply of hogs to support our two existing processing facilities? The closure of one plant

would mean reduced competition and lower prices for



comes a chore

t
farmers. If both were to close, it would mean a one-day drive just to sell a load of hogs.

While these are only two examples, they clearly indicate a shift in our traditional food production model, one that has occurred because almost 80 percent of the retail cost of food goes to pay for everything other than the raw material.

Processing, transportation, wholesaling and other parts of the process that turns a farm product into a consumer-ready product do not have to occur in the same area as the supply.

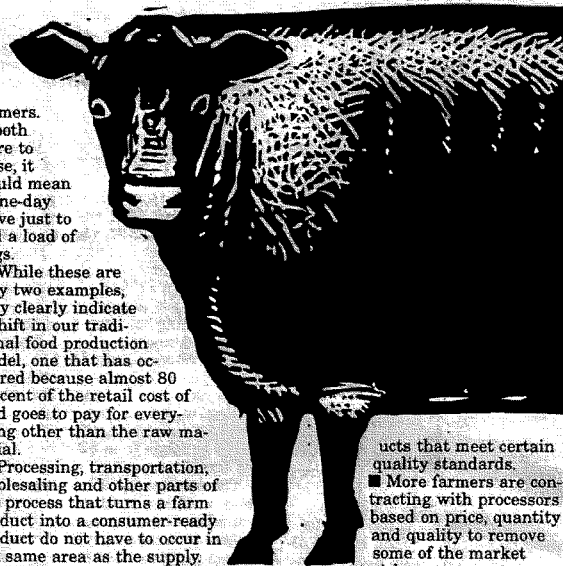
And just because a state can produce the raw material does not mean it will be successful in the long-term growth of the entire food industry chain.

States must be creative and committed to building all parts of this chain if the individual links are expected to survive.

Not only are farming and the marketplace changing, but the pricing process is being redefined. The federal government was involved in agriculture for more than 60 years; the primary goal of its programs being to reduce price volatility for consumers and market risk for producers. With that safety net gone, farmers are relying increasingly on new pricing strategies to reduce price volatility and market risk.

■ Farmers are joining strategic marketing alliances, formed around livestock with similar genetic characteristics, to provide processors and consumers with a consistent product.

■ Farmers are using value-based pricing, gaining premiums for prod-



ucts that meet certain quality standards.

■ More farmers are contracting with processors based on price, quantity and quality to remove some of the market risk.

The future of agriculture in Kentucky will depend on the maintenance and development of a marketing infrastructure.

The state has the opportunity to participate in the growth of our nation's food and fiber system — whether through the traditional model of food production or the emerging model. Kentucky can be a part of both approaches, but nothing will happen unless there is an increased commitment from the state's leaders.

Working toward a long-term goal to process more Kentucky-grown products in Kentucky will increase farm income, add significantly to the value of locally owned businesses and greatly expand the total economic activity of the commonwealth.

Jeffery S. Hall, an extension associate at the University of Kentucky, is coordinator of Ag Project 2000, a statewide economic development initiative promoting Kentucky agriculture.

Kentucky's (Phase I) Tobacco Settlement Funding Program

Jeff Hall, Will Snell, and Craig Infanger
University of Kentucky, College of Agriculture
(April 2000)

Background Information

The Master Settlement Agreement (MSA) between the major domestic cigarette manufacturers and 46 states provides \$206 billion over 25 years to compensate states for past smoking-related expenses. Kentucky's share of the MSA (commonly referred to as Phase I of the National Tobacco Settlement) totals \$3.45 billion over this 25 year period. These funds are completely separate from the National Tobacco Grower Settlement Trust fund (Phase II), which provides twelve years of direct compensation to U.S. burley and flue-cured tobacco quota owners and growers for losses attributable to the MSA. This fact sheet summarizes the agricultural component of the Kentucky Phase I Tobacco Settlement Program as passed by the 2000 Kentucky General Assembly. The entire bill may be reviewed by clicking on the "Master Tobacco Settlement -- HB611" located on the Kentucky Legislative Home web page at <http://www.lrc.state.ky.us/home.htm>.

Allocation of Funds

The 2000 Kentucky General Assembly voted to allocate 50 percent of the Kentucky's MSA funds for fiscal years 2001 and 2002 to agriculture, with 25 percent being allocated to early childhood development programs and 25 percent to health care initiatives. The total MSA (Phase I) funds available for Kentucky agriculture for the biennium total approximately \$180 million. The funds will be deposited into an agricultural development fund called the Rural Development Fund. Forty million dollars from this fund will be available to ensure that Kentucky's National Tobacco Grower Settlement Trust (Phase II) fund will not fall below 1999's funding level of \$114 million. Sixty five percent (approximately \$91 million) of the remaining funds will be available to a state agricultural development board for statewide projects, with the remaining 35 percent (or approximately \$49 million) allocated to a "Counties Account" for distribution to applicants within individual counties as submitted by individual county councils. Funds not spent in any fiscal year shall roll over into the next fiscal year.

Agricultural Development Board

The General Assembly formed the Agricultural Development Board to administer the program. The board consists of the following 15 voting members:

- Governor, who will serve as chair
- Commissioner of Agriculture, who will serve as vice-chair
- Secretary of the Cabinet for Economic Development
- Director of the Kentucky Cooperative Extension Service
- seven active farmers
- one representative of the Kentucky Farm Bureau
- one representative of the Kentucky Chamber of Commerce -- an agribusiness person
- one attorney with farm experience and familiarity with agricultural policy
- one agricultural lender

A majority of the voting members shall be active farmers. Board terms are four years with initial appointments having staggered terms. The first meeting must be held by August 1, 2000, followed by regular monthly meetings.

Duties of the Agricultural Development Board

The duties of the board shall include, but not be limited to:

- Administering the Rural Development Fund
- Developing guidelines and criteria for eligibility and disbursement of funds
- Developing a comprehensive short and long-term plan for Kentucky agriculture
- Providing monthly reports to the Tobacco Settlement Agreement Oversight Committee
- Providing annual reports to the Governor, Tobacco Settlement Agreement Oversight Committee, Commissioner of Agriculture, and the Legislative Research Commission

The Agricultural Development Board shall create committees including, but not limited to:

- Access to Capital Committee
- Environmental Cost Share Committee
- Marketing and Entrepreneurship Committee
- Technology, Infrastructure, and Training Committee
- Farmland Preservation Committee
- Technical Issues Advisory Committee

These "advisory" committees will consist of board members (and others solicited by the committee) with expertise in the program(s) overseen by the committee.

Tobacco Settlement Agreement Fund Oversight Committee

A permanent subcommittee of the Legislative Research Commission is created to review all proposed expenditures of funds. The subcommittee will have 12 members, six members from the House and six members from the Senate. The subcommittee will review all projects being considered for funding and make recommendations to the Agricultural Development Board.

Programs Receiving Direct Funding from the Board

- Farm Market Development & Infrastructure Program -- develop regional farm markets and regional or community projects
- Agricultural Entrepreneurship Program -- support small farm agricultural diversification. The board is authorized to establish a Center for Entrepreneurship to administer this program.

Programs Receiving Direct Funding from the General Assembly

- Environmental Stewardship Program -- provide cost share assistance to farmland owners for compliance with the state agricultural water quality plan and other environmental compliance programs

- Rural Water Line Extension Program – provide municipal water in areas of high agricultural activity or need

County Agricultural Development Councils

Each county will establish a council (by August 1, 2000) to evaluate the needs of the local agricultural economy, devise a plan that would identify programs best suited to support the county's agriculture, and assist local applicants in obtaining funds. The County Council membership includes:

- 2 individuals selected by the county Farm Service Agency Committee
- 2 individuals selected by the county Conservation District Board
- 2 individuals selected by the county Extension Councils
- 2 young farmers selected by the other six Council members.

Board terms are two years. The county Cooperative Extension Service is to provide administrative support. County Councils will submit recommended projects to the Agricultural Development Board for approval.

Funding Criteria and Other Provisions

Criteria used to consider application for state funds includes, but not limited to:

- Dependence on tobacco
- Dependence on agriculture
- Documentation and merits of the proposal
- Enhancement and promotion of agriculture
- Compatibility with state and local comprehensive plan
- Promotion of agricultural diversification
- Regional focus and cooperation of entities involved in proposal
- Effect on the economic viability of family farms

Potential uses of county account funds includes, but not limited to:

- Low (or no) interest venture capital loans
- Grants for local agricultural economic development projects
- Grants for water line extensions
- Transition assistance to another farm enterprise or off-farm employment
- Environmental clean-up of failed farm operation

Tobacco farmers will be given priority with small farmers having equal access to funding as large farmers. Counties may use their funds in multi-county/regional projects and may use their funds to match state or federal programs. Individuals, groups, educational institutions, governmental entities, cooperatives, and other agriculturally related entities are eligible to receive moneys from the fund. State agency and educational institutions that receive funding to assist farmers shall report to the Tobacco Settlement Oversight Committee semi-annually on the details of their efforts to revitalize and diversify tobacco farms.

Agricultural Development Fund

(millions of dollars)

| | | | |
|----------------------------------|----------|--------------------------------|----------------|
| Total Funds on-hand | | | |
| FY 2001 (Jan/April) | \$70 | | |
| FY 2002 (Jan/April) | \$50 | | |
| Total Funds | \$180 | | |
| Phase II Immediately | \$40 | | |
| State/County Fund Biennium Total | \$140 | | |
| | FY 2001 | FY 2002 | |
| State Funds on-hand | \$19.5 | | |
| (70-40* 65) | | | |
| State Funds Avail Jan/Apr 2001 | \$32.5 | State Funds Avail Jan/Apr 2002 | \$39.00 |
| (50* 65) | | (60* 65) | |
| RDBF Debt Service | -\$1.25 | RDBF Debt Service | -\$2.5 |
| Cost-share | -\$9 | Cost-share | -\$9 |
| | | Water line bond fund | -\$5 |
| Total | \$42 | | \$22.5 |
| County funds on-hand | \$11 | | |
| (70-40* 35) | | | |
| Available Jan/April 2001 | \$17.5 | Available Jan/April 2002 | \$21 |
| (50* 35) | | (60* 35) | |
| Total | \$28 | | \$21 |
| <hr/> | | | |
| Future years | \$60 | | |
| (no cost-share) | | | |
| State Portion(60* 65) | \$39 | | |
| Debt Service | (\$7.50) | | |
| Total | \$31.5 | | |
| County Portion (60* 35) | \$21 | | |
| | | | Biennium Total |
| | | | \$64.25 |
| | | | \$49 |



United States
Office of Government Ethics
1201 New York Avenue, NW, Suite 500
Washington, DC 20005-3917

JAN - 9 2015

The Honorable Pat Roberts
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510

Dear Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Jeffery S. Hall, who has been nominated by President Obama for the position of Board Member of the Farm Credit Administration.

We have reviewed the report and have obtained advice from the agency concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is an ethics agreement outlining the actions that the nominee will undertake to avoid conflicts of interest. Unless a date for compliance is indicated in the ethics agreement, the nominee must fully comply within three months of confirmation with any action specified in the ethics agreement.

Based thereon, we believe that this nominee is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

A handwritten signature in dark ink, appearing to read "David J. Apol".

David J. Apol
General Counsel

Enclosures

| OSGE Form 278 (Rev. 12/2013) 5 C.F.R. Part 2634 U.S. Office of Government Ethics | | Executive Branch Personnel PUBLIC FINANCIAL DISCLOSURE REPORT | | | | Form Approved: OSGE No. 2019-0001 | |
|---|--|---|--|---|--|--|--|
| Reporting Period: Calendar Year, Beginning on This Date (Month, Day, Year) Reporting Period: _____ | | Reporting Status <input type="checkbox"/> Initial <input type="checkbox"/> Renewal | <input type="checkbox"/> Covered by Report <input type="checkbox"/> Not Covered | <input checked="" type="checkbox"/> New Entrant, Nominee, or Candidate <input type="checkbox"/> Other | <input type="checkbox"/> Termination <input type="checkbox"/> Other | Fee for Late Filing Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing calendar period, shall be subject to a \$260 fee. | |
| Reporting Individual's Name Last Name: HALL First Name and Middle Initial: JEFFERY S. | | Title of Position BOARD MEMBER | | Department or Agency (If Applicable) FARM CREDIT ADMINISTRATION | | Reporting Periods The reporting period is the preceding calendar year except Part II of Schedule C, and Part I of Schedule D where you must also include the filing year up to the date you file. Part II of Schedule D is not applicable. | |
| Location of Present Office (or forwarding address) 1811 Farm Credit Drive, McLean, VA 22102 | | Address (Month, Street, City, State, and ZIP Code) 1811 Farm Credit Drive, McLean, VA 22102 | | Telephone No. (Include Area Code) (703) 483-4000 | | Termination Filers: The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable. | |
| Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above): NONE | | Name of Congressional Committee Considering Nomination Committee on Agriculture, Nutrition and Forestry | | Do You Intend to Create a Qualified Unrevoked Trust? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | Nominees, New Entrants and Candidates for President and Vice President: Schedule A-The reporting period for income (DOCK-C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing. Schedule B-Not applicable. Schedule C, Part I (Eligibility)-The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing. Schedule C, Part II (Agreements or Arrangements)-Show any agreements or arrangements as of the date of filing. Schedule D-The reporting period is the preceding two calendar years and the current calendar year up to the date of filing. | |
| Residential Residence Subject to Senate Confirmation Signature of Reporting Individual: <i>Jeffery S. Hall</i> Date (Month, Day, Year): 05/08/2014 | | Signature of Other Resident Signature: _____ Date (Month, Day, Year): _____ | | Agency Ethics Official's Signature Signature of Designated Agency Ethics Official/Reviewing Official: <i>Wendy E. Laguarda, NEO</i> Date (Month, Day, Year): 9/26/2014 | | Office of Government Ethics Use Only Signature: _____ Date (Month, Day, Year): 11/21/14 | |
| Comments of Reviewing Official (If additional space is required, use the reverse side of this sheet) | | | | | | | |
| (Check box if filing extension granted & indicate number of days: _____) <input type="checkbox"/> | | | | | | | |
| (Check box if statement not continued on the reverse side) <input type="checkbox"/> | | | | | | | |
| Agency Use Only | | | | | | | |
| OSGE Use Only | | | | | | | |

Signatories Print Address

OMB Form 278 (Rev. 12/2011)
 5 C.F.R. Part 203A
 U.S. Office of Government Ethics

| Reporting Individual's Name HALL, JEFFERY S. | | SCHEDULE A | | | | | | | | | | Page Number 2 of 7 | |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Assets and Income | | Valuation of Assets at close of reporting period | | | | | | | | | | Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item. | |
| BLOCK A | | BLOCK B | | | | | | | | | | BLOCK C | |
| Type | | Amount | | | | | | | | | | Date (Mo., Day, Yr.) Only if Honoraria | |
| None (or less than \$1,001) | | None (or less than \$1,001) | | | | | | | | | | None (or less than \$201) | |
| For you, your spouse, and dependent children, report each asset held for investment or the production of income which had a fair market value exceeding \$1,000 at the close of the reporting period, or which generated more than \$200 in income during the reporting period, together with such income. | | For yourself, also report the source and actual amount of earned income exceeding \$200 (other than from the U.S. Government). For your spouse, report the source but not the amount of earned income of more than \$1,000 (except report the actual amount of any honoraria over \$200 of your spouse). | | | | | | | | | | Other Income (Specify Type & Actual Amount) | |
| None <input type="checkbox"/> | | None (or less than \$1,001) | | | | | | | | | | None (or less than \$201) | |
| Examples | | Examples | | | | | | | | | | Examples | |
| Control Abilene Common | | Control Abilene Common | | | | | | | | | | Control Abilene Common | |
| Doe Jensen & Smith, Hometown, State | | Doe Jensen & Smith, Hometown, State | | | | | | | | | | Doe Jensen & Smith, Hometown, State | |
| Kempstone Equity Fund | | Kempstone Equity Fund | | | | | | | | | | Kempstone Equity Fund | |
| HAC Heartland 500 Index Fund | | HAC Heartland 500 Index Fund | | | | | | | | | | HAC Heartland 500 Index Fund | |
| 1 1/4 share of 220 acre crop, livestock and timber farm (leased for cash rent), Paoli, IN (Farm) | | 1 1/4 share of 220 acre crop, livestock and timber farm (leased for cash rent), Paoli, IN (Farm) | | | | | | | | | | 1 1/4 share of 220 acre crop, livestock and timber farm (leased for cash rent), Paoli, IN (Farm) | |
| 2 Sole owner of 20 acre timber farm (dormant), Paoli, IN | | 2 Sole owner of 20 acre timber farm (dormant), Paoli, IN | | | | | | | | | | 2 Sole owner of 20 acre timber farm (dormant), Paoli, IN | |
| 3 PNC Bank -- cash acct. | | 3 PNC Bank -- cash acct. | | | | | | | | | | 3 PNC Bank -- cash acct. | |
| 4 The Capstone Group-NCH, LLC Agricultural Consulting Group, Rising Sun, MD | | 4 The Capstone Group-NCH, LLC Agricultural Consulting Group, Rising Sun, MD | | | | | | | | | | 4 The Capstone Group-NCH, LLC Agricultural Consulting Group, Rising Sun, MD | |
| 5 Riversource Life Insurance Co: RAVA 5 Advantage Variable Annuity (see 6 below) | | 5 Riversource Life Insurance Co: RAVA 5 Advantage Variable Annuity (see 6 below) | | | | | | | | | | 5 Riversource Life Insurance Co: RAVA 5 Advantage Variable Annuity (see 6 below) | |
| 6 Columbia VP-Managed Volatility Moderate Growth Fund | | 6 Columbia VP-Managed Volatility Moderate Growth Fund | | | | | | | | | | 6 Columbia VP-Managed Volatility Moderate Growth Fund | |

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

| 3. Name of Valuable Entity: HALL, JEFFERY S. | | SCHEDULE A continued (Use only if needed) | | | | | | | | | | Page Number 3 of 7 | | | | | | | | | | |
|--|--|---|---------------------|----------------------|-----------------------|-----------------------|--|-------------------|---------------------------|----------------------------|-----------------------------|------------------------------|--------------------------|--------------|-----------------|-----------|--------------------|----------|---------------|-----------------|----------------------|----------------------|
| Assets and Income | | Valuation of Assets at close of reporting period | | | | | Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item. | | | | | | | | | | | | | | | |
| BLOCK A | | BLOCK B | | | | | BLOCK C | | | | | | | | | | | | | | | |
| | None (or less than \$1,001) | \$1,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | Over \$1,000,000* | \$1,000,001 - \$5,000,000 | \$5,000,001 - \$25,000,000 | \$25,000,001 - \$50,000,000 | Over \$50,000,000 | Accepted Investment Fund | Exempt Trust | Qualified Trust | Dividends | Rent and Royalties | Interest | Capital Gains | Type and Amount | Date (Mo., Day, Yr.) | Only if Nonwarranted |
| | | | | | | | | | | | | | | | | | | | | | | |
| 1 | Spouse, Kentucky School for the Blind Louisville, Kentucky | | | | | | | | | | | | | | | | | | | | | |
| 2 | Columbia Capital Allocation Conservative Portfolio Class A | X | | | | | | | | | | | X | | | | | | | | | |
| 3 | Riversource Life Insurance/RiverSource Flexible Portfolio Annuity (see 4 & 5 below) | | | | | | | | | | | | | | | | | | | | | |
| 4 | Columbia Variable Portfolio Balanced Fund, Class 3 | X | | | | | | | | | | | | | | | | | X | | | |
| 5 | Columbia Variable Portfolio Dividend Opportunity Fund, Class 3 | X | | | | | | | | | | | | | | | | | X | | | |
| 6 | Kentucky Teacher's Retirement System Defined Benefit Plan, value not readily ascertainable | | | | | | | | | | | | | | | | | X | | | | |
| 7 | Ameriprise Insured Money Market - cash acc. | | X | | | | | | | | | | | | | | X | | X | | | |
| 8 | TIAA-CREF University of Kentucky Retirement Plan- CREF Money Market Fund | X | | | | | | | | | | | | | | | | X | | | | |
| 9 | | | | | | | | | | | | | | | | | | | | | | |

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

| Reporting Individual's Name HALL, JEFFERY S. | | SCHEDULE B | | | | | | | | | | Page Number 4 of 7 | | | |
|---|--|----------------------|--|---------------------------|--|----------------------------|--|--|--|--|--|------------------------------|--|--|--|
| Part I: Transactions Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded \$1,000. Include transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE. | | | | | | | | | | | | | | | |
| None <input type="checkbox"/> | | | | | | | | | | | | | | | |
| Transaction Type (s) | | Date (Mo., Day, Yr.) | | Amount of Transaction (s) | | | | | | | | | | | |
| Purchase | | Sale | | Exchange | | Certificate of Divestiture | | | | | | | | | |
| Identification of Assets | | Date | | Amount | | | | | | | | | | | |
| Example: General Aniline Corporation | | 1/1/99 | | \$1,000.00 | | | | | | | | | | | |
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OGE Form 278 (Rev. 12/2011)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

Reporting Individual's Name: HALL, JEFFERY S.

SCHEDULE B continued
(Use only if needed)

Page Number: 5 of 7

Part I: Transactions

| Identification of Asset | Transaction Type (a) | | | Date (Mo., Day, Yr.) | Amount of Transaction (x) | | | | | | | | | | | |
|-------------------------|----------------------|------|----------|----------------------|---------------------------|---------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|---------------------------|---------------------------|----------------------------|----------------------|--|
| | Purchase | Sale | Exchange | | \$1,000 - \$15,000 | \$15,000 - \$25,000 | \$25,000 - \$50,000 | \$50,000 - \$100,000 | \$100,000 - \$250,000 | \$250,000 - \$500,000 | \$500,000 - \$1,000,000 | \$1,000,000 - \$2,500,000 | \$2,500,000 - \$5,000,000 | \$5,000,000 - \$10,000,000 | \$10,000,000 or more | |
| 1 | | | | | | | | | | | | | | | | |
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| 16 | | | | | | | | | | | | | | | | |

*This category applies only if the underlying asset is solely that of the filer's spouse or dependent children. If the underlying asset is either held by the filer or jointly held by the filer with the spouse or dependent children, use the other higher categories of value, as appropriate.

OGE Form 278 (Rev. 12/2011)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

| | | | | | | | |
|--|--|-------------------|--|--|--|------------------------------|--|
| Reporting Individual's Name HALL, JEFFERY S. | | SCHEDULE C | | | | Page Number 6 of 7 | |
|--|--|-------------------|--|--|--|------------------------------|--|

Part I: Liabilities

Report liabilities over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent children. Check the highest amount owed during the reporting period. Exclude:

a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to certain relatives listed in instructions. See instructions for revolving charge accounts.

None ☐

| Creditor (Name and Address) | Type of Liability | Date Incurred | Interest Rate | Term if applicable | Category of Amount or Value (a) | | | | | | | | | | | | | | |
|---|---|---------------|---------------|----------------------|---------------------------------|---------------------|---------------------|---------------------|----------------------|-----------------------|-----------------------|----------------|-------------------|------------------|------------------|--|--|--|--|
| | | | | | \$10,001 - \$15,000 | \$15,001 - \$25,000 | \$25,001 - \$50,000 | \$50,001 - \$75,000 | \$75,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | Over \$500,000 | Over \$1,000,000* | Over \$2,000,000 | Over \$5,000,000 | | | | |
| <i>Examples</i> First District Bank, Washington, DC John Jones, Washington, DC | Mortgage on rental property, Polaris Promissory note | 1991 1999 | 8% 10% | 25 yrs. on demand | | | | | | | | | | | | | | | |
| 1 PNC Bank, Louisville, KY | Mortgage | 2013 | 3.625% | 15 yrs | | | | | | | | | | | | | | | |
| 2 PNC Bank, Louisville, KY | Home Equity Line | 2005 | 2.74% | on demand | | | | | | | | | | | | | | | |
| 3 | | | | | | | | | | | | | | | | | | | |
| 4 | | | | | | | | | | | | | | | | | | | |
| 5 | | | | | | | | | | | | | | | | | | | |

*This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.

Part II: Agreements or Arrangements

Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves

of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.

None ☐

| Status and Terms of Any Agreement or Arrangement | Parties | Date |
|--|------------------------------------|-------|
| <i>Example</i> Partnership Agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/01. | Doe Jones & Smith, Hometown, State | 7/85 |
| 3 I continue to participate in the defined contribution plan of my former employer, the University of Kentucky (TIAA-CREF University of Kentucky Retirement Plan-CREF Money Market Fund) | University of Kentucky | 08/95 |
| 4 | | |
| 5 | | |
| 6 | | |

OGE Form 278 (Rev. 12/2011)
 5 C.F.R. Part 2634
 U.S. Office of Government Ethics

| | | |
|--|-------------------|------------------------------|
| Reporting Individual's Name HALL, JEFFERY S. | SCHEDULE D | Page Number 7 of 7 |
|--|-------------------|------------------------------|

Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☐

| Examples | Organization (Name and Address) | Type of Organization | Position Held | From (Mo., Yr.) | To (Mo., Yr.) |
|----------|---|--------------------------------------|---|-----------------|---------------|
| | North Ave. of Rock College, NY, NY | Non-profit college | President | 6/92 | Present |
| | Doe Dental & Smith, Uniontown, N.Y. | Law Firm | Partner | 7/85 | 1/00 |
| 1 | The Capstone Group - NCH, LLC, Rising Sun, MD | Consulting Firm | President | 01/2009 | Present |
| 2 | Kentucky Agriculture Council, Frankfort, KY | Non-profit agricultural association | Treasurer | 03/2013 | Present |
| 3 | Agribusiness Industry Network | Non-profit professional organization | Vice President (Director from 01/2012-12/2013) | 01/2014 | Present |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |

Part II: Compensation in Excess of \$5,000 Paid by One Source

Report sources of more than \$5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source.

None ☐

| Examples | Source (Name and Address) | Brief Description of Duties |
|----------|---|--|
| | Doe Jones & Smith, Herndon, N.Y. | Legislation |
| | State University System of Doe Jones & Smith, Morestown, N.Y. | Legal services in connection with authority construction |
| 1 | Kentucky Horticulture Council, Louisville, KY (Capstone Client) | Consulting |
| 2 | McCarthy Strategic Solutions, Frankfort, KY (Capstone Client) | Public Relations Consulting |
| 3 | Naprogenix Inc., Louisville, KY (Capstone Client) | Consulting |
| 4 | The Capstone Group - NCH, LLC Rising Sun, MD | President |
| 5 | | |
| 6 | | |

ETHICS AGREEMENT

September 29, 2014

Wendy R. Laguarda
Designated Agency Ethics Official & Assistant General Counsel
Office of General Counsel
FARM CREDIT ADMINISTRATION
1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4234

Dear Ms. Laguarda:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Board Member of the Farm Credit Administration (FCA).

As required by 18 U.S.C. 208(a), I will not participate personally and substantially in any particular matter in which I know that I have a financial interest or in which I know that a person whose interests are imputed to me has a financial interest, if the particular matter has a direct and predictable effect on that interest, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

I own a one-fourth interest in 220 acres of farmland with two family members in Paoli, Indiana. The farmland is owned as a simple partnership and is leased to a third party on a fixed-cash lease basis. Within 90 days of the date of my confirmation, the family members and I will create a limited liability company (LLC), which will consist of the 220 acres of farmland that we currently jointly own. I will be a non-managing member of the LLC and will not engage in the farming operation. One of my family members will serve as the sole managing member of the LLC.

I am co-owner and President of The Capstone Group, NCH, LLC, an agricultural consulting company. Upon confirmation, I will resign from my position as President of Capstone Group and immediately cease all consulting activities. I will divest my financial interest in this entity within 90 days of my confirmation. I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of this entity until I have divested it, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). For a period of one year

after my resignation, I also will not participate personally and substantially in any particular matter involving specific parties in which this entity is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d). In addition, I will not participate personally and substantially in any particular matter involving specific parties in which a former client of mine is a party or represents a party for a period of one year after I last provided service to that client, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

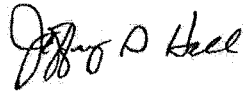
Upon confirmation, I will resign from my positions on the Kentucky Agriculture Council in Frankfort, Kentucky, and the Agribusiness Industry Network in Louisville, Kentucky. For a period of one year after my resignation from each of these entities, I will not participate personally and substantially in any particular matter involving specific parties in which that entity is a party or represents a party, unless I am first authorized to participate, pursuant to 5 C.F.R. § 2635.502(d).

Finally, once appointed to the FCA Board, I will execute a screening arrangement with my executive assistant, in which my executive assistant will screen all materials coming before me to ensure that I remain in compliance with the required recusals under this Ethics Agreement during my tenure on the FCA Board.

I understand that as an appointee I am required to sign the Ethics Pledge (Exec. Order No. 13490) and that I will be bound by the requirements and restrictions therein in addition to the commitments I have made in this ethics agreement. I will sign the Pledge after my confirmation but before my appointment to the FCA Board.

I have been advised that this ethics agreement will be posted publicly, consistent with 5 U.S.C. § 552, on the website of the U.S. Office of Government Ethics with other ethics agreements of Presidential nominees who file public financial disclosure reports.

Sincerely,



Jeffery Hall

Mr. Jeffery S. Hall
10614 Edgewater Road
Louisville, KY 40223
(502) 938-1331

February 19, 2015

The Honorable Pat Roberts, Chairman
U.S. Senate Committee on Agriculture, Nutrition & Forestry
328A Russell Senate Office Building
Washington, DC, 20510-6000
(202) 224-2035

Dear Mr. Chairman:

On October 01, 2014, the Farm Credit Administration (FCA) sent a copy of my Public Financial Disclosure Report (SF 278) to the Office of Government Ethics. I am required to complete the SF 278 for my nomination to serve as Member of the FCA Board. The SF 278 contains all required financial information for the relevant reporting periods through August 8, 2014. However, under the Ethics in Government Act of 1978, as amended, I must update certain information on the SF 278 to accurately reflect its status as of five days before the date of my confirmation hearing before your Committee. The date for my confirmation hearing is February 24, 2015.

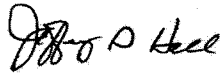
5-Day Update

Section 202(a) of the Ethics in Government Act requires an update of any income (other than dividends, interest, rents, and capital gains) and honoraria that my spouse or I have received since filing the SF 278. Since the August 8, 2014 filing of my SF 278, my spouse and I have received the following honoraria and income:

- I received \$26,500 for consulting work for Kentucky Horticulture Council, all other consulting agreements were terminated prior to August 8, 2014,
- My spouse continues to receive an income from the Kentucky School for the Blind, and
- Neither my spouse nor I have received any honoraria.

I believe that I have satisfied all financial reporting requirements with this updated information. I would be happy to respond to any questions you may have.

Sincerely, ..



Mr. Jeffery S. Hall

cc: Wendy R. Laguarda, DAEO
Office of General Counsel
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102

Walter M. Shaub, Jr., Director
U.S. Office of Government Ethics
Suite 500
1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION & FORESTRY
Questions for Executive Nominees
114th Congress

1. Basic Biographical Information

Please provide the following information.

| <i>Position to Which You Have Been Nominated</i> | |
|--|---------------------------|
| <u>Name of Position</u> | <u>Date of Nomination</u> |
| Board Member Farm Credit Administration | January 26, 2015 |

| <i>Current Legal Name</i> | | | |
|---------------------------|--------------------|------------------|---------------|
| <u>First Name</u> | <u>Middle Name</u> | <u>Last Name</u> | <u>Suffix</u> |
| Dallas | Paul | Tonsager | |

| <i>Addresses</i> | | | | | |
|---|-----------|------------|---|-----------|------------|
| <u>Residential Address</u> (do not include street address) | | | <u>Office Address</u> (include street address) | | |
| | | | Street: | | |
| | | | Same as residential | | |
| City: McLean | State: VA | Zip: 22102 | City: McLean | State: VA | Zip: 22102 |

| <i>Other Names Used</i> | | | | | | |
|-------------------------|--------------------|------------------|---------------|---------------------------------|---|---|
| <u>First Name</u> | <u>Middle Name</u> | <u>Last Name</u> | <u>Suffix</u> | <u>Check if Maiden Name</u> | <u>Name Used From</u> (Month/Year) (Check box if estimate) | <u>Name Used To</u> (Month/Year) (Check box if estimate) |
| N/A | | | | | Est <input type="checkbox"/> | Est <input type="checkbox"/> |
| | | | | | Est <input type="checkbox"/> | Est <input type="checkbox"/> |

| <i>Birth Year and Place</i> | |
|--|----------------------------|
| Year of Birth (Do not include month and day.) | Place of Birth |
| 1954 | Lake Preston, South Dakota |

| <i>Marital Status</i> | | | | | |
|---|--|---------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Check All That Describe Your Current Situation: | | | | | |
| Never Married <input type="checkbox"/> | Married <input checked="" type="checkbox"/> | Separated <input type="checkbox"/> | Annulled <input type="checkbox"/> | Divorced <input type="checkbox"/> | Widowed <input type="checkbox"/> |

| <i>Spouse's Name (current spouse only)</i> | | | |
|--|----------------------|--------------------|-----------------|
| Spouse's First Name | Spouse's Middle Name | Spouse's Last Name | Spouse's Suffix |
| Sharon | Ann | Tonsager | |

| <i>Spouse's Other Names Used (current spouse only)</i> | | | | | | |
|--|-------------|-----------|--------|----------------------|---|---|
| First Name | Middle Name | Last Name | Suffix | Check if Maiden Name | Name Used From (Month/Year) (Check box if estimate) | Name Used To (Month/Year) (Check box if estimate) |
| Sharon | Ann | Kvernes | | X | Birth <input type="checkbox"/> | June 1977 <input type="checkbox"/> |
| | | | | | Est <input type="checkbox"/> | Est <input type="checkbox"/> |

| <i>Children's Names (if over 18)</i> | | | |
|--------------------------------------|-------------|-----------|--------|
| First Name | Middle Name | Last Name | Suffix |
| Keith | Paul | Tonsager | |
| Joshua | Lee | Tonsager | |
| | | | |
| | | | |
| | | | |

2. Education

List all post-secondary schools attended.

| <u>Name of School</u> | <u>Type of School</u> (vocational/technical/trade school, college/university/military college, correspondence/distance/extension/online school) | <u>Date Began School</u> (month/year) (check box if estimate) | <u>Date Ended School</u> (month/year) (check box if estimate) (check "present" box if still in school) | <u>Degree</u> | <u>Date Awarded</u> |
|-------------------------------|--|---|--|---------------|---------------------|
| South Dakota State University | Land Grant University | August 1972 <input type="checkbox"/> Est | May 1976 <input type="checkbox"/> Est <input type="checkbox"/> Present | BS | May 1976 |
| | | <input type="checkbox"/> Est | <input type="checkbox"/> Est <input type="checkbox"/> Present | | |
| | | <input type="checkbox"/> Est | <input type="checkbox"/> Est <input type="checkbox"/> Present | | |
| | | <input type="checkbox"/> Est | <input type="checkbox"/> Est <input type="checkbox"/> Present | | |

3. Employment

(A) List all of your employment activities, including unemployment and self-employment. If the employment activity was military duty, list separate employment activity periods to show each change of military duty station. Do not list employment before your 18th birthday unless to provide a minimum of two years of employment history.

| <u>Type of Employment</u> (Active Military Duty Station, National Guard/Reserve, USPHS Commissioned Corps, Other Federal employment, State Government (Non- Federal Employment), Self- employment, Unemployment, Federal Contractor, Non- Government Employment (excluding self-employment), Other | <u>Name of Your Employer/ Assigned Duty Station</u> | <u>Most Recent Position Title/Rank</u> | <u>Location</u> (City and State only) | <u>Date Employment Began</u> (month/year) (check box if estimate) | <u>Date Employment Ended</u> (month/year) (check box if estimate) (check "present" box if still employed) |
|---|---|--|--|--|--|
| Farmer | Plainview Farm Oldham South Dakota | Partner | Oldham South Dakota | May 1976 <input type="checkbox"/> Est x <input type="checkbox"/> | May 2004 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Advisory Board | Land O Lakes Volga South Dakota | Director | Volga South Dakota | November 1978 <input type="checkbox"/> Est x <input type="checkbox"/> | October 1984 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Governance Board | Oldham Farmers Elevator Oldham South Dakota | Director | Oldham South Dakota | June 1980 <input type="checkbox"/> Est x <input type="checkbox"/> | June 1988 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Organization officer | South Dakota Farmers Union Huron South Dakota | Vice President | Huron South Dakota | Nov 1987 <input type="checkbox"/> Est x <input type="checkbox"/> | May 1988 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Organization officer | South Dakota Farmers Union Huron South Dakota | State President | Huron South Dakota | May 1988 <input type="checkbox"/> Est x <input type="checkbox"/> | May 1993 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Organization officer | South Dakota Farmers Union Travel Company Huron South Dakota | President | Huron South Dakota | May 1988 <input type="checkbox"/> Est x <input type="checkbox"/> | May 1993 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Governance Board | National Farmers Union Denver Colorado | Board member | Denver Colorado | May 1988 <input type="checkbox"/> Est x <input type="checkbox"/> | May 1993 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Governance board | National Farmers Union Insurance Company Denver Colorado | Board member | Denver Colorado | May 1988 <input type="checkbox"/> Est x <input type="checkbox"/> | May 1993 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Governance board | Green Thumb Incorporated Arlington Virginia | Board member | Arlington Virginia | May 1988 <input type="checkbox"/> Est x <input type="checkbox"/> | May 1993 <input type="checkbox"/> Est x <input type="checkbox"/> |
| Farm Partnership | STT Farm Oldham South Dakota | Partner | Oldham South Dakota | Feb 1996 EST | April 2003 EST |

| | | | | | |
|---------------------|---|--------------------|---------------------|---------------------|----------------------|
| Farm Partnership | Plainview Land Company LLC Oldham South Dakota | Partner | Oldham South Dakota | April 1994 EST | Dec 2013 |
| Federal Appointment | USDA Farmers Home Administration/Rural Development Huron South Dakota | State Director | Huron South Dakota | May 1993 | Feb 2001 |
| Consulting | Tonsager Consulting Huron South Dakota | President | Huron South Dakota | February 2001 | December 2001 EST |
| Consulting | Golden Plains Ventures Group LLC Huron South Dakota | President | Huron South Dakota | January 2002 EST | December 2002 EST |
| Consulting | Golden Plains Energy Group LLC Huron South Dakota | Partner | Huron South Dakota | January 2002 EST | December 2002 EST |
| Non Profit manager | South Dakota Value Added Agriculture Development Center Huron South Dakota | Executive Director | Huron South Dakota | January 2003 EST | November 2004 |
| Federal Appointment | Farm Credit Administration McLean Virginia | Board Member | McLean Virginia | December 2004 | April 2009 |
| Federal Appointment | Farm Credit Insurance Corporation McLean Virginia | Board Member | McLean Virginia | December 2004 | April 2009 |
| Federal Appointment | USDA Rural Development Washington DC | Under Secretary | Washington DC | April 2009 | May 2013 |
| Federal Appointment | Commodity Credit Corporation Washington DC | Board Member | Washington DC | July 2009 EST | May 2013 |
| Unemployed | Unemployed McLean Virginia | Unemployed | McLean Virginia | May 2013 | June 2013 |
| Consulting | Tonsager Consulting McLean Virginia | Owner | McLean Virginia | July 2013 | Present |

(B) List any advisory, consultative, honorary or other part-time service or positions with federal, state, or local governments, not listed elsewhere.

| <u>Name of Government Entity</u> | <u>Name of Position</u> | <u>Date Service Began</u> (month/year) (check box if estimate) | <u>Date Service Ended</u> (month/year) (check box if estimate) (check "present" box if still serving) |
|---|---|--|--|
| Commodity Future Trading Commission | Agriculture Advisory Committee | June 1990 <input checked="" type="checkbox"/> Est <input type="checkbox"/> | 1993 <input checked="" type="checkbox"/> Est <input type="checkbox"/> Present <input type="checkbox"/> |
| United States Treasury | Community Development Financial Institutions Advisory Board | April 2009 <input type="checkbox"/> Est <input type="checkbox"/> | May 2013 <input type="checkbox"/> Est <input type="checkbox"/> Present <input type="checkbox"/> |
| United States Department of Agriculture | Co Chair of Bio Mass Research and Development Advisory Board (Government wide Initiative) | April 2009 <input type="checkbox"/> Est <input type="checkbox"/> | May 2013 <input type="checkbox"/> Est <input type="checkbox"/> Present <input type="checkbox"/> |

4. Honors and Awards

List all scholarships, fellowships, honorary degrees, civilian service citations, military medals, academic or professional honors, honorary society memberships and any other special recognition for outstanding service or achievement.

Meritorious Service to Farmers Union and American Agriculture, Presented by National Farmers Union March 2014

Distinguished Alumnus Award for Outstanding Professional Achievement, presented by South Dakota State University in November of 2012

Merle Anderson Award for work in support of Bio Fuels presented by the American Coalition for Ethanol in 2011

Eagle Award presented by the Boys and Girls Clubs of America in 2001 for the Creation of the SuAnn Big Crow Boys and Girls Club Center at Pine Ridge South Dakota

5. Memberships

List all memberships that you have held in professional, social, business, fraternal, scholarly, civic, or charitable organizations in the last 10 years.

Unless relevant to your nomination, you do NOT need to include memberships in charitable organizations available to the public as a result of a tax deductible donation of \$1,000 or less, Parent-Teacher Associations or other organizations connected to schools attended by your children, athletic clubs or teams, automobile support organizations (such as AAA), discounts clubs (such as Groupon or Sam's Club), or affinity memberships/consumer clubs (such as frequent flyer memberships).

| <u>Name of Organization</u> | <u>Dates of Your Membership</u> (You may approximate.) | <u>Position(s) Held</u> |
|-----------------------------|---|------------------------------|
| South Dakota Farmers Union | 1974 to Present | State President 1988 to 1993 |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

6. Political Activity

(A) Have you ever been a candidate for or been elected or appointed to a political office?

| <u>Name of Office</u> | <u>Elected/Appointed/ Candidate Only</u> | <u>Year(s) Election Held or Appointment Made</u> | <u>Term of Service</u> (if applicable) |
|---|--|--|---|
| Democratic National Convention Alternate Delegate | Elected by State Party at caucus | 2000 | Just for the Democratic National Convention |
| | | | |

| | | | |
|--|--|--|--|
| | | | |
| | | | |

(B) List any offices held in or services rendered to a political party or election committee during the last ten years that you have not listed elsewhere.

| <u>Name of Party/Election Committee</u> | <u>Office/Services Rendered</u> | <u>Responsibilities</u> | <u>Dates of Service</u> |
|---|---|--|-------------------------|
| Volunteer "Agriculture and Rural Americans for Obama" | Provided advice and support to the Obama campaign for President | Helped organize the group, drafted policy proposals and attended campaign events | 2007 to 2008 |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

(C) Itemize all individual political contributions of \$200 or more that you have made in the past five years to any individual, campaign organization, political party, political action committee, or similar entity. Please list each individual contribution and not the total amount contributed to the person or entity during the year.

| <u>Name of Recipient</u> | <u>Amount</u> | <u>Year of Contribution</u> |
|--------------------------|---------------|-----------------------------|
| Barack Obama | \$2000 | 2011 |
| Matt Varilek | \$1000 | 2012 |
| Rick Weiland | \$1000 | 2013 |
| Barack Obama | \$1000 | 2012 |
| Barack Obama | \$500 | 2012 |
| Barack Obama | \$500 | 2012 |
| Barack Obama | \$250 | 2012 |
| Heidi Heitkamp | \$250 | 2012 |
| Rick Weiland | \$1000 | 2014 |
| NATFARM PAC | \$500 | 2014 |
| Bruce Braley | \$250 | 2014 |
| | | |
| | | |
| | | |

7. Publications

List the titles, publishers and dates of books, articles, reports or other published materials that you have written, including articles published on the Internet.

| <u>Title</u> | <u>Publisher</u> | <u>Date(s) of Publication</u> |
|--|-----------------------------|-------------------------------|
| Trip to Pine Ridge | Blog on USDA website | June 12, 2012 |
| USDA and the Department of Energy | USDA | April 1, 2010 |
| COOP business model and bio fuels | Rural Cooperatives Magazine | March 2010 |
| Home ownership Month | USDA | June 2012 |
| Distance Learning and Tele health | USDA | December 2011 |
| Agri-Access | FCA | June 2007 |
| Connecting the distance in the country's most rural state | USDA | June 2012 |
| Renewable Energy Production Promotes America's Energy Security | USDA | June 2011 |
| Five Years After Hurricanes Rita and Katrina | White House | August 2010 |
| | | |
| | | |
| | | |
| | | |

8. Lobbying

In the past ten years, have you registered as a lobbyist? If so, please indicate the state, federal, or local bodies with which you have registered (e.g., House, Senate, California Secretary of State).

NO

Dallas Tonsager – Publications

Trip to Pine Ridge

<http://blogs.usda.gov/2012/06/12/rural-development%E2%80%99s-key-partnerships-promote-economic-development-on-the-pine-ridge-reservation/>

USDA and the Department of Energy

<http://blogs.usda.gov/2010/04/01/under-secretary-tonsager-talks-about-usda-renewable-energy-development-support-at-the-department-of-energy%E2%80%99s-biomass-conference/>

COOP business model and bio fuels

<http://www.readperiodicals.com/201003/2004740391.html>

Home Ownership month

<http://blogs.usda.gov/2012/06/01/usda-celebrates-national-homeownership-month/>

Distance Learning and Tele health

<http://blogs.usda.gov/2011/12/09/distance-learning-and-telehealth-providing-21st-century-education-and-health-care-in-rural-america/>

Agri Access

<https://www.fca.gov/Download/Speeches/Tonsager/tonsager28june07.pdf>

Connecting the distance in the country's most rural state

<http://bangordailynews.com/2012/06/25/opinion/connecting-the-distance-in-the-countrys-most-rural-state/>

Renewable Energy Production Promotes America's Energy Security

<http://blogs.usda.gov/2011/06/09/undersecretary-says-renewable-energy-production-promotes-america%E2%80%99s-security-boosts-economy/>

Five years After Hurricanes Rita and Katrina

<http://www.whitehouse.gov/blog/2010/08/25/five-years-after-hurricanes-rita-and-katrina-usda-continues-assist-gulf-residents>



United States
Office of Government Ethics
1201 New York Avenue, NW, Suite 500
Washington, DC 20005-3917

JAN 30 2015

The Honorable Pat Roberts
Chairman
Committee on Agriculture, Nutrition,
and Forestry
United States Senate
Washington, DC 20510


Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Dallas P. Tonsager, who has been nominated by President Obama for the position of Board Member, Farm Credit Administration.

We have reviewed the report and have obtained advice from the agency concerning any possible conflict in light of its functions and the nominee's proposed duties. Also enclosed is an ethics agreement outlining the actions that the nominee will undertake to avoid conflicts of interest. Unless a date for compliance is indicated in the ethics agreement, the nominee must fully comply within three months of confirmation with any action specified in the ethics agreement.

Based thereon, we believe that this nominee is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,


David J. Apol
General Counsel

Enclosures

OMB No. 1050-0001

Executive Branch Personnel Public Financial Disclosure Report

OMB Form 278 (Rev. 12/2011)
5 U.S.C. § 208
U.S. Office of Government Ethics

| | | | | | |
|--|--|---|--|---|--|
| Reporting Individual's Name Last Name: <u>Tonsager</u> First Name and Middle Initial: <u>Dallas P.</u> Title of Position: <u>Board Member</u> | | Reporting Status (Check Appropriate Box) <input type="checkbox"/> Incumbent <input checked="" type="checkbox"/> New Nominee or Candidate Calendar Year Covered by Report: <u>2015</u> Termination Date (If Applicable): <u>1/2/2015</u> | | Position for Which Filing Title of Position: <u>Board Member</u> Department or Agency (If Applicable): <u>Farm Credit Administration</u> | |
| Location of Office Address (Number, Street, City, State, and Zip Code): <u>McLean, Virginia 22102</u> Telephone No. (Include Area Code): <u>805-481-5837</u> | | Termination Period Incumbent: The reporting period is the preceding calendar year except Part B of Schedule C and Part I of Schedule D where you must include the filing year up to the date of filing. Part II of Schedule D is not applicable. | | | |
| Residential Nominees Subject to Senate Confirmation Name of Congressional Committee Considering Nomination: <u>None</u> Committee on Agriculture, Nutrition and Forestry Do You Intend to Create a Qualified Divorced Trust? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | Termination Period Incumbent: The reporting period is the preceding calendar year except Part B of Schedule C and Part I of Schedule D where you must include the filing year up to the date of filing. Part II of Schedule D is not applicable. | | | |
| Signature of Reporting Individual <u>Dallas P. Tonsager</u> Date (Month, Day, Year): <u>1/2/15</u> | | Signature of Other Reviewer <u>Wanda L. Wagnon, CEO</u> Date (Month, Day, Year): <u>1/2/2015</u> | | | |
| Signature of Designated Agency Ethics Official/Reviewing Official <u>Wanda L. Wagnon, CEO</u> Date (Month, Day, Year): <u>1/2/2015</u> | | Signature of Other Reviewer <u>Wanda L. Wagnon, CEO</u> Date (Month, Day, Year): <u>1/2/2015</u> | | | |
| Agency Ethics Official's Opinion On the basis of the information provided in this report, I conclude that the filer is in compliance with applicable laws and regulations (subject to any comments in the next column). | | Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet) (Check box if filing extension granted & indicate number of days) <input type="checkbox"/> | | | |
| Office of Government Ethics Use Only | | Agency Use Only | | | |
| Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet) | | Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet) | | | |

Supplemental Print Edition

SCHEDULE A

Page Number 2

| BLOCK A | | BLOCK B | | | | | | | | | | BLOCK C | | | | | | | | | | | | | | Income: type and amount, if "None (or less than \$201)" is checked, no other entry is needed in Block C for that item. | | | | | | |
|--|---|--|--------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------|----------------------------|------------------------------|--------------------|--------------------------|----------------|-----------------|-----------|--------------------|----------|---------------|---------------------------|-----------------|-------------------|-------------------|--------------------|---------------------|--|-------------------------|---|------------------|----------------------------------|--|--|
| Assets and Income | | Valuation of Assets at close of reporting period | | | | | | | | | | | | Type | | | | | | | Amount | | | | | | | Other Income (Specify Type & Actual Amount) | | Date (Mo./Yr.) Only if Honoraria | | |
| For you, your spouse, and dependent children, report the income from each asset or source during the reporting period, together with such income. For yourself, also report the source and actual amount of income exceeding \$201 (other than from the IRS) that you received or reported the source but not the amount of earned income of more than \$1,000 (except report the actual amount of any honoraria over \$201 of your spouse). None <input type="checkbox"/> | | None (or less than \$1,001) | \$1,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | Over \$1,000,000* | \$5,000,001 - \$50,000,000 | \$50,000,001 - \$500,000,000 | Over \$500,000,000 | Excepted Investment Fund | Excepted Trust | Qualified Trust | Dividends | Rent and Royalties | Interest | Capital Gains | None (or less than \$201) | \$201 - \$1,000 | \$1,001 - \$2,500 | \$2,501 - \$5,000 | \$5,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$1,000,000 | Over \$1,000,001 - \$5,000,000 | Over \$5,000,001 | | | |
| Examples: | | | | | | | | | | | | | | | | x | | | | | | x | | | | | | | | | | |
| Central Airlines Common | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dix-Jones & Smith, Homestead, S.W. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Kempstone Equity Fund | | | | | | x | | | | | | | x | | | | | | | | | | | | | | | | | | | |
| I.R.A. Heiland 500 Index Fund | | | | | | | | x | | | | | x | | | | | | | | | | | | | | | | | | | |
| 1 | Farmhand/Fram Equipment (480 Acres) Odham, South Dakota | | | | | | | x | | | | | | | | | x | | | | | | | | | | | | | | | |
| 2 | Familand (200 Acres) owned jointly with brother. I own one half. Odham South Dakota | | | | | | | | x | | | | | | | | x | | | | | | | | | | | | | | | |
| 3 | Wells Fargo IRA FIRST TRUST EQUITY INCM PORT 38 REIN | | | x | | | | | | | | | x | | | | | | | | | | | | | | | | | | | |
| 4 | Wells Fargo IRA | | | x | | | | | | | | | x | | | | | | | | | | | | | | | | | | | |
| 5 | Federated Investors IRA Federated International Fund A | | | x | | | | | | | | | x | | | | | | | | | | | | | | | | | | | |
| 6 | Federated Investors IRA Federated Equity Income Fund A | | | x | | | | | | | | | x | | | | | | | | | | | | | | | | | | | |

* This category applies only if the assets/income is solely that of the filer's spouse or dependent children. If the assets/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value appropriate.

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

SCHEDULE A continued
(Use only if needed)

Reporting Individual's Name
Tonsager, Dallas P

Page Number

3 of 7

[illegible]

This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

OGE Form 278 (Rev. 12/2011)
5 C.F.R. Part 2634
U.S. Office of Government Ethics

Do not complete Schedule B if you are a new entrant, nominee, or Vice Presidential or Presidential Candidate

| Reporting Individual's Name Torres, Dallas P | | SCHEDULE B | | Page Number 4 of 7 |
|---|--|--|------|------------------------------|
| <p>Part I: Transactions</p> <p>Do not report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.</p> <p>Report any purchase, sale, or exchange by you, your spouse, or dependent children during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the transaction exceeded \$1,000. Include transactions that resulted in a loss.</p> | | | | |
| Identification of Assets | | Transaction Type (a) | | Date (Mo., Day, Yr.) |
| | | Purchase | Sale | Divestiture |
| Example: Central Airlines Common | | X | | 2/1/99 |
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |
| <p>Part II: Gifts, Reimbursements, and Travel Expenses</p> <p>For you, your spouse and dependent children, report the source, a brief description, and the value of: (1) gifts each month; (2) travel-related cash reimbursements received from one source totaling more than \$350. For conflicts analysis, it is helpful to indicate a basis for receipt, such as personal friend, agency approval under 5 U.S.C. § 4111 or other statutory authority, etc. For travel-related gifts and reimbursements, include travel itinerary, dates, and the nature of expenses provided. Exclude anything given to you by the U.S. Government, given to your agency in connection with official travel; received from relatives; received by your spouse or dependent child totally independent of their relationship to you; or provided as personal hospitality at the donor's residence. Also, for purposes of aggregating gifts to determine the total value from one source, exclude items worth \$140 or less. See instructions for other exclusions.</p> <p><input type="checkbox"/> None</p> | | | | |
| Source (Name and Address) | | Brief Description | | Value |
| Example: Mr./Mrs. of Buck Collectors, 814 W. Frank Jones, San Francisco, CA | | Airline ticket, hotel room & meals incident to national conference 6/15/99 (personal activity unrelated to duty) | | \$500 |
| 1 | | | | \$365 |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |
| 5 | | | | |

| SCHEDULE C | | Page Number 6 of 7 | | | |
|---|---|------------------------------------|---------------|--------------------|---------------------------------|
| <p>Part I: Liabilities</p> <p>Report liabilities over \$10,000 owed to any one creditor at any time during the reporting period by you, your spouse, or dependent children. Exclude the highest amount owed during the reporting period. Exclude accounts.</p> <p>None <input type="checkbox"/></p> | | | | | |
| Creditor (Name and Address) | Type of Liability | Date Incurred | Interest Rate | Term if applicable | Category of Amount or Value (k) |
| <i>Example</i> First Bank, Washington, DC | Mortgage on principal residence | 1991 | 8% | 25 yrs. | Over \$50,000,000 |
| Wells Fargo San Francisco, CA, US | Student Loan | 1999 | 10% | on demand | Over \$50,000,000 |
| Wells Fargo San Francisco, CA, US | Student Loan | 2004 | 3.5% | 25 years | \$1,000,000 - \$5,000,000 |
| Security First State Bank, Valerline, NELUS | Personal Loan for Farmhand on 480 acres | 2011 | 4.5% | 15 years | \$500,000 - \$1,000,000 |
| Intentionally blank | | | | | |
| Farm Credit Services of America | Farmhand Loan joint with brother on 200 acres | 2013 | 4% | 5 years | \$100,000 - \$500,000 |
| Wells Fargo San Francisco, CA, US | Home Equity Line of Credit | 2012 | 4.4% | variable 36 mos. | \$1,000,000 - \$5,000,000 |
| <p>*This category applies only if the liability is solely that of the filer's spouse or dependent children. If the liability is that of the filer or a joint liability of the filer with the spouse or dependent children, mark the other higher categories, as appropriate.</p> | | | | | |
| <p>Part II: Agreements or Arrangements</p> <p>Report your agreements or arrangements for: (1) continuing participation in an employee benefit plan (e.g. pension, 401k, deferred compensation); (2) continuation of payment by a former employer (including severance payments); (3) leaves of absence; and (4) future employment. See instructions regarding the reporting of negotiations for any of these arrangements or benefits.</p> <p>None <input checked="" type="checkbox"/></p> | | | | | |
| Status and Terms of any Agreement or Arrangement | | Parties | Date | | |
| <p><i>Example</i> Pursuant to partnership agreement, will receive lump sum payment of capital account & partnership share calculated on service performed through 1/1/16.</p> | | Don Jones & Smith, Hometown, State | 7/85 | | |
| 1 | | | | | |
| 2 | | | | | |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |

OMB Form 278 (Rev. 12/2011)
5 C.F.R. Part 2624
U.S. Office of Governmental Ethics

| Reporting Individual's Name Tonsager, Dallas P | | Page Number 7 of 7 | |
|--|---|---|-----------------------------|
| SCHEDULE D | | | |
| <p>Part I: Positions Held Outside U.S. Government Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature. None <input type="checkbox"/></p> | | | |
| 1 | Organization (Name and Address) | Type of Organization | Position Held |
| Example: | Met Assn. of Rock Collectors, NY, NY Doe Jones & Smith, Hometown, State | Non-profit education Law firm | President Partner |
| 1 | Tonsager Consulting, LLC, McLean, VA (to be disclosed) | Consulting (fired development) | Owner 07/2013 Present |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |
| <p>Part II: Compensation in Excess of \$5,000 Paid by One Source Report sources of more than \$5,000 compensation received by you or your business affiliation for services provided directly by you during any one year of the reporting period. This includes the names of clients and customers of any corporation, firm, partnership, or other business enterprise, or any other non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source. None <input checked="" type="checkbox"/></p> | | | |
| 1 | Source (Name and Address) | Brief Description of Duties | |
| Example: | Doe Jones & Smith, Hometown, State Metro University (client of Doe Jones & Smith), Hometown, State | Legal services Legal services in connection with university construction | |
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |

ETHICS AGREEMENT

January 27, 2015

Wendy R. Laguarda
Designated Agency Ethics Official & Assistant General Counsel
Office of General Counsel
FARM CREDIT ADMINISTRATION
1501 Farm Credit Drive
McLean, VA 22102-5090
(703) 883-4234

Dear Ms. Laguarda:

The purpose of this letter is to describe the steps that I will take to avoid any actual or apparent conflict of interest in the event that I am confirmed for the position of Board Member of the Farm Credit Administration (FCA).

As required by 18 U.S.C. 208(a), I will not participate personally and substantially in any particular matter in which I know that I have a financial interest or in which I know that a person whose interests are imputed to me has a financial interest, if the particular matter has a direct and predictable effect on that interest, unless I first obtain a written waiver, pursuant to 18 U.S.C. § 208(b)(1), or qualify for a regulatory exemption, pursuant to 18 U.S.C. § 208(b)(2). I understand that the interests of the following persons are imputed to me: any spouse or minor child of mine; any general partner of a partnership in which I am a limited or general partner; any organization in which I serve as officer, director, trustee, general partner or employee; and any person or organization with which I am negotiating or have an arrangement concerning prospective employment.

I own 200 acres of farmland with a family member in Oldham, South Dakota. I understand that this joint ownership may be construed as a general partnership by operation of law. The family member and I have an outstanding loan with Farm Credit Services (FCS) of America (FCS of America or the Association), a lending institution regulated by the FCA. Because FCS of America is a cooperative, I own a small amount of stock in that entity and have the right to receive a patronage allocation from the Association. The family member has three other farm loans with FCS of America, one of them is through FCS of America's limited liability partnership (LLP), AgDirect, LLP (AgDirect). As a general partner, the family member's financial interests, including the loans with FCS of America, would be imputed to me.

Within 90 days of the date of my confirmation, the family member and I will pay off the remaining balance of the loan owed to FCS of America on the 200 acres of farmland. We will refinance the FCS of America loan with a bank from outside of the Farm Credit System. By paying off the FCS of America loan, both my stock interest in the Association and the right to any future patronage allocation also will be relinquished. In addition, the family member and I

will create a limited liability company (LLC), which will consist of the 200 acres of farmland that we currently jointly own, within 90 days of the date of my confirmation. The family member will serve as the sole managing member of the LLC and I will receive passive investment income only as a member of the LLC. Until the loan owed to FCS of America is paid off and the LLC is established, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of AgDirect or FCS of America, unless I obtain a written waiver pursuant to 18 U.S.C. § 208(b)(1).

I also own 480 acres of farmland in Oldham, South Dakota. The farmland is leased to a family member on a fixed-cash lease basis. I will continue to have a financial interest in the farmland but I will not actively engage in the farming operation. Instead, I will receive passive rental income only from the farmland.

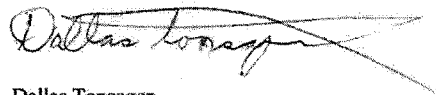
I own a rural development consulting company called Tonsager Consulting, LLC that is in the developmental stage; it does not have any clients, has not produced any income, and has no value. I will dissolve Tonsager Consulting, LLC within 90 days of my confirmation. Until the Tonsager Consulting, LLC is dissolved, I will not participate personally and substantially in any particular matter that has a direct and predictable effect on the financial interests of Tonsager Consulting, LLC, unless I obtain a written waiver pursuant to 18 U.S.C. § 208(b)(1).

Finally, once appointed to the FCA Board, I will execute a screening arrangement with my executive assistant, in which my executive assistant will screen all materials coming before me to ensure that I remain in compliance with the required recusals under this Ethics Agreement during my tenure on the FCA Board.

I understand that as an appointee I am required to sign the Ethics Pledge (Exec. Order No. 13490) and that I will be bound by the requirements and restrictions therein in addition to the commitments I have made in this ethics agreement. I will sign the Pledge after my confirmation but before my appointment to the FCA Board.

I have been advised that this ethics agreement will be posted publicly, consistent with 5 U.S.C. § 552, on the website of the U.S. Office of Government Ethics with other ethics agreements of Presidential nominees who file public financial disclosure reports.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dallas Tonsager", with a long horizontal flourish extending to the right.

Dallas Tonsager

Mr. Dallas Tonsager
1800 Old Meadow Road, Apt. 1017
McLean, Virginia 22102
(605) 461-3937-Cell

February 19, 2015

The Honorable Pat Roberts, Chairman
U.S. Senate Committee on Agriculture, Nutrition & Forestry
328A Russell Senate Office Building
Washington, DC, 20510-6000
(202) 224-2035

Dear Mr. Chairman:

On January 27, 2015, the Farm Credit Administration (FCA) sent a copy of my Public Financial Disclosure Report (SF 278) to the Office of Government Ethics. I am required to complete the SF 278 for my nomination to serve as Member of the FCA Board. The SF 278 contains all required financial information for the relevant reporting periods through January 2, 2105. However, under the Ethics in Government Act of 1978, as amended, I must update certain information on the SF 278 to accurately reflect its status as of five days before the date of my confirmation hearing before your Committee. The date for my confirmation hearing is February 24, 2015.

5-Day Update

Section 202(a) of the Ethics in Government Act requires an update of any income (other than dividends, interest, rents, and capital gains) and honoraria that my spouse or I have received since filing the SF 278. Since the January 2, 2015 filing of my SF 278, my spouse and I have received the following honoraria and income:

None

I believe that I have satisfied all financial reporting requirements with this updated information. I would be happy to respond to any questions you may have.

Sincerely,


Mr. Dallas Tonsager

cc: Wendy R. Laguarda, DAEO
Office of General Counsel

Walter M. Shaub, Jr., Director
U.S. Office of Government Ethics

Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102

Suite 500
1201 New York Avenue, N.W.
Washington, D.C. 20005-3917

QUESTIONS AND ANSWERS

FEBRUARY 24, 2015

Senate Committee on Agriculture, Nutrition & Forestry
Farm Credit Administration pending nominations
February 24, 2015
Questions for the Record
Mr. Jeffery S. Hall

Chairman Roberts

1. Another Government Sponsored Enterprise (GSE) under the Farm Credit Administration's jurisdiction is Farmer Mac. As with a number of other GSE's, Farmer Mac experienced significant financial losses during the economic downturn of 2008. It has since recovered, is strong today and remains an important partner to both System lenders and our banks. What lessons were learned after 2008 and what safeguards has the Farm Credit Administration put in place to make sure something similar does not happen again?

Many financial institutions became complacent regarding housing-related investments and overly relied on the rating agencies in evaluating risk. It is my understanding the Farm Credit Administration plans to propose amendments to investment regulations to remove references to external ratings and implement clearer rules regarding eligible investment asset classes.

2. Over the course of the past few years, there was concern from some about shareholders' role in decision-making, especially related to system institutions compensation. In fact, clarifying language on this point was included as part of the Farm Bill (Section 5404). Are there unique factors that should be considered as the Farm Credit Administration reviews rules of senior officers of system institutions? Do you have thoughts on the transparency of this type of information?

It is the responsibility of the institution's board to determine compensation rates. Customers of the local institution, almost always farmers and ranchers, elect a board of directors to operate and manage the local institution. The role of the FCA Board is to determine whether each institution is complying with the law and being operated in safe and sound manner and take prompt corrective actions to ensure the System remains a dependable source of credit and financial services for its borrowers. I would support the FCA board providing additional guidance to association board members if they need help reviewing compensation packages.

Ranking Member Stabenow

1. You both have been nominated to serve at a very interesting time for America's farmers and ranchers. Grain prices have fallen. Meat and dairy prices remain strong, but we're now seeing more volatility in those markets as well. There's persistent drought out West, where the Farm Credit System has significant concentration on its balance sheets. We've seen trade barriers suddenly shut off foreign markets on which producers depend. **If confirmed, how will the**

current state of the farm economy shape your decision making? How will you both work with regulated institutions to account for the factors I mentioned when providing credit to rural communities while also maintaining the strength of the system?

As a safety and soundness regulator, the FCA always has to be aware of market conditions. Current conditions in the agriculture economy cause concern but not alarm. As the question suggests, market segments are performing differently and Farm Credit System institutions know its borrowers best. Regulation needs to be flexible. Congress created the FCA as a small, regulatory agency that nimbly responds to the unique needs of farmers and ranchers in the volatile agriculture economy.

2. **The Farm Credit System's singular rural mission sits at the heart of why farmers, ranchers, and agribusinesses nationwide choose to work with system institutions. That trust is compromised when FCS borrowers and the public believe that the FCS is engaging in activities that go astray of its mission. The System's authority for similar entity lending, in particular, is cited by the commercial banking sector and others as a place where FCS institutions can fall short of fulfilling their mission. If confirmed, will you both commit to working with your colleagues at the FCA to protect the System's reputation as a reliable financing partner for farmers, ranchers, and rural communities? How will you counsel FCS institutions under your oversight on similar entity lending decisions and other issues to achieve that goal?**

Congress gave the system similar entity authority as a risk management tool more than 20 years ago. The authority allows the system to diversify its loan portfolio by working with non-system, commercial lending institutions. Reputational risk to the system posed by any transaction must be a constant concern. The Farm Credit System is a government sponsored enterprise with a public purpose mission. This mission means the role of the FCA as an arms-length regulator goes beyond the obligation to confirm institutional compliance with the Farm Credit Act. Communication with the Agriculture Committee members and staff is necessary to discern Congressional intent of this authority.

3. **You both have strong credentials to serve on the FCA board. You also bring different personal experiences the job, a couple of which I would like to highlight. You served from 2001 to 2009 as Executive Director of the Farm Service Agency in Kentucky. That's a demanding job, serving as the interface between producers and the agency that administers the tools they depend on. When you both look back on these experiences, what stands out as key lessons for the job you're applying for now? What's something that has changed since that time?**

As State FSA director I learned first-hand how important it is for producers to know the rules, practices and procedures of the farm programs. Farmers would meet with us in person daily to better understand what participation in the several FSA programs required. It is the job of FSA to present the facts, both pro and con, allowing the producer to make the most informed management decisions for his or her own farm. As an FCA board member I will listen to the facts and make my own decisions based on what I think is best for the safety and soundness of the Farm Credit System.

I learned a lot by visiting county FSA offices and meeting local office employees and producers. I intend to do the same in this position and visit with the 4 banks, the several associations and producers. One of the things that have changed since that time is that producers are getting information from more sources than ever before. It becomes even more important that the FCA communicates more clearly and effectively with the system and its customers. Too often rules and regulations are written so that only the author and lawyers understand it.

Senate Committee on Agriculture, Nutrition & Forestry
Farm Credit Administration pending nominations
February 24, 2015
Questions for the Record
The Honorable Dallas P. Tonsager

Chairman Roberts

1. Another Government Sponsored Enterprise (GSE) under the Farm Credit Administration's jurisdiction is Farmer Mac. As with a number of other GSE's, Farmer Mac experienced significant financial losses during the economic downturn of 2008. It has since recovered, is strong today and remains an important partner to both System lenders and our banks. What lessons were learned after 2008 and what safeguards has the Farm Credit Administration put in place to make sure something similar does not happen again?

Farmer Mac was created by congress in 1987 to provide a secondary market for agricultural lenders and rural utility cooperative loans. The Farm Credit System stepped in to stabilize Farmer Mac in 2008 when non-farm credit system investments resulted in losses. The FCA routinely examines Farmer Mac to evaluate its safety and soundness. If confirmed, I will request a briefing on the most recent examination and on specific changes the FCA made or is making to ensure Farmer Mac continues to achieve its mission.

2. Over the course of the past few years, there was concern from some about shareholders' role in decision-making, especially related to system institutions compensation. In fact, clarifying language on this point was included as part of the Farm Bill (Section 5404). Are there unique factors that should be considered as the Farm Credit Administration reviews rules of senior officers of system institutions? Do you have thoughts on the transparency of this type of information?

Compensation practices of a Farm Credit Institution are the responsibility of the bank or local association's board. Given the cooperative nature of the system, compensation practices must be transparent so member-borrowers can make informed decisions when electing the board. The role of the FCA's board is to ensure the institution is complying with the law and being operated in safe and sound manner.

3. Mr. Tonsager, one of the many concerns Members of Congress have with the growing size of our federal government is that there is so much overlapping duplication among a number of programs thought out different agencies. What is even more concerning is when that duplication seems to compete with services offered by entities in the private sector. What, if any, duplication do you see between lending authorized under the Farm Credit System, and lending programs that you administered during your time as Undersecretary of Rural Development?

While there are some similarities in the borrowing base of both the Farm Credit System and USDA's Rural Development, there are clear distinctions between the statutory authorities. Also, the missions don't overlap but complement each other. There are opportunities to find partnerships between the complimentary missions, but there is very little overlap.

Ranking Member Stabenow

1. You both have been nominated to serve at a very interesting time for America's farmers and ranchers. Grain prices have fallen. Meat and dairy prices remain strong, but we're now seeing more volatility in those markets as well. There's persistent drought out West, where the Farm Credit System has significant concentration on its balance sheets. We've seen trade barriers suddenly shut off foreign markets on which producers depend. **If confirmed, how will the current state of the farm economy shape your decision making? How will you both work with regulated institutions to account for the factors I mentioned when providing credit to rural communities while also maintaining the strength of the system?**

The Farm Credit System's unique mission does not allow the institutions to decide whether to enter or exit the agricultural credit marketplace. Service to agricultural producers through good times and bad is central to its mission. After the agricultural crisis of the 1980's, Congress reemphasized the System's commitment to assist producers through tough times by providing farmer borrowers the right to restructure their loans. I will continue to work closely with System institutions to ensure the equitable treatment of distressed producers due to adverse economic conditions, while at the same time ensuring the institutions remain safe and sound.

2. The Farm Credit System's singular rural mission sits at the heart of why farmers, ranchers, and agribusinesses nationwide choose to work with system institutions. That trust is compromised when FCS borrowers and the public believe that the FCS is engaging in activities that go astray of its mission. The System's authority for similar entity lending, in particular, is cited by the commercial banking sector and others as a place where FCS institutions can fall short of fulfilling their mission. **If confirmed, will you both commit to working with your colleagues at the FCA to protect the System's reputation as a reliable financing partner for farmers, ranchers, and rural communities? How will you counsel FCS institutions under your oversight on similar entity lending decisions and other issues to achieve that goal?**

If confirmed, I am committed to working with the other board members to protect the System's reputation. This particular part of the statute provides latitude which was given to the system for the purpose of risk management. While the definition of similar entity means a loan that is otherwise ineligible, care must be taken to reflect the mission of the System. As with any government sponsored entity, the public trust is a paramount concern. Genuine risks to the reputation of the system need to be mitigated if not avoided.

3. You both have strong credentials to serve on the FCA board. You also bring different personal experiences the job, a couple of which I would like to highlight. You served as Under Secretary for Rural Development at USDA from 2009 to 2013. This position represents the strong

commitment our country has to meeting the changing infrastructure and financial needs of rural America. **When you both look back on these experiences, what stands out as key lessons for the job you're applying for now? What's something that has changed since that time?**

The Under Secretary for Rural Development must take a broad and general approach to each and every policy decision. What may be good for one region of the country may not help or could be detrimental to another region. An FCA board member must take the same approach. The safety and soundness of the Farm Credit System must be the paramount concern of the FCA board.

The business of farming has changed over the years, but not much has changed in the two years since I was the Under Secretary for Rural Development.

Senate Committee on Agriculture, Nutrition & Forestry
The Agricultural Act of 2014 implementation after one year

February 24, 2015
 Questions for the Record
Secretary Tom Vilsack

Chairman Pat Roberts

1) Base and Yield Decisions Guidance

In testimony, you indicated that USDA has sent more than 2.9 million educational postcards to producers with the original deadline of February 27 for landowners to update farm yield history and reallocate base acres. I also understand that information was sent to Farm Service Agency state and county offices providing guidance on a register process. Now that the deadline has been extended until March 31, 2015, how has USDA communicated the deadline change to FSA offices and directly to producers?

Response: USDA has been conducting extensive producer and owner education and outreach on this program since 2014. Over 3,500 producer education activities and more than 600 FSA employee speaking engagements on ARC and PLC took place between August 2014 and February 26, 2015. Those events are continuing. Nearly 3 million postcards were mailed directly to land owners and producers in February 2015 and 2.2 million were mailed in March 2015 as a reminder of the April 7 deadline.

2) Reports - Producer Decisions and Elections

At the hearing, you mentioned that you have been receiving weekly and more recently daily reports regarding the number of producers that have made base and yield decisions as well as elected either the Agriculture Risk Coverage (ARC) or Price Loss Coverage (PLC) programs. These reports would be helpful for the Committee to understand which states and regions of the country may be having issues with implementation. Will the information contained in these progress reports be made available to producers? Will USDA commit to sharing the reports regarding producer decisions and elections, including a state-by-state breakdown, with the Senate Agriculture Committee?

Response: The Department will continue to share information with Committee staff as it is available.

3) ARC/ PLC Election Deadlines

After extending the deadline for the base and yield decisions to the same deadline for ARC and PLC elections, March 31, 2015, how will USDA and FSA work avoid the need for a similar extension of deadlines? If a register process is needed, will you provide the Committee any guidance that is distributed to state and county FSA offices?

Response: We are confident that our aggressive outreach to encourage yield update and program election has enabled producers to be able to meet the April 7 deadline. Normal procedures are in place in the 1-CM Handbook on how to take a register.

4) Crop Insurance:

As the Risk Management Agency (RMA) works to implement the new crop insurance programs and other policy changes from the 2014 Farm Bill, what is the Administration doing to ensure that crop insurance continues to be a viable and available tool for farmers?

Response: The Department supports the availability of a strong farm safety net, including access to crop insurance programs. RMA's mission is to preserve and strengthen the economic stability of agricultural producers across America; operate and manage the Federal Crop Insurance Corporation; and, promote, support, and regulate sound risk management solutions. The agency develops and approves policy terms, rates and prices and reviews new products. It partners with Approved Insurance Providers to ensure the availability of appropriate insurance policies.

In addition, the President's 2016 Budget includes the following two proposals that will make the coverage more effective, potentially increase crop production, and make the program less costly to the taxpayer while still maintaining a safety net for farmers:

- Reform prevented planting coverage, including adjustments to payment rates.
- Reduce subsidies for revenue insurance that insure the price at the time of harvest by 10 percentage points.

5) Crop Insurance Delivery

Are you concerned with the financial health of crop insurance providers? Will you work with me to help determine what can be done to ensure that private sector delivery of crop insurance remains viable so that farmers and ranchers can continue to be well-served?

Response: The Department is committed to continuing the strong public private partnership of the Federal Crop Insurance Program, including through work with Congress. In 2011, the insurance industry had an 18% rate of return on retained premium. A historic drought affected the industry profitability in 2012 and 2013. We expect a healthier year for them in 2014. Our latest estimate is a \$800 million underwriting gain in addition to the \$1.4 billion in operating expenses. We are confident that over the long term there will be significant profitability for insurance companies.

6) Conservation Compliance

The Farm Bill re-attached wetland compliance (WC) and highly erodible land (HEL) conservation compliance requirements to crop insurance. To implement, administer, and enforce this new requirement, I understand that this will involve the coordination of three separate USDA agencies – the Farm Service Agency (FSA), the Risk Management Agency (RMA), and the Natural Resources Conservation Service (NRCS). The multi-agency process will involve some complexity both from an agency administration perspective and from the perspective of a new producer learning how to come into compliance for the first time. I have heard from several producer groups about confusion with regard to the revised AD-1026 form that USDA issued to the field. What activities has USDA conducted for outreach purposes regarding guidance on the revised AD-1026 form and conservation compliance requirements, particularly with groups that are new to conservation compliance? Will you commit to having representatives from these three agencies communicate and provide information on a continual basis to my staff as deadlines are met and as regulations become finalized?

Response: USDA has a 29 year legacy of conservation compliance implementation with producers participating in commodity and conservation programs. The Department, through the three agencies mentioned in the question, has been conducting producer education and outreach on conservation

compliance since 2014. This includes brochures, Frequently Asked Questions documents, webinars, forms, fact sheets, trainings, list of crops, rulemaking, direct letter mailings, roundtables, and other communications to ensure that producers are informed of the changes required by the 2014 Farm Bill and of how to properly fill out and submit the revised Form AD-1026. The Department will continue to communicate with Committee staff on implementation of the Farm Bill, including conservation compliance.

7) Upcoming Rulemaking

Your testimony and conversation at the hearing centered primarily on what USDA has been able to accomplish over the first year of implementation for the 2014 Farm Bill. But, it was clear that several members of the Committee are interested in being kept informed as future implementation rules are proposed and finalized, particularly conservation compliance and actively engaged. Will you and your staff commit to communicating with committee members and staff as additional rules are proposed?

Response: Yes.

8) Country of Origin Labeling (COOL)

The Farm Bill authorized an economic analysis on the impacts of Country of Origin Labeling. When do you expect this report to be complete? Will it be complete before the WTO appellate body ruling on the U.S. labeling law is made?

Response: The *Agricultural Act of 2014* directed the Secretary of Agriculture, acting through the Office of the Chief Economist (OCE), to conduct an economic analysis of mandatory country of labeling (COOL) within 180 days of enactment. The directive specified that the economic analysis include, with respect to the labeling of beef, pork, and chicken, analysis of the impact on consumers, producers, and packers in the United States with regard to (1) implementation of the COOL subtitle and (2) the final rule published in the May 14, 2013, *Federal Register* that amended the COOL regulations.

Given the short time line for the analysis, limited staff resources, and competing priorities for Farm Bill program implementation, the Office of the Chief Economist (OCE) contracted to conduct a study to help fulfill the Farm Bill directive. The report should be submitted to Congress this spring.

9) Catastrophic Disease Outbreak Insurance Study for Poultry

The U.S. poultry industry is becoming increasingly export oriented--almost 20 percent of the chicken raised in the U.S. is exported. With that increasing foreign demand comes greater risk for demand disruptions by foreign customers in the case of domestic disease outbreaks, whether or not those disease threats pose real or perceived risks to food safety. What is the status of the Catastrophic Disease Outbreak Insurance Study for Poultry?

Response: The report to Congress will be delivered in Fall 2015.

10) Food Safety Insurance Program for specialty crop growers

The Farm Bill authorized a study on development of a Food Safety Insurance Program for specialty crop growers. In many cases of food contamination linked back to specialty crops, farmers are driven out of the agriculture sector because they cannot withstand the immense costs they must incur to address the contamination problem. We want to preserve farmers staying on the land and growing food, and I'm curious to hear if the option of purchasing some form of food safety insurance will be feasible for specialty crop growers?

Response: The report to Congress will be delivered to Congress in Spring 2015.

11) Regulatory Certainty:

A NRCS report entitled, "Climate Change Vulnerability Assessment and Adaptation Plan 2014," states that the agency is working on regulatory certainty for agricultural producers through various landscape-scale initiatives. The report also mentions that NRCS is working with regulators to promote the concept of certainty for agricultural producers for the voluntary conservation systems they implement in response to current and potential regulations. Can you provide a complete list of initiatives or agreements that NRCS is in the process of considering or has finalized with regard to regulatory certainty agreements?

Response: NRCS works with other federal and state agencies and other non-governmental partners to facilitate regulatory certainty for producers while expanding the reach of public and private conservation efforts in critical regions. The type and mechanism for regulatory certainty or predictability varies based on the type of natural resource concern. In all cases, it is the regulatory agency that provides the assurances and NRCS provides assistance to producers.

1. Regulatory Certainty for Wildlife Species: Through the NRCS partnership with the US Fish and Wildlife Service, NRCS is able to assist agricultural producers gain regulatory predictability under the Endangered Species Act. ESA predictability from USFWS stems from a producer's conservation plan on file with NRCS, whether or not that producer chooses to participate in NRCS programs. Species being addressed include the Lesser Prairie Chicken, New England Cottontail, Greater Sage Grouse, Southwestern Willow Flycatcher, Gopher Tortoise, Bog Turtle, and Golden-Winged Warbler.
2. Water Quality: In the case of water quality, States have regulatory authority over nonpoint sources and may choose to provide producers with assurances regarding future regulatory actions. USDA fully supports states' efforts to explore, develop and implement agricultural certainty programs. USDA does not lead the development or administration of Certainty programs, but has supported States by:
 - Providing technical assistance and consultation to States and stakeholders interested in developing programs
 - Prioritizing financial and technical assistance for producers participating in Certainty programs, consistent with USDA authorities.
3. Other: USDA has worked with States at varying stages of developing and implementing their Certainty programs. In some cases, the Department has provided information and served as an advisor to States exploring the concept. In other instances, USDA has played a larger role. For example, in January 2012, Secretary Vilsack travelled to Minnesota to sign an MOU to help the State of Minnesota develop a Water Quality Certification Program and NRCS has provided dedicated EQIP financial assistance to producers participating in the program pilot. In Maryland, an NRCS Conservation Innovation Grant supported development of the State's Agricultural Certainty Program which was passed into law in 2013 and regulations for which were published in the fall of 2014. NRCS has developed EQIP ranking questions to prioritize participants in this certainty program once it is available to producers. NRCS has also been involved in multiple state-level stakeholder efforts in Vermont, Iowa and Oklahoma. NRCS works to support states in their efforts to

develop these programs for producers and is available to offer technical expertise as appropriate.

Senator Thad Cochran

- 1) **Section 9003 – Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program:** The Agricultural Act of 2014 renamed, extended and expanded the Biorefinery Assistance Program to include renewable chemical and biobased product manufacturing. The Joint Explanatory Statement of the Committee of Conference provides clarity to ensure that the program changes in the 2014 Farm Bill will result in grant and loan guarantee availability for the development and construction of renewable chemical and biobased product manufacturing facilities. Will the Department's final regulations reflect congressional intent of supporting renewable chemical biorefinery projects through the amended Biorefinery Assistance Program?

Response: The 2014 Farm Bill made the 9003 program more accessible to facilities producing renewable chemicals and to facilities producing biobased products for end-use. It also requires the Agency to ensure diversity in the types of projects approved.

- 2) **Margin Coverage for Catfish –** Section 11022 of the Agricultural Act of 2014 instructed the Risk Management Agency to enter into a contract with a qualified entity to conduct research and development regarding a policy to insure catfish producers against reduction in the margin between the market value of catfish and costs incurred during the production process. What is the status of the Department's progress in carrying out this directive?

Response: The Department expects to enter into this contract in Spring 2015. The Department expects the study to be completed in Spring 2016.

Senator John Boozman

1. The 2014 Farm Bill included a single, unified payment limit that applies to ARC, PLC, and marketing loan programs. For farmers who utilize the marketing loan program and market their crops through multiple channels, this has created some difficulties. Reportedly, FSA is currently unable to track these transactions. How is the implementation of the unified payment limit proceeding, what challenges has the USDA encountered, and what are some potential solutions to ensure the marketing loan continues to function as intended to minimize commodity forfeitures and encourage loan redemptions?

Response: The 2014 Farm Bill expanded payment limit and actively engaged eligibility requirements to the market loan gains (MLGs) and loan deficiency payments (LDPs) associated with MALs. FSA is developing a system to provide real-time information on payment limits to prevent improper LDPs and MLGs. In the interim, FSA has engaged with the cotton industry through the National Cotton Council to develop a reporting process that will register the MLGs and LDPs made by the cooperatives.

2. Thank you for working with rural Arkansans by extending eligibility for the agency's rural housing program until unresolved issues with the "rural in character" determination are properly addressed. As you know, this issue is of great concern in Arkansas and around the country. Please provide an update on this issue, and what is the timeline for a final resolution?

Response: Agency work regarding “rural in character” designations and determinations is suspended through FY 2015. The agency is currently and will continue to review its determinations procedures and will modify those procedures following a full review.

Ranking Member Debbie Stabenow

Work Pilot Programs

In the 3 ½ years we spent writing the Farm Bill, the committee did a top to bottom review of the Supplemental Nutrition Assistance Program (SNAP) to address fraud and misuse and better meet the needs of participants. One of the areas we focused on was work. Although we know the majority of SNAP recipients are working, we know some participants have barriers, so the Farm Bill included new pilot authority to help SNAP recipients to gain skills that result in new or improved job opportunities.

Can you tell us more about the Department’s overall employment and training efforts and how this new authority can help lift families out of poverty rather than just kicked off of food assistance?

Response: SNAP helps millions of hardworking families put food on the table. As the economy improves, we are starting to see SNAP participation beginning to gradually decline. The best way we can reduce the need for SNAP is to help SNAP participants who are able to work to prepare for, find, and keep good-paying jobs. And for those who are already working and participating in SNAP—more than half of SNAP households with at least one working-age, non-disabled adult—we can help them learn the skills they need for in-demand, higher-paying jobs so that in time they will no longer need assistance. While they are working toward that goal, SNAP provides vital nutrition support.

All States are required to operate a SNAP Employment and Training (E&T) program. SNAP E&T programs help people gain education and skills that have value in the labor market. They also provide services to reduce barriers to work, such as supportive services, job retention services, and reimbursements for transportation and childcare expenses. We know that workers with higher levels of education and skills are more likely to be employed and have higher earnings. As earnings increase, a household’s SNAP benefits gradually decrease until the family no longer needs assistance.

USDA provides \$90 million per year in 100 percent Federal funding to support State SNAP E&T programs. USDA also reimburses States 50 percent for costs above that amount, and for reimbursement of certain participant expenses. Most States are not fully utilizing their existing E&T grants, and many others are not taking full advantage of the available matching funds.

The Farm Bill provided an additional \$200 million for SNAP E&T pilots to develop and test innovative approaches to help SNAP participants enter and remain in the workforce, increase their earnings, move to self-sufficiency, and build stronger futures for their families. USDA released a Request for Proposals for up to ten pilot projects in August 2014. We were pleased with the strong response to this RFP with 35 States plus the District of Columbia submitting proposals. The 10 grant winners were announced on March 20th. Beyond the pilot projects, USDA will continue to work with all States to maximize their existing resources and strengthen their E&T programs.

In addition, the FY 2016 President’s Budget proposed an additional \$25 million in 100 percent federal funds for states where childless adults (“ABAWDs”) will be subject to benefit time limits, to bolster employment and training services for individuals subject to those time limits. These

employment and training initiatives will allow some of our nation's poorest individuals to work toward self-sufficiency and continue to receive critical food assistance while doing so.

Actively Engaged

Section 1604 of the Agriculture Act of 2014 may appear to suggest that Congress intended USDA to issue a limited rule when defining what "active personal management" means to qualify as actively engaged in farming. As with many provisions of complex legislation, however, this language was carefully crafted by negotiators for the House and Senate to achieve a balance between two diametrically opposed positions. In a bill extending to nearly 1,000 pages, these few short paragraphs were among the final ones to be agreed-upon.

On one side of the debate were conferees who sought to preserve the status quo without any changes. On the other side were conferees seeking to impose strict statutory limits similar to those passed by both the House and Senate during floor consideration. As the issue remained a final hurdle to achieving a conference report that could pass both chambers, the lead negotiators crafted a compromise. The end result would *require* USDA to issue an updated definition for a limited category of individuals and entities, while also preserving USDA's existing authority to go further, if it believed circumstances warranted it. The required rule is a baseline, the minimum USDA could do to comply with the Congressional mandate.

There were multiple conversations among staff for the lead House and Senate negotiators with respect to USDA's existing authority to issue a broader more stringent rule. At the time the compromise language was being considered, USDA attorneys were also consulted, and they too confirmed that nothing in the Agriculture Act of 2014 would restrict USDA's existing authority to go further than the farm bill was suggesting. Moreover, the compromise language was not agreed-upon by negotiators until USDA's existing authority was confirmed.

Recognizing that the issue continues to illicit strong views from both sides, and that there are inherent difficulties in appropriately defining and policing who should qualify to receive farm payments, *please confirm nonetheless that USDA's authority to update the definition of active personal management more broadly was not restricted by section 1604 of the Agriculture Act of 2014.*

Response: The 2014 Farm Bill clearly directs the Department to focus on two components of the definition: (1) to define a "significant contribution of active personal management"; and (2) if the Secretary determines it appropriate, to establish limits on the number of individuals who may be considered actively engaged when management is the basis used to meet the actively engaged requirement. The proposed rule that was published in the Federal Register in late March, addressed these components, and asked for public comments on whether further limitations should be instituted, above and beyond those included in the proposed rule.

Conservation

Conservation Reserve Program (CRP)

CRP can and should be doing more to create wildlife habitat, mitigate soil erosion, and protect our waterways especially in priority landscapes across the nation. I believe that by focusing on the following issues would help USDA seek to modernize and maximize CRP.

1. As you update the regulations for CRP this spring, please describe USDA's current authority within CRP to leverage local partnerships, like the ones that we are seeing in the

newly minted Regional Conservation Partnerships Program (RCPP).

Response: As one of the oldest and most successful conservation programs, CRP has evolved and currently encompasses many of the focused and flexible approaches that you mention. Many people still think of it as it was 30 years ago as a program to help with erosion and to take whole farms out of production. However, similar to many other USDA conservation programs, CRP is looking for these local and regional partnerships to help leverage federal funding even further. These can be either through a formal arrangement under the Conservation Reserve Enhancement Program or targeted initiatives and practices like our successful State Acres for Wildlife Enhancement (SAFE).

Recently, FSA issued Notice CRP-782 (March 3, 2015) titled "Working with Partners To Advance CRP" to encourage cultivation of partnership with a variety of third-party organizations. Although FSA may not comment directly on the interim rule at this time, the Agency is committed to continuing to target CRP and use creative partnership-based solutions to make every acre under CRP provide strong conservation benefits.

2. Please describe ways that FSA can use CRP to compliment efforts approved under RCPP?

Response: FSA and NRCS are looking for ways for CRP to complement efforts approved under RCPP. Additionally, we are exploring ways to leverage federal resources, including ways to incorporate existing CRP practices into RCPP proposals.

3. With the Farm Bill gradually reducing the number of acres in CRP, it will be imperative that FSA make the most of its enrollment opportunities. What authority does USDA have to target limited CRP dollars to maximize conservation benefits given limits on the budget and acreage caps in place?

Response: FSA is working with our Office of General Counsel to determine what authorities may be used to target limited CRP dollars to maximize conservation benefits given limits on the budget and acreage caps in place.

4. In what ways can FSA and NRCS coordinate more as it relates to setting priorities for the CRP?

Response: FSA and NRCS are already working together to better leverage the opportunity of CRP to maximize conservation outcomes.

5. Can FSA provide new and additional metrics so that the public and Congress can better understand what conservation practices and benefits are achieved via CRP acres? If so, what metrics are likely achievable to measure in the short-term?

Response: FSA annually produces a series of reports describing and quantifying the conservation benefits of the CRP. These reports provide estimates of the nitrogen, phosphorus, and sediment not leaving fields or intercepted before going into our nation's waters, reduced greenhouse gas emissions, and wildlife habitat improvements. These reports are generated for the United States and the Mississippi River Basin, Chesapeake Bay Watershed, Great Lakes Watershed, and the Prairie Pothole Region and are available on the FSA website. <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=nra>.

These estimates are supported by multiple CRP monitoring, assessment, and evaluation projects designed to identify and quantify conservation benefits using the best available science. FSA continually seeks to develop new metrics to measure conservation benefits and measure the success the CRP.

Reports on CRP monitoring projects can be found at:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=nra-mb>
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=nra-wh>
 and
<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecpa&topic=nra-wq>

6. During the recent period of high crop prices, we understand that FSA has had difficulty providing sufficient financial incentives to meet the enrollment targets for CREP and continuous sign-up. However, with crop prices falling, what can FSA do to expand outreach and education in an effort to accelerate producer enrollment in CREP and continuous sign-up?

Response: Although there are lower nationwide enrollment targets established by the 2014 Farm Bill, there remain many opportunities for interested producers to enroll in the CRP under continuous enrollment authority, and through the state and regional partnerships offered by Conservation Reserve Enhancement Programs (CREPS). In the coming months, as part of the 30th anniversary of CRP, FSA plans to highlight these opportunities for producers interested in achieving water and soil conservation, wildlife benefits, and rural economic development.

Agricultural Conservation Easement Program (ACEP)

Recently USDA released its final rule for ACEP. As you are probably aware, there have been a number of concerns raised by the farmland conservation community. Given these concerns and the new administrative changes that NRCS and stakeholders face, how does USDA plan on providing outreach and education to stakeholders so that we can maximize use of this program?

Response: The ACEP Interim Rule was published on February 27, 2015 and had a 60-day public comment period ending April 28, 2015. Subsequently, the comment period was extended an additional 30 days. Immediately following publication of the rule, NRCS initiated stakeholder briefings to update stakeholders on how the final rule addresses many of the issues raised during the comment period. NRCS will be conducting additional outreach and educational opportunities to stakeholders through a series of instructional and question and answer webinars hosted by NRCS as well as partners. For example, NRCS will provide 'ACEP-ALE 101' and 'ACEP-ALE Certification Process' webinars for partners in April. Additionally, at the invitation of the various stakeholder groups, NRCS State and National Headquarters staff will be attending numerous stakeholder meetings in person and via phone over the coming months. NRCS at the headquarters level is also providing extensive training for our own NRCS state staff to ensure that NRCS at the state level is equipped with the most current and in-depth information to provide assistance to interested applicants on the new ACEP policy and procedures.

Metrics for Conservation Programs

Encouraging producers to adopt conservation practices is the fundamental purpose of NRCS; however just as important as implementing practices is understanding and quantifying the environmental benefits derived from practice adoption. NRCS has made great strides with its

Conservation Effect Assessment Project (CEAP), however what next steps can NRCS take to measure conservation outcomes so that Congress and the public can better understand the value of conservation programs? I would also like to know more about the following regarding specific conservation programs:

Response: In addition to its Conservation Effects Assessment Project (CEAP) effort to model the benefits of conservation practice adoption, NRCS is working at the field scale to quantify conservation impacts.

NRCS has a monitoring practice that landowners may participate in through the Environmental Quality Incentives Program (EQIP). About 80 producers in 15 states throughout the country have engaged with NRCS to do edge of field monitoring in an effort to measure directly the effects of agricultural conservation systems upon sediment and nutrient runoff. These measurements are made at the edge of the farm field, not in the downstream receiving water body. Measuring nutrient losses from farm fields is cost-prohibitive on a large scale, but these measurements along with other scientific inputs will be used to further develop, calibrate and improve the accuracy of simulation models, which can provide reliable estimates at regional and national scales. The 2016 President's Budget also signaled support for evaluating results and leveraging evidence and administrative data to study farmer behavior regarding the adoption of conservation practices.

NRCS also partners with other agencies to develop metrics and measures to evaluate results, and to align in-stream monitoring with edge-of-field monitoring. For example, through the National Water Quality Monitoring Initiative, NRCS works with the Environmental Protection Agency (EPA) to identify high priority watersheds to target our conservation funding. The EPA then funds states through their 319 program to monitor in-stream water quality. Over time, the aligned monitoring helps us assess water quality improvements in the whole watershed.

CSP

Specifically, how are metrics and reporting requirements used in the Conservation Stewardship Program? For example, since 2009, which priority resource concerns did each state or region choose? For the same years, of all the new conservation enhancements and conservation practices added by farming and ranching operations as part of CSP contracts, what was the breakdown in terms of how many (contracts, acres, dollars) were focused on soil health and quality, water quality, water conservation, energy conservation, air quality, wildlife habitat, or other resource concerns?

Response: From 2009 to 2014, NRCS has provided tremendous support to producers to address resource concerns on their operations.

| Conservation Stewardship Program (CSP) Contracts and Obligations by Resource Concern, 2009 - 2014 | | | |
|--|------------------------------|--------------------------|--------------------------------|
| Resource Concern* | Number of Contracts** | Number of Acres** | Financial Assistance*** |
| Air Quality | 4,994 | 6,454,468 | \$296,615,011 |
| Animal | 41,946 | 59,480,964 | \$2,581,352,980 |
| Energy | 10,828 | 13,694,054 | \$459,872,950 |
| Plants | 41,886 | 60,104,769 | \$2,573,291,304 |
| Soil Erosion | 38,118 | 40,099,468 | \$2,014,343,228 |
| Soil Quality | 36,982 | 48,117,541 | \$2,441,222,059 |
| Water Quality | 47,707 | 57,741,878 | \$2,849,834,829 |

| | | | |
|----------------|--------|------------|-----------------|
| Water Quantity | 18,097 | 28,664,553 | \$1,420,176,261 |
|----------------|--------|------------|-----------------|

Source: ProTracts 10/1/2014 and CMT 2014

*Each year, states identify priority resource concerns from this broader pool. Within state variability of identified priority resource concerns exists due to local targeting factors.

**All contracts address multiple resource concerns. As such, the totals above are not additive and cannot be summed for an overall total.

***Financial Assistance figures are cumulative.

The NRCS works with producers to plan conservation activities that address resource concerns at the whole farm level and are a best fit on their operations. Each site and agricultural operation is unique and the NRCS conservation planning process provides the flexibility needed to develop conservation systems that meet producer natural resource and operational objectives.

The NRCS currently offers approximately 169 conservation activities and enhancements through CSP to provide producers with options that best fit their needs. Current and previous lists of available CSP activities can be found at:

<http://www.nrcs.usda.gov/wps/portal/nrcs/main/national/programs/financial/csp/>.

EQIP

Since 2009, is there a breakdown for the Environmental Quality Incentive Program that also demonstrates how many (contracts, acres, dollars) were focused on soil health and quality, water quality, water conservation, energy conservation, air quality, wildlife habitat, or other resource concerns? I am also interested in understanding the types of conservation activities that are often completed within these categories.

Response: From 2009 to 2014, NRCS has provided tremendous support to producers to address resource concerns on their operations.

| Environmental Quality Incentives Program (EQIP) Contracts and Obligations by Resource Concern, 2009 - 2014 | | | |
|---|-----------------------------|-------------------------|--|
| Resource Concern | Number of Contracts* | Number of Acres* | Financial Assistance Obligated* |
| Air Quality | 19,309 | 4,486,178 | \$664,903,053 |
| Energy | 6,146 | 1,600,139 | \$142,841,344 |
| Fish and Wildlife | 37,086 | 25,976,544 | \$969,050,641 |
| Livestock Production | 54,820 | 42,166,493 | \$1,339,229,516 |
| Plant Condition | 106,540 | 51,155,507 | \$2,142,451,406 |
| Soil Condition | 40,878 | 20,249,054 | \$1,164,229,521 |
| Soil Erosion | 68,292 | 21,505,245 | \$1,745,348,461 |
| Water Quality | 81,214 | 19,027,690 | \$2,426,311,795 |
| Water Quantity | 42,649 | 18,552,144 | \$1,535,228,986 |

*Contracts may address multiple resource concerns. As such, the numbers above are not additive and cannot be summed for an overall total.

The NRCS works with producers to identify practices that address their natural resource concerns and best fit their operations. Each site and agricultural operation is unique and the NRCS conservation planning process provides the flexibility to work with producers to plan and implement a conservation system to achieve their objectives.

The NRCS currently offers over 200 conservation practices and conservation activities that provide producers with many options. From this list, some common practices available to treat the resource concerns include:

| Resource Concern | Conservation Practices |
|----------------------|---|
| Air Quality | Windbreak/Shelterbelt Establishment, Combustion System Improvement, Dust Control from Animal Activity |
| Energy | Building Envelope Improvement, Farmstead Energy Improvement, Lighting System Improvement, Residue and Tillage Management, No Till |
| Fish and Wildlife | Riparian Forest Buffer, Upland Wildlife Habitat Management, Wetland Restoration, Wetland Wildlife Habitat Management |
| Livestock Production | Feed Management, Range Planting, Watering Facility |
| Plant Condition | Critical Area Planting, Prescribed Burning, Tree/shrub Establishment, Forest Stand Improvement |
| Soil Condition | Deep Tillage, Critical Area Planting, Multi-Story Cropping |
| Soil Erosion | Critical Area Planting, Terrace, Conservation Crop Rotation, Cover Crop |
| Water Quality | Filter Strip, Riparian Forested Buffer, Nutrient Management |
| Water Quantity | Irrigation Canal or Lateral, Irrigation Ditch Lining, Irrigation System, Sprinkler, Windbreak/Shelterbelt Establishment, Windbreak/Shelterbelt Renovation |

CIGs

Is there a summary and database of grants, organized by project and conservation practice type, of the Conservation Innovations Grants program?

Response:

Final project reports and other products developed through the Conservation Innovation Grants (CIG) Program are available via the CIG Project Search Tool. The CIG Program has yielded numerous successful projects that are now incorporated into NRCS practices, technical notes, training, and programs to enhance conservation of our nation's soil, water, air, plant, animal, and energy resources; while benefitting farmers, ranchers, forest landowners, and the public. In addition to developing this on-line searchable database, several other recent efforts are enhancing the CIG program's value for technology transfer and adoption. This includes developing networks of CIG recipients to build synergies among related projects, and establishing a National Technology Integration Subcommittee to evaluate projects for adoption and integration into agency practices, technical notes, and trainings, etc.

The CIG database can be found at:

<http://www.nrcs.usda.gov/wps/portal/nrcs/ciglanding/national/programs/financial/cig/cigsearch/>.

RCPP

As you are aware, the statute that creates the Regional Conservation Partnership Program asks that Partners "conduct an assessment of the project's effects" and that partners shall monitor, evaluate, and report outcomes of partnerships.

What steps is NRCS taking to ensure that environmental outcomes are being measured and reported on by the RCPP project partners? Can NRCS suggest a common template for the

collection of information and metrics regarding various types of conservation practices, as well as guidelines for the storage and organization of this information?

What data collection, analysis, and reporting systems could be established either by USDA, land-grants or other partners so that the public can best understand the effects of these partnerships in the future?

Response: The RCPP statute establishes clear expectations for reporting on project effects. NRCS is working with the lead partners on the metrics that will be collected, analyzed, and reported for each individual project. The partnership agreement signed by the lead partners and NRCS defines the scope of the project, including requirements for reporting on project outcomes. NRCS will be monitoring partner activity and accomplishments and tracking the RCPP funds that are invested in conservation practices through the eligible NRCS programs. Development of a common template for collection of all metrics across projects is hampered by the wide diversity in project type, scale, and scope. However, requirements identified in the partnership agreements will provide some consistency across projects, and NRCS is using a template for tracking data and measuring implementation of the partnership agreement deliverables to facilitate reporting each fiscal year. The database will be used to report on projects in a consistent manner.

Energy **Biobased**

The President's 2016 budget includes \$80 million for the establishment of two Innovation Institutes, one of which would focus on biobased manufacturing. Strengthening federal policies that support this important, growing sector of the economy has been a priority for me. Should Congress provide sufficient funding to establish a biobased manufacturing institute, can you discuss how it would interact with industry? Do you envision a public-private partnership that addresses the gap between innovation and commercialization? What parameters do you envision using to choose locations?

Response: The two USDA institutes for manufacturing innovation proposed in the FY2016 budget, focused on biomanufacturing and nanocellulosics, will engage industry in public-private partnerships to facilitate technology transfer and expand markets for American agriculture and forestry. The two new institutes will help grow the US bioeconomy and create new opportunities for producers and rural businesses and communities. Expansion of the biobased economy has the potential to create 1.5 million jobs, keep roughly \$200 billion in the US economy from reduced oil imports with the added benefit of reducing CO2 emission by 500 million tons per year.

Funding being requested will support the institutes as a partnership between the federal government, academia, the private sector, including companies large and small, established and start-up, non-profit organizations, and states. The institutes, which are to be matched by the proposing consortium at least dollar for dollar to the Federal investment, will accelerate the development of cutting-edge manufacturing technologies with industrially relevant applications. This type of innovation infrastructure provides a unique teaching environment that allows for experiential education and training of students and workers at all levels, while providing the shared assets to help companies, most importantly small manufacturers, access the cutting-edge capabilities and equipment to design, test, and pilot new products and manufacturing processes. Like all other National Network for Manufacturing Innovation (NNMI) institutes, the site selection will be done through a competitive application process in which the federal government will select the applicant with the strongest proposal to meet the goals of the institute.

Biorefinery Assistance Program

The Farm Bill reauthorized the 9003 Biorefinery Assistance Program and amended it to include renewable chemical and biobased product manufacturing. What is the status of project applications for this program? How many applications are in the approval process and when do you anticipate selecting projects for loans?

Response: Between Fiscal Years 2009 and 2014, 42 applications were received. Of these 42 applications, 28 applications were either withdrawn by the applicant/borrower, determined by RD to be ineligible, or have had funds deobligated. Of remaining 14 applications, RD has issued 10 conditional commitments and 4 applications are pending. We anticipate completing processing of the pending applications subject to availability of funds.

A draft of a new interim rule adding the Farm Bill provisions for renewable chemical production and biobased product manufacturing has been submitted to the Office of Management and Budget for review. In addition, the new interim rule addresses public comments USDA received to the current interim rule and makes programmatic and administrative enhancements to strengthen Program processes.

Digesters

USDA has taken a number of steps to accelerate the adoption of anaerobic digesters that reduce methane emissions and increase energy efficiency for producers, including the release of the "Biogas Opportunities Roadmap" in August 2014. What steps has USDA taken since the release of the Roadmap towards deploying additional biogas systems? What are some of the key barriers to the development of additional biogas digesters and what is USDA doing to overcome these barriers?

Response: Since the release of the Biogas Opportunities Roadmap, USDA has continued collaborative work with DOE, EPA and partners to engage in a number of public meetings to discuss economic potential and support of the voluntary industry goals these systems support.

USDA has published a REAP final rule, which allows exception to the personal or corporate guarantee if the project can show that collateral, equity, cash flow, and profitability indicate an above-average ability to repay the loan. Changes made in the REAP loan guarantee which also allow for monthly distribution of funds better align with construction season making it a better product for lenders and developers.

We have taken a number of steps to support optimization system performance and profitability. Preliminary work has begun on a public facing portal to assist with dissemination of USDA-funded research and technology transfer, a review of conservation practice standards to fully recognize system benefits, and an evaluation of digestate classification to increase value of biogas coproducts. Industry partners have also begun the process of improving consolidation of biogas system technical and financial data for statistical analysis.

Climate Change

We know that climate change will have a significant impact on agricultural production: from availability of fresh water to unpredictable weather patterns, and from changes in growing seasons to new pests and diseases. What does USDA see as the greatest impacts to agricultural production due to climate change? Can you share with the Committee how USDA's Climate Hubs, research programs, and other initiatives are working to help prepare the agricultural industry for the impacts of climate change?

Response: Climate change presents a growing threat to U.S. agricultural production, forest resources, and rural economies. Across the country, farmers, ranchers and forest landowners are seeing an increase in risks to their operations due to fires, increases in invasive pests, droughts, and floods.

For example, in the Midwest, growing seasons have lengthened by almost two weeks since 1950. The fire season is now 60 days longer than it was 30 years ago, and forests will become increasingly threatened by insect outbreaks, fire, drought and storms over the next 50 years. And days with heavy precipitation have been increasing significantly across the eastern United States, particularly in New England.

These events threaten our food supply and are costly for producers and rural economies. Drought alone was estimated to cost the U.S. \$50 billion from 2011 to 2013. Such risks have implications not only for agricultural producers, but for all Americans.

USDA has undertaken a multipronged, multiyear approach to protect producers from the negative impacts of climate change and provide them with tools and techniques to protect their bottom line and ensure the future food security of our nation. USDA actions to address climate change risks are occurring across the Department and involve multiple agencies and offices. For example:

- Last year, USDA launched seven Regional Hubs for Risk Adaptation and Mitigation to Climate Change. These “Climate Hubs” are working with the Department’s researchers and technical experts to address increasing risks such as fires, invasive pests, floods, and droughts on a regional basis, aiming to translate science and research into action and extension to farmers, ranchers and forest landowners on ways to adapt and adjust their resource management.
- Forest Service established new guidance on forest planning that includes consideration of the impacts of climate change. Eleven national forest management plans are currently being revised. In 2013 alone, Forest Service restored 2.5 million acres of national forests and grasslands to help make them more resilient and to maintain function, productivity, and adaptive capacity. Climate change has increased the threat of wildfire, so additional restoration efforts reduced hazardous fuels and the threat of wildfire on more than 14 million acres between 2009 and 2013.
- NRCS increased the adoption of conservation practices that increase resilience to climate variability. For example, the acreage of cover crops, which can improve soil quality and increase drought resilience, has increased by 350% from 2008 to 2012.
- Rural Development incentivized efforts to shift from fossil-based energy to renewable energy. Over the past five years, USDA investments have helped thousands of rural small businesses, farmers and ranchers improve their bottom lines by installing renewable energy systems and energy efficiency solutions, which will generate and save more than 7.5 billion kWh – enough energy to power 650,000 American homes annually. USDA also made \$250 million in loans available to help rural home owners make energy efficiency upgrades.
- USDA researchers led the Department in contributing to the 2014 National Climate Assessment, which outlines the risks and vulnerabilities of U.S. agriculture and forests to climate change, as well as strategies for adaptation.

Food Aid**Food for Progress**

In recent years the Food for Progress program has seen a decline in the number of projects they are able to fund due to budget cuts from sequestration, a repeal of the U.S. Maritime Administration (MARAD) reimbursements and a general lack of funding flexibility.

- What is the change in impact of Food for Progress programs given these funding limitations and restrictive barriers to financing projects?
- Please provide the funding levels for the past 10 fiscal years broken out by commodities purchased, transportation costs, administration costs, and the ultimate dollar amount spent on development activities.
- Please provide the Committee with the average time it takes to put out a solicitation for a Food for Progress grant, review bids and awards a grant to an implementing partner. How does the length of time between solicitation and award for Food for Progress differ from Food for Peace? If there are delays of over 6 months between bids and awards, what are the major constraints that contribute to these delays? Does Food for Progress have a policy that grants must be turned around in 120 days, similar to Food for Peace?

Response: The Foreign Agricultural Service's (FAS) Food for Progress Program (FFPr) operates under a \$40,000,000 transportation budget of Commodity Credit Corporation funds, which is not appropriated but an anticipated credit outlay. Prior to 2014, FAS received reimbursements from the Maritime Administration (MARAD) to offset the costs of U.S. cargo preference; these reimbursement funds were used for additional FFPr transportation budget costs. In 2014, FFPr transportation funds took a double hit, as the cessation MARAD reimbursements coincided with budget sequestration of just over seven percent. In fiscal year (FY) 2012, USDA funded 18 FFPr projects; in FY 2015, USDA expects to fund between five and seven FFPr projects. Commodities purchased under FFPr declined from 254,397 metric tons (MT) in FY 2012 to just over 195,000 MT in FY 2014. The decreased numbers of program beneficiaries and countries of operation negatively impacts the program's reach. The table below shows the FFPr obligations for FY 2008 through 2014.

FAS' FFPr review and negotiation process includes input from USDA agencies, USDA overseas offices, and the U.S. Agency for International Development (USAID). While delivery time is important, the fact that FFPr is a development, not an emergency, program affords FAS the benefit of being thorough in its review of the projects being funded out of limited resources. The duration of time between publishing the solicitation to signing the agreement is approximately 190 days. These 190 days are made up of 90 days for interested organizations to submit proposals, and 100 days for USDA to review proposals and negotiate agreements. USDA recognizes the need to streamline its application and FY 2016 cycle.

| Fiscal Year | Commodities | Quantity (MTs) | Estimated CCC-funded Outlays ⁽¹⁾ | Total Program Obligations | Obligated | | | | | |
|-------------|---|----------------|---|---------------------------|-----------------|------------------------|----------------------|----------------------------|--------------------------------|-----------------------------|
| | | | | | Commodity Costs | OMB Transportation Cap | MARAD Reimbursements | Total Transportation Costs | Obligated Administrative Costs | Development Activities Cost |
| 2014 | Crude Soybean Oil, Wheat, Soybean Meal, Dehydrated Potato Flakes | 195,000 | 137,000,000 | 127,478,565 | \$79,670,000 | \$40,000,000 | - | \$39,757,200 | \$8,051,365 | \$47,511,248 |
| 2013 | Crude Soybean Oil, Milled Rice, Wheat, Vegetable Oil, Soybean Meal, Dehydrated Potato Flakes | 161,220 | 243,000,000 | 149,344,496 | \$92,676,500 | \$40,000,000 | \$5,966,600 | \$45,566,600 | \$10,901,366 | \$63,037,743 |
| 2012 | Soybeans, Vegetable Oil, Wheat, Soybean Meal, Milled Rice, Crude Soybean Oil | 269,190 | 246,000,000 | 239,206,995 | \$179,099,500 | \$40,000,000 | \$8,344,530 | \$48,344,530 | \$10,863,965 | \$97,609,078 |
| 2011 | Wheat, Crude Soybean Oil, Milled Rice, Vegetable Oil, Soybean Meal | 283,715 | 162,000,000 | 164,725,964 | \$107,074,450 | \$40,000,000 | \$6,201,780 | \$46,201,760 | \$11,449,354 | \$97,403,381 |
| 2010 | Dehydrated Soy Flour, Refined Soybean Oil, Soybeans, Corn, Wheat, Milled Rice, Corn, Nonfat Dry Milk | 242,160 | 146,000,000 | 153,951,160 | \$97,120,358 | \$40,000,000 | \$9,420,863 | \$49,420,863 | \$7,409,699 | \$77,517,526 |
| 2009 | Wheat, Refined Soybean Oil, Crude Soybean Oil, Peas, Veg Oil, Cornmeal, Corn Soy Blend, Soybean Meal | 296,530 | 216,000,000 | 233,487,625 | \$125,594,045 | \$40,000,000 | \$20,330,350 | \$90,330,350 | \$17,563,230 | \$104,454,881 |
| 2008 | Refined Soybean Oil, Wheat Flour, Soybean Meal, Lentils, Peas, Wheat, Beans, Corn Soy Blend, Milled Rice, Vegetable Oil, Textured Soy Protein, Soy-Sprilled Sugar | 219,970 | 155,000,000 | 183,200,914 | \$128,562,854 | \$40,000,000 | \$6,992,708 | \$46,992,708 | \$7,645,352 | \$68,575,970 |

(1) These figures are estimated CCC-funded outlays and are not appropriated. These figures are noted in the USDA budget Summary located at: <http://www.usda.gov/wps/portal/usda/usdahome?navid=BUDGET>

Global Food Security

During 2014, bills were introduced into Congress that codified the Administration's Feed the Future Initiative. As this initiative is currently led by USAID, but operates through a "whole of government" approach that includes operations at USDA, the Committee requests a description of USDA activities, and an annual breakdown of USDA-funded activities that are used in Feed the Future reporting, broken down by program and funding level, including capacity building, technical assistance, and research dollars.

Response: USDA actively engages in a whole of government approach on Feed the Future, through food assistance, bilateral technical assistance and trade capacity building projects. USDA's programs, such as the Food for Progress (FFPr), McGovern-Dole Food for Education and Child Nutrition (MGD), the Cochran and Borlaug Fellowship Programs, and a myriad of research programs through the Agricultural Research and Forest Services, work in both the priority countries under the Feed the Future initiative and other countries of bilateral interest to U.S. agriculture. The activities range from two-week training programs (such as the Cochran Fellowship Program), where international agriculturalists learn about a specific aspect of U.S. agriculture, to longer term training (such as under the Borlaug Fellowship) where U.S. and international scientists address a research issue of mutual interest. USDA conducts technical assistance through authorized and

appropriated programs for USDA, but also for the U.S. Agency for International Development, Department of State, the Millennium Challenge Corporation, the Department of Defense and foreign governments. Below is the fiscal year 2014 report of USDA-funded Feed the Future activities, the latest year for which data are available. In addition to providing direct technical assistance or training in Feed the Future Countries, USDA also views our work to improve our trade relationships as complementary because trade improves the availability of food globally. USDA engages with official counterparts in multilateral activities under the World Trade Organization, the Food and Agriculture Organization of the United Nations, among others.

| FY2014 USDA Feed the Future Activities (\$: in thousands; USDA-funded) | | | | |
|---|----------------------------|--|-------------------------|----------------|
| | Cochran Fellowship Program | Norman E. Borlaug International Agricultural Science and Technology Fellowship Program | Food for Progress (FFP) | McGovern-Dole |
| Total | 2,587 | 1,157 | 127,480 | 167,889 |
| Albania | 102 | | | |
| Algeria | 24 | 96 | | |
| Argentina | 49 | | | |
| Bangladesh | 18 | 63 | | 26,000 |
| Benin | | | | 19,081 |
| Bosnia | 88 | | | |
| Brazil | 169 | | | |
| Burkina Faso | 17 | | | 21,602 |
| Cameroon | | | | 3,114 |
| Colombia | 89 | | | |
| Dominican Republic | 50 | | | |
| Egypt | 31 | 155 | | |
| El Salvador | 34 | | 17,400 | |
| Ethiopia | 19 | 96 | | |
| Ghana | 78 | 63 | | |
| Guatemala | 28 | | 29,000 | 19,476 |
| Haiti | 3 | | | |
| Honduras | 6 | | | |
| India | 10 | 131 | | |
| Indonesia | 100 | | | |
| Jamaica | 22 | | | |
| Jordan | 14 | | | |
| Kenya | 57 | 143 | 3,600 | |
| Lao PDR | | | | 27,000 |
| Liberia | | | 570 | |
| Macedonia | 81 | | | |
| Malawi | 10 | | | |
| Malaysia | 51 | 31 | | |
| Mali | 11 | | | |
| Mauritania | | | 500 | |
| Mexico | 79 | 49 | | |
| Montenegro | 49 | | | |
| Morocco | 38 | 65 | | |
| Mozambique | 10 | 48 | | |
| Nepal | | | | 26,959 |
| Nicaragua | 38 | | 13,160 | 12,300 |
| Nigeria | 129 | | | |
| Pakistan | 157 | | | |
| Panama | 9 | | | |
| Paraguay | 16 | | | |
| Peru | 47 | | | |
| Philippines | 57 | 32 | 12,790 | |
| Rwanda | 15 | | | |
| Senegal | 82 | 32 | 11,820 | 11,357 |
| Serbia | 43 | | | |
| South Africa | 194 | 32 | | |
| Sri Lanka | 19 | | | |
| Tanzania | 24 | 27 | 15,690 | 1,000 |
| Thailand | 94 | | | |
| Tunisia | 116 | | | |

| | | | | |
|---------------------------|----|----|--------|--|
| Turkey | 92 | | | |
| Uganda | 24 | | | |
| Uruguay | 8 | | | |
| USDA East Africa Regional | | | 22,960 | |
| Vanuatu | 86 | 94 | | |

USDA Ag Development Consultation

USDA has a wealth of expertise on agricultural issues and related matters. It houses agencies that cover issues on food safety, conservation, livestock, productivity, market access and beyond. This type of institutional knowledge has allowed American producers to be the most innovative and cutting edge for decades, and it is the type of knowledge that could help countries with extreme poverty use agriculture development to alleviate food insecurity issues. As such, please describe how various agencies within USDA consult on foreign agricultural investments made by USAID and other agencies of the US government?

Response: USDA, the largest single source of agricultural expertise in the world, has provided technical assistance on agriculture, trade, research and forestry. USDA's Intra-Departmental Coordination Committee on International Affairs, chaired by the Foreign Agricultural Service, ensures coordination of the international activities of USDA agencies with overall U.S. policy goals.

Drawing upon the resources of its 96 overseas offices that cover 167 countries, the Foreign Agricultural Service provides developing countries access the knowledge, expertise, and experience of USDA's 17 agencies and the land-grant university system. USDA works with the U.S. Agency for International Development (USAID), the Department of State, the Millennium Challenge Corporation, the Department of Defense, and other agencies to address agricultural development and food security worldwide

USDA's unique capabilities are vast, and its experts are deployed worldwide. This March, a veterinarian from the Food Safety and Inspection Service will become a long-term Sanitary and Phytosanitary Advisor for West Africa under a USAID-funded project. Statisticians and economists from the National Agricultural Statistics and Economic Research Services have provided technical assistance to strengthen market information systems worldwide, most recently in Afghanistan, Haiti, Honduras, and the Republic of Georgia. Rural Development's Rural Utilities Service provided technical expertise to USAID to strengthen India's rural electrification process. The Natural Resources Conservation Service (NRCS) has provided dozens of technical experts worldwide over many years, throughout Asia and Latin America.

Non-Emergency Title II Funding

The President's budget request includes a request for \$80 million for a "Community Development Fund" (CDF) that can be counted against the Title II non-emergency required authorized funding floor of \$350 million. As the \$80 million for CDF is funded out of the State and Foreign Operations appropriations subcommittee committee, what assurances can the Administration provide that the full \$350 million will be directed toward non-emergency Food for Peace Title II programs?

Response: The Administration and USAID fully intend to fund \$350 million in non-emergency development, food assistance programs. The Administration is proposing to meet this commitment in a manner that frees up \$80 million of Title II funds to be available to provide U.S. agricultural commodities for emergency food aid overseas.

The President's FY 2016 Budget includes a P.L. 480 Title II request of \$1.4 million of which \$270 million will be used for development programs. An additional \$80 million is requested in the Development Assistance account under the Bureau of Food Security's Community Development fund (CDF), bringing the total funding for these types of non-emergency development programs to \$350 million. Together, these resources support development food assistance programs' efforts to address chronic food insecurity in areas of recurrent crises using a multi-sectoral approach to reduce poverty and build resilience.

Climate Smart Agriculture

We know climate change will have a large impact on agricultural production globally. It will have an even bigger impact on vulnerable agricultural communities in the developing world which are highly susceptible to adverse consequences due to changes in weather such as drought, rising average temperatures and unpredictable weather patterns. As U.S. development programs work to increase productivity, market access and technological tools it will be imperative these items are delivered with a priority on building resiliency through climate smart agriculture. How is USDA and USAID coordinating to ensure climate smart agricultural techniques are included in the various agricultural development projects undertaken?

Response: Climate-smart agriculture is a top priority for the Administration, with emphasis on technologies and policies to address and mitigate the effects of global climate change. Last September, President Obama announced an Executive Order on Climate-Resilient International Development, requiring agencies to factor climate-resilience considerations into the U.S. government's international development work and to promote a similar approach with multilateral entities. Through the interagency process, USDA, USAID and other Federal agencies are ensuring that climate-smart agricultural practices are incorporated into development projects worldwide. USDA works closely with USAID Washington offices and missions to design appropriate technologies and policies for developing countries. USDA experts throughout USDA provide advice and assistance for these projects. For example, USDA is cooperating with the Government of Pakistan and the USAID Mission by introducing solar-powered irrigation technologies to help Pakistani farmers conserve scarce water resources.

In September 2014, Secretary of Agriculture Tom Vilsack and Secretary of State John Kerry launched the Global Alliance for Climate-Smart Agriculture to promote greater international engagement on ways agriculture can help reduce the impact of climate change. USDA and USAID are participating in this initiative in which the United States and other countries coordinate work on knowledge, investments, and enabling environments for agriculture that is adaptive and resilient to climate-change.

Trade

The 2014 Farm Bill includes a provision requiring the USDA to craft a proposal for reorganizing the department's various international trade functions. Importantly, the proposal should include a plan for creating the position of Under Secretary of Agriculture for Trade and Foreign Agricultural Affairs. The deadline for submitting the proposal to Congress passed last August, and USDA has not even initiated the required consultations with the authorizing committees that are intended to inform the Department's efforts. While I recognize the significant challenges associated with carrying out this provision—such as reviewing individual agency jurisdictions over trade—the provision does reflect the importance of trade to American agriculture and therefore having that interest represented at the highest level at USDA. Could you please tell me how the Department is progressing with this report and when the committee might expect its arrival?

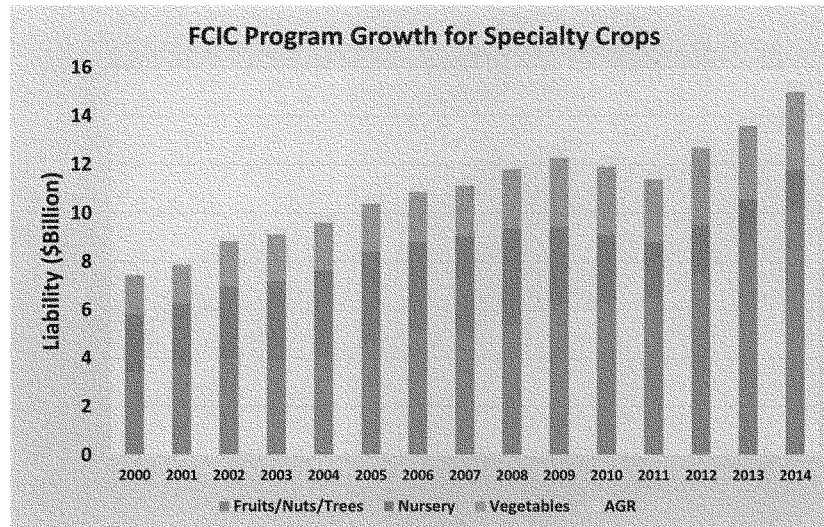
Response: The Department has entered into the related contract with the National Academy of Public Administration required by the FY2015 appropriations law. The contract with the National Academy of Public Administration specifies that the final report will: (1) evaluate the issues that a reorganization is intended to address; (2) identify the most feasible options for how USDA could structure and organize the Under Secretary for Trade and Foreign Agricultural Affairs position, including its underlying offices and responsibilities; (3) identify the issues and challenges of creating such a position under the most feasible options; (4) identify issues and challenges likely to occur in implementation; and (5) issue recommendations for how this organization should be established within USDA and an implementation roadmap.

Crop Insurance

Please provide a table that shows the increase in coverage of specialty crops over the past ten years, breaking out the increase in number of policies developed and offered, number of acres, and amount of liability covered?

Response: RMA Insured Specialty Crops

| Year | Policies Sold | Acres | Liabilities (\$) |
|------|---------------|-----------|------------------|
| 2000 | 66,888 | 6,371,076 | 7,361,816,639 |
| 2001 | 66,474 | 6,148,316 | 7,971,602,267 |
| 2002 | 68,375 | 6,783,151 | 8,990,641,624 |
| 2003 | 65,892 | 6,408,797 | 9,349,426,707 |
| 2004 | 65,525 | 6,661,992 | 9,829,173,415 |
| 2005 | 68,203 | 7,379,071 | 10,605,611,389 |
| 2006 | 67,650 | 7,448,994 | 11,114,831,585 |
| 2007 | 63,788 | 7,115,955 | 11,350,507,770 |
| 2008 | 67,393 | 7,447,046 | 10,962,811,835 |
| 2009 | 62,702 | 7,377,695 | 12,558,655,021 |
| 2010 | 62,049 | 7,545,136 | 12,292,794,023 |
| 2011 | 57,467 | 6,584,645 | 11,739,718,616 |
| 2012 | 59,024 | 7,238,426 | 13,018,249,407 |
| 2013 | 58,196 | 7,217,501 | 13,926,980,806 |
| 2014 | 56,697 | 7,532,319 | 15,271,650,330 |



Livestock

In response to public concerns over purported oversight failures at the ARS-led Meat Animal Research Center in Clay Center, NE, USDA committed on January 23 to thoroughly investigating the situation in Nebraska, to reviewing agency oversight procedures, and to making any revisions needed to promote the welfare of farm animals used for meat industry research. Could you please provide me with an update on how USDA is progressing with these actions and when the committee can expect a briefing from the Department?

Response: The U.S. Department of Agriculture (USDA) takes the welfare and well-being of all animals under its care seriously. In response to the recent New York Times article, I directed ARS to conduct a thorough review of animal handling protocols and procedures at USMARC. Accordingly, ARS requested the formation of an independent panel to conduct a review, and to provide recommendations where necessary to improve current oversight mechanisms. As part of the independent panel's review process, there are two opportunities for public comment. The first public comment opportunity occurred on March 18, 2015 when the agency held a telephonic public hearing. The independent review panel reviewed the public comments from the March 18th hearing and submitted a finalized report that takes these comments into account to the National Agricultural Research, Extension, Education, and Economics Advisory Board (NAREEE Board) on March 23, 2015. The public will be provided a second opportunity to comment on April 14, 2015, when the NAREEE Board will hold a telephonic hearing based on the finalized report. The independent panel's report is available at www.ree.usda.gov.

In addition to the independent panel's comprehensive assessment of the animal handling protocols and procedures at USMARC, the USDA Office of the Inspector General is performing an investigation of the specific instances of alleged animal mistreatment discussed in the New York

Times article. ARS is committed to cooperating fully with the Office of the Inspector General as it conducts its investigation.

In response to recommendations outlined within the independent panel's report, ARS is moving swiftly to ensure that the new Institutional Animal Use and Care Committee (IACUC) will meet regularly, keep minutes, formally review and discuss all research project outlines, and otherwise follow ARS policies and procedures to the letter. Previously, the documentation of the proceedings at the IACUC at USMARC did not fully reflect the activities of the IACUC for a number of years. While the IACUC was constituted properly, and the members of the IACUC reviewed research to ensure adherence to animal welfare policies and procedures, there were meetings for which minutes were not taken. For a period, the individual IACUC members provided their review and comments regarding animal welfare research through an electronic database that provided access for review and comment on project outlines, and addressed issues raised without engaging in a formal meeting. As confirmed by the independent panel, the use of these virtual processes did not affect the underlying scientific substance of the research projects themselves.

Additionally, consistent with the independent review panel's recommendation that the IACUC have more comprehensive training in its role and procedures as per the Federation of Animal Science Societies (FASS) guidelines, USMARC's newly constituted IACUC has already been through an orientation at its first meeting, and will complete additional training regarding its roles and responsibilities by March 31, 2015.

We note here that, like the independent review panel, we believe the important research conducted at USMARC is being conducted appropriately. Development of these research projects was a coordinated effort that happened over time, with the involvement and oversight of senior research leaders from across ARS. This development process ensured that scientific rigor, benefit to customers and the scientific community, and proper attention to animal care and well-being were built into the protocol prior to its coming before USMARC's IACUC. All research protocols were developed, reviewed, and implemented to minimize animal pain and suffering. In addition, projects that involve invasive activities are typically vetted prior to submission into the formal review process with the Attending Veterinarian, who ensures that processes to mitigate pain or any other issues of animal wellbeing are considered and included in the researcher's project proposal and outline.

Under Secretary for Research, Education, and Economics Dr. Woteki, as well as ARS Administrator Dr. Jacobs-Young, have provided briefings for committee staff at this time as well as for all Senate Agriculture Legislative Assistants. The Department would be happy to provide additional briefings moving forward for the Committee or staff.

Rural Development

Rural Infrastructure Opportunity Fund

What has USDA's involvement with the Rural Infrastructure Opportunity Fund been since it was first announced? What types of infrastructure improvements are a priority for the Fund? Have any loans been made so far?

Response: In 2014, the White House Rural Council convened the inaugural Rural Opportunity Investment Conference (ROI) to promote the investment opportunities that exist throughout rural America. At the event the Rural Council announced a new public private partnership to drive more investment to rural infrastructure. This fund, the U.S. Rural Infrastructure Opportunity Fund, represents a new approach to catalyzing private investment in infrastructure projects in rural

America. The Fund is designed to complement existing government loan and grant programs by making debt investments in a wide range of projects in America's rural communities. Through USDA's extensive work in rural America it can help to identify rural projects in need of financing. USDA has always encouraged private sector investment in rural areas, and continues to do so.

Broadband

The President's FY16 budget proposal recommends a funding increase for the Broadband Loan Program. When do you expect the program to be operational again? Also, what kind of technological upgrades does the Department need to make to ensure it is meeting the new reporting requirements described in the Farm Bill?

Response: The 2014 Farm Bill made several changes to the Farm Bill Broadband Loan Program. RD has been developing the new regulation and expects to finish implementing those changes in Calendar Year 2015. Rural Development has invested in IT improvements and included several changes in the new regulation including a requirement for borrowers to submit semi-annual reports for three years after the completion of the construction. This report must include the purpose of the funding, number and location of premises served, speed of broadband service being delivered, average price of service and adoption rates. The new reporting requirement and frequency will allow the agency to meet the specific reporting and metric requirements within the Farm Bill.

Research

Taking into consideration Sec. 749 of the Consolidated and Further Continuing Appropriations Act of 2015, what impact has Sec. 7128 of the Farm Bill had in terms of streamlining the matching funds requirement for competitive programs under Research, Education, and Economics?

Response: The 2014 Farm Bill's matching provision applies to 18 out of 48 of NIFA's competitive grant programs. Prospective grantees must provide matching in an amount equal to the amount of the grant (i.e., 1-to-1 match). A grant recipient is exempt from this matching requirement if it is an entity eligible to receive funds under a NIFA capacity and infrastructure program, such as an 1862, 1890, or 1994 land grant institution, a Hispanic-serving agricultural college or university, a non-land grant college of agriculture, or a research agency of USDA (a full list of exempt institutions is available at: <http://nifa.usda.gov/new-matching-requirement-frequently-asked-questions>). Additionally, potential recipients who do not fall into any of the exempt categories may be exempted from the matching requirement if they partner with an exempt entity. Alternatively, a prospective grantee can request that NIFA waive the matching requirement for one year for a particular application where proposed activities are consistent with priorities established by the National Agricultural Research, Extension, Education, and Economics Advisory Board.

NIFA intends to undertake a comprehensive analysis of the application of section 7128 and will make matching data available after the completion of the 2015 grant cycle. The expectation is that the provision would make the matching process easier to navigate and encourage partnerships between non-exempt and exempt institutions. NIFA will analyze the data in the next fiscal year.

Food Safety/Beginning Farmers

The farm bill significantly increased efforts to support new and beginning farmers by making it easier to get access to USDA programs and resources. In fact, several new Michigan farmers have taken advantage of easier access to microloans, crop insurance and financial planning assistance, but additional challenges will soon emerge as FDA finalizes their new food safety standards. Food safety is everyone's concern so we need to ensure that small and beginning farmers get the training and assistance they need to most cost effectively implement and comply with the Food Safety

Modernization Act. How will USDA ensure beginning farmers are getting adequate training and technical assistance? How will USDA help all producers comply with new federal food safety standards? What has USDA done to collaborate with FDA to ensure that the final FSMA rules adapt to the unique challenges faced by various production methods?

Response: The U.S. Food and Drug Administration (FDA) and the U.S. Department of Agriculture's National Institute of Food and Agriculture (NIFA) have joined in a collaborative partnership to establish a grant program designed to develop food safety training, education and technical assistance for small farm owners and food processors affected by the FDA Food Safety Modernization Act (FSMA). Both agencies recognize that food safety training, education, and technical assistance are critical to ensuring awareness and compliance with new produce safety standards and preventive controls for human and animal food proposed under FSMA. Priority funding consideration will be given to grants focused on training owners and operators of small farms, food processors, small fruit and vegetable wholesalers, and farms that lack access to food safety training and other educational opportunities. In addition, priority funding consideration will be given to those working with various agricultural production and conservation systems. Those from community-based organizations, non-governmental organizations, tribal agencies, state cooperative extension services, and institutions of higher education are eligible to apply for grant funding through this joint program. FDA released a request for applications (RFA) to establish a National Coordination Center as part of the Food Safety Training, Education, Extension, Outreach, and Technical Assistance Grants Program. Also, FDA and NIFA will issue separate RFAs to establish up to four regional food safety training centers in fiscal year 2015.

In addition, USDA's Agricultural Marketing Service (AMS) continues to help address questions about the proposed produce safety regulations. AMS activities include:

- Maintaining a full-time position as a liaison to FDA relative to FSMA-related activities (FDA funds the position);
- Participating with the FDA in the jointly-funded Produce Safety Alliance, a collaborative effort managed by Cornell University within the land-grant university system. The primary objective is to continue to provide the produce industry and associate groups (e.g., regulators, auditors, consumers, etc.) with training and educational opportunities related to current best practices and guidance, and future regulatory requirements (i.e., FDA's Produce Safety regulation);
- Participating in a joint project with FDA to review AMS' Good Agricultural Practices (GAP) Program to ensure that it aligns with the produce safety regulation. The project is projected for 12-18 months and includes a field-based component to observe actual GAPs on farms. The goal is to create assurance for growers that obtaining a USDA GAPs audit also puts them in compliance with the FDA regulation; and
- Implementing a pilot food safety audit program testing feasibility of GAP certification for producer groups/networks. The pilot is currently in 6 states and expanding to 12 groups this year. The goal is to help small and mid-sized farmers obtain food safety certification that allows them greater market access. A national rollout is targeted for FY 2016 if successful.

Urban Ag

1. Urban agriculture is a steadily growing sector of the agricultural economy, communities across the country are engaging in a variety of activities from small-scale urban farming to high tech indoor production. How is the Department keeping track of these emerging farming activities? How does USDA plan to get an accurate count of urban agriculture activities in the next

census? When will USDA be able to release initial findings of scale and volume of urban agriculture production?

Response: NASS has an on-going effort to maintain a list of all farm operations, including those in urban areas. In urban areas, permits are often needed for larger agricultural efforts or for those involving more than a very few animals. NASS works with city and state governments to acquire lists of these permits. The lists do not provide complete coverage, but do tend to include the larger producers.

Because of the unique nature of urban agriculture, NASS has initiated a pilot project to assess whether new technology can be used to improve the coverage of urban agriculture. For this project, NASS is collaborating with the Multi-Agency Collaboration Environment (MACE). High-resolution satellite, lists of permits, and social media, e.g., Facebook and Twitter, are combined through algorithms to identify areas of potential agriculture. This is followed by a survey to determine the accuracy with which urban agriculture is identified. Currently, the process of algorithm development is underway for the first test city, Baltimore. The survey is scheduled for July. After reviewing the results from the Baltimore work, a second city may be identified for refinement of the methods.

Insights from the urban agricultural pilot study will be used to enhance the list of urban farms for the 2017 Census of Agriculture. If the new methods are found to be effective during the pilot study, this approach could potentially be used to improve estimates for some or all urban areas for the 2017 Census. However, it is anticipated that the methods used in the urban agricultural pilot study would result in increased costs even after refinement. Therefore, additional funding would be needed for implementation beyond the two test cities in the current project.

2. Many urban agriculture producers live in communities that have little to no relationship with USDA, therefore how will the Department overcome these challenges to provide robust outreach to urban producers? What kind of outreach has the Department already done to connect with urban agriculture producers?

Response: USDA partners closely with local and state governments, local schools and universities and faith based organizations to promote microloans and other agricultural opportunities to urban communities. Targeting farmers markets, food hubs and urban-focused conferences to convey information about a suite of USDA programs has been and will continue to be a major area of focus, much of it coordinated through our Know Your Farmer, Know Your Food initiative. The Department has also engaged new communications tools including Google+ hangouts/webinars and social media to extend outreach in connecting with urban producers.

The Know Your Farmer, Know Your Food initiative is currently developing an outreach tool tailored to urban producers, businesses and other urban entities in order to familiarize them with the variety of USDA programs available to them. This resource will be available on our website, www.usda.gov/knowyourfarmer, in the coming weeks. Information is already available on the site's "Grants, Loans and Support" page that identifies eligible entities (including urban applicants) for programs related to local food systems. USDA representatives involved in the KYF2 initiative have participated in conference calls and webinars with urban-based organizations, partners such as the National League of Cities and the U.S. Conference of Mayors, and congressional offices to share information on our programs in urban areas.

AMS works closely with university extension service, community based organizations, and other entities to ensure that both urban and rural producers are aware of agricultural marketing resources available to them. For FY 2015, AMS partnered with the National Institutes for Food and Agriculture to develop a training curriculum and series of face-to-face workshops that are being delivered across the country to educate rural and urban agricultural communities about AMS grant programs (i.e., Farmers Market and Local Food Promotion Program, Specialty Crop Block Grant Program, and Federal State Marketing Improvement Program). As of the end of March 2015, approximately 125 in-person grant-writing workshops have been scheduled across the country, many of them in urban communities. In addition, AMS conducts numerous webinars and teleconferences to share information about programs and services that support agricultural communities. USDA recognizes that urban agriculture is growing and will continue to provide information about relevant resources to urban agricultural producers.

Another tool USDA has already utilized to reach urban agriculture is to target assistance to new and beginning farmers in urban areas. First, USDA has created a website, www.usda.gov/newfarmers, which for the first time puts all the USDA resources that affect new and beginning farmers in one place, including the programs which support urban agriculture. USDA will be working to improve and target this resource in the near future. USDA also partners with community based organizations, including through our grant programs such as the Beginning Farmer and Rancher Development Grant Program, administered by the National Institute for Food and Agriculture. In the Farm Service Agency, the Office of Outreach has played a key role in building connections to new and underserved producers, including through meetings, education, and key outreach. The Farm Service Agency FY16 budget requests \$2 million for new farmer regional coordinators, who would build partnerships and facilitate cross training amongst the field-based agencies, and \$2 million for cooperative agreement funding, which would be leveraged to enhance USDA's financial literacy training with community based organizations, including those in urban areas.

Further, Urban communities throughout the U.S. receive technical and financial assistance from USDA through the Forest Service's Urban & Community Forestry (U&CF) program, which is delivered by State agencies. Through the Forest Service's National Agroforestry Center and State forestry agencies, UCF works with many local urban agriculture programs. In addition, the Forest Service's urban research units engage in place-based, long-term urban ecological and social research and form research partnerships with a broad set of local, non-profit, business, and community partners in the urban environment. As an engaged network, the urban field stations are national and international assets, advancing the knowledge of urban ecosystems and people, for all communities.

3. The farm bill changed eligibility requirements making it easier for beginning farmers to access traditional farm programs and some of these changes could expand access of these programs into urban communities. Which USDA farm programs continue to have urban eligibility limitations? How has USDA used various farm bill pilot authorities to expand access to farm programs in urban communities?

Response: All FSA farm and farm loan programs are available to agricultural producers regardless of whether they operate in a rural or urban location. FSA is also considering potential pilot Farm Loan Programs projects under the new authorities in the Farm Bill, including pilots that include urban areas.

4. The Environmental Protection Agency (EPA), Department of Housing and Urban Development (HUD), and Department of Transportation's (DOT) Sustainable Communities initiative has

done work to support urban agriculture growth and development outside of USDA. How has USDA collaborated and coordinated with these and other agencies to create solutions for urban agriculture sector growth and promotion? What has USDA done to ensure urban producers have access to programs and resources in other agencies?

Response: USDA has communicated with partners at EPA, HUD and DOT throughout the Sustainable Communities process. While the core focus of the Sustainable Communities Partnership has been smart growth and sustainable economic development, an unexpected outcome of the Sustainable Communities efforts has been the extent to which many of the HUD regional planning grantees (urban, rural, and tribal) have included food systems—access, production, delivery, and nutrition—as a core goal of their plans. In response, USDA has remained in dialogue with the sustainable communities agencies and has offered guidance as needed.

Specifically, USDA has collaborated with the federal Sustainable Communities partners in a number of ways:

- Provided information, whenever possible, including at HUD's annual Sustainable Communities grantee gathering, about USDA programs that can be utilized in urban areas, including Farm to School grants and Farmers Market and Local Food Promotion Program.
 - Provided technical support to any urban Sustainable Communities grantee that has sought guidance on access USDA programs. One example is Memphis, where USDA has partnered with HUD and the Strong Cities, Strong Communities (SC2) initiative to support that region's effort to include a regional food system strategy in their long-term economic development plan. USDA has also consulted with grantees in Fresno, where local foods systems support has been an important ingredient to their revitalization efforts, which include a planned farmers market downtown to reclaim a moribund open-air pedestrian mall.
 - Partnered with Michigan State University to host meetings in conjunction with the national Smart Growth conference in Denver (2014) and Baltimore (2015). These gatherings gave all grantees—urban, rural, and tribal-- significant insight to USDA programs.
 - Partnered with other federal agencies in supporting the Local Foods, Local Places initiative, which provides technical assistance for local food projects in both urban and rural places.
 - Partnered with other federal agencies to promote USDA's Know Your Farmer Know Your Food website, an excellent resource where people can use to explore various USDA programs that might be suited to their needs
5. Urban communities host a unique set of challenges for crop production, food safety, and water and soil quality. What has USDA done to research, evaluate, and help producers mitigate potential challenges that are unique to urban production?

Response: Both capacity programs and competitive programs support research and outreach for urban agriculture. In the period of 2009-2013, the various research capacity programs (Hatch, McIntire-Stennis, and Evans-Allen) expended more than \$40M on urban agriculture challenges, while the Agriculture & Food Research Initiative awarded more than \$27M. Furthermore, with the growing numbers of farmers' markets, urban farms and community gardens, there is a tremendous need to provide training materials and educate staff in urban agriculture. NIFA awards have supported such train-the-trainer activities, in addition to providing formula funds that support Cooperative Extension's Master Gardeners program. This program trains and utilizes approximately 90,000 volunteer horticulturalists across the country that annually contributes

millions of hours of volunteer time educating the public, providing youth horticultural programs, and facilitating produce donations to food banks. In addition to these expenditures, NIFA awarded more than \$125M in grants through other programs. Some example programs and activities appear below.

The Beginning Farmer and Rancher Development Program funds organizations to provide education, mentoring, and technical assistance for new farmers, in urban as well as rural areas. For example, the Recirculating Farms Coalition, in New Orleans, La., is training urban farmers on crop and livestock production, entrepreneurship, marketing, and other topics in both classroom and hands-on sessions. In addition to educating producers on best practices for soil fertility and water use/conservation, training provided on good food safety practices are critical for direct marketing of food products from urban farms to consumers. The new farmers come from various ethnic and social backgrounds, including women, immigrants, and individuals with limited resources.

Since 1995, the Sustainable Agriculture Research and Education Program has invested \$3,436,000 in 136 projects that involved urban agriculture. SARE has used multiple grant types that vary in size and focus to support these projects. The majority (78) were grower-initiated Farmer/Rancher Research grants that ranged between \$2,000 and \$21,000 funding per project. The program also funded fifteen larger institution-led Research and Education grants which ranged in funding from \$17,000 to \$267,000 per project.

Many controlled-environment facilities, such as greenhouses, operate in urban, suburban and exurban locations. These facilities produce not only food, but also horticultural and floricultural plant materials that improve the quality of life for urban citizens. The USDA Small Business Innovation Research program has spurred private sector innovations in new lighting technology for plant growth, pest management, and food safety (ultraviolet). Working closely with stakeholders, the Specialty Crop Research Initiative funded R&D and outreach on the use of sensor networks for nurseries, greenhouses, and green roofs to dramatically reduce water and energy use. This same competitive grants program supported research and outreach activities for LED greenhouse lighting, food safety and disease management of greenhouse tomatoes, and irrigation water quality for nurseries.

The USDA Forest Service's network of urban research units facilitate interaction between agency scientists and city agencies that are working to boost capacity for urban farming and address siting needs and environmental considerations. The agency's urban research program provides science information and knowledge on urban watershed health, soils, vegetation, land use and suitability, and people's attitudes and behaviors towards urban greening, including community gardening and larger-scale urban agriculture. In Baltimore, for example, the Forest Service is a major partner in helping to increase healthy food access by expanding urban agriculture as a desired land use in the city's sustainability plan, and identifying vacant lots that can be used to grow food that supplies local food businesses.

6. The President's budget set aside \$5 million for vertical farming research to evaluate controlled environment farming and genetic resources for increasing resistance of plants in urban conditions, who will be eligible to participate in the vertical farming research?

Response: Research is expected to be conducted by ARS scientists and their university collaborators in close cooperation with urban crop producers and suppliers of specialized equipment, adapted varieties, and other key agricultural inputs. The proposed research will help

provide specially adopted plants, advanced greenhouse technologies, and systems that can supply nutrient dense, high value crop products in urban settings.

Forestry

Timber Harvest Budget Question

In 2009, at the beginning of the Administration, the size of the national timber program was 2.5 billion board feet (bbf). The Administration set a goal of hitting 4 bbf in the timber program in four years. Perhaps that was not realistic but in 2012, the Administration set a target of 3.2 bbf. In the last several years, the Forest Service has crept up from 2.5 to 2.8 bbf. They hit 2.8 in FY 2014, and proposed hitting 3.1 BBF in their FY 2015 budget justification. The FY 2016 budget request says the FS can hit 3.2 BBF. While this is promising it is below the current forest plans which provide for approximately 6.2 BBF in outputs. Why is the budget so far behind the current forest service plans? Please explain the progress made in the last few years to continually increase the annual harvest on National Forest Lands?

Response: Timber sale contracts and stewardship contracts are important tools for maintaining, improving, and restoring priority watersheds while simultaneously generating revenue, offsetting costs, and creating local jobs. In Fiscal Year 2014, the Forest Service met or exceeded its restoration goals. Projects lessened the threat to communities by reducing hazardous fuels on 1.7 million acres in the wildland urban interface, sustained or restored watershed conditions on 2.9 million acres, and resulted in 2.8 billion board feet of timber volume sold. Approximately 70 percent of the total timber volume sold was generated through timber sale contracts (the remainder was through stewardship contracting and agreements).

While the agency has made strong commitment to increasing the size of the timber program, we are still constrained by the growing costs of forest fire suppression responses. To address the impact of fire suppression on our discretionary accounts from which we fund our other activities - including timber sales - we propose a budget cap adjustment to fund suppression costs for large and complex fires. Suppression would be funded at a level that covers 99 percent of the fires we fight, or 70 percent of our 10-year average suppression costs. Remaining fire costs would be funded through an "off-budget" fire suppression cap adjustment. Off-budget funding would be accessed with Secretarial declaration that the fire is large, complex, or urbanized or imminent end of appropriated discretionary suppression funds.

Senator Amy Klobuchar

- 1) Thank you for working with me and the Department of the Interior in 2011 to delist the gray wolf from the Endangered Species Act due to its successful recovery in Minnesota. A recent District Court ruling has placed gray wolves back under federal management.
 - a. Prior to the delisting, USDA's Wildlife Services division was able to remove problem wolves in Minnesota in response to livestock and pet depredation. After the delisting, successful state management reduced the overall need for APHIS's wolf control program and its funding was cut. Does USDA have any flexibility to make resources available to fully carry out the mission of Wildlife Services predator control programs, given the recent relisting of the gray wolf? Will you work with me to ensure that federal officials have the authority and resources necessary for proper wildlife management?

Response: I understand the concerns raised by producers in your State and am pleased to let you know that Minnesota Governor Mark Dayton and I recently agreed that USDA and the State of Minnesota will each provide \$110,000 to fund wolf damage management activities through the end of FY 2015. These activities have now resumed in Minnesota and are available to producers by request.

In 2010 and previous years, the U.S. Department of Agriculture's (USDA) Wildlife Services (WS) program received congressionally directed funding to support wolf damage management activities in States impacted by the District Court ruling. The elimination of this funding in 2011 and the recent court decision that restored Federal protection for gray wolves in the Great Lakes States affected WS' ability to conduct such activities. The Endangered Species Act does not permit the removal of wolves listed as endangered to manage livestock predation. However, in Minnesota, where wolves are once again listed as threatened, they may be removed to protect livestock.

- b. The Livestock Indemnity Program was expanded in the Farm Bill to cover attacks by animals protected under federal law like the gray wolf. With calving season fast approaching, I want to make sure producers who lose livestock to wolf depredation are able to easily access the program. What steps is USDA taking to ensure that rural producers are aware that LIP can be used for wolf-related losses, and have sufficient access to the program given the challenge of FSA office consolidation?

Response: Meetings hosted by the Minnesota Department of Agriculture (MDA) and the Farm Service Agency are scheduled at four Northern Minnesota locations to offer greater detail on LIP and the program available from MDA to assist producers who have suffered losses due to wolf depredation. The first meeting was scheduled for April 2. These informational meetings will provide overview and comparison of the programs available from MDA and FSA. Attendees will also be given information on the record-keeping expectations and claims processes for the two programs. Representatives from several state and federal organizations will be in attendance, including MDA, FSA, Minnesota Department of Natural Resources, and U.S. Fish & Wildlife Service.

- 2) Thank you to Under Secretary for Farm and Foreign Agricultural Services Michael Scuse for traveling to Minnesota to speak at a summit on modernizing our relations with Cuba that I hosted on Monday, February 23. I have introduced bipartisan legislation to lift the current embargo and eliminate legal barriers to Americans doing business in Cuba. What do you estimate to be the economic impact of the more open policies adopted by the Administration and of lifting the embargo on U.S. agricultural exports?

Response: Congress lifted the ban on the export of agricultural products that had been restricted under Cuba sanctions for decades, under the Trade Sanctions Reform and Export Enhancement Act of 2000 (TSRA). On January 16, 2015, the Department of Treasury published revised Cuba Asset Control regulations which, modified the regulatory interpretation of the term "cash in advance," which describes a financing requirement for agricultural trade between the United States and Cuba that is imposed by statute. Treasury has revised its interpretation of the term to mean that payment is required prior to transfer of title to and control of the goods. The changes also allow U.S. banks to establish correspondent accounts at Cuban banks. This change had been sought by members of the U.S. agricultural community.

Cuba imports about 80 percent of its food, which means that the economic potential of increased market access for our producers is significant. U.S. agricultural exports to Cuba fell from a peak of \$658 million in FY 2008 to \$300 million in FY 2014 while global agricultural exports to Cuba have doubled over the past decade to \$1.7 billion. Currently, the largest U.S. export to Cuba is poultry products, with exports valued at \$148.1 million in FY 2014. Other top U.S. exports last year included soybean meal, valued at nearly \$75 million; bulk soybeans, valued at more than \$29 million; and bulk corn, valued at more than \$28 million.

Senator Michael Bennet

- 1) As you know, we worked hard to construct a strong conservation title in the 2014 Farm Bill. Through this title, we created a new USDA program, the Regional Conservation Partnership Program (RCPP), to fund conservation projects. When we created this program, we authorized it to be funded at \$600 million (\$1.2 billion with partner contributions) annually for five years. I'm happy that two of the Colorado RCPP proposals that I supported received a total of \$9.8 million in funding. However, I'm concerned that USDA only awarded a total of \$370 million for projects this year and that one of the Colorado projects in the Lower Gunnison Basin only received a portion of the funds they requested. Can you please provide us with more information about why funding for the program was cut this year? Are increased Congressional appropriations necessary to fully fund this crucial conservation program? If funding is restored or increased, will there be any opportunities for awarded projects to apply for a restoration of more of their requested funding?

Response: The Regional Conservation Partnership Program is a different approach to investing in natural resource conservation that empowers local communities and demonstrates the importance of strong public-private partnerships in delivering local solutions to tough natural resource challenges. The Farm Bill authorized \$100 million in mandatory spending and 7 percent of funds from the four covered programs annually (ACEP, EQIP, CSP and HFRP). Sequestration and changes in mandatory program spending levels reduced the funds available for program implementation. The first round of projects, announced in January, 2015, covered funding for fiscal years 2014 and 2015 only and totaled about \$370 million. These 115 projects will leverage an estimated additional \$400 million in partner contributions.

As a result of strong competition and the need for representative projects across the nation, no project received 100 percent of its funding request. NRCS balanced funding to reach as many diverse projects in as many locations while maintaining sufficient financial resources to launch successful projects. Applicants not selected and new applicants will be able to apply during the next announcement of funding availability.

- 2) Many of us who crafted the conservation title are hopeful that funding will be fully restored to the RCPP program next year. Many of the conservation groups in Colorado would like to apply (or reapply) for funding in the next application cycle. Can you provide us with more information about that funding opportunity; specifically the timing and amount of expected total funding available?

Response: NRCS anticipates that the announcement for program funding for fiscal year 2016 RCPP will occur in spring 2015. The exact funding level available will reflect any statutory reductions (e.g., changes in mandatory spending levels, sequestration), but is expected to be about \$230 million in available RCPP funds.

- 3) One of the funded RCPP proposals in Colorado was a water management project through the Colorado River Water Conservation District in the Lower Gunnison River Basin. The project aims to bring farmers and water providers together to better manage water resources for agriculture. I have heard from the project managers that they are facing a number of implementation challenges that are likely also relevant to other RCPP projects. They face a shortage of NRCS field staff; procurement and contracting challenges between USDA and DOI, especially with respect to the effective use of funding from both Departments; and funding losses due to NRCS Technical Assistance requirements including long-term planning strategies. I would urge you to consider these issues, especially as you begin the next proposal funding cycle.

Response: NRCS is aware of some of the implementation challenges and is working to resolve issues in the negotiation process for the final agreements. NRCS also will be working with partners to provide clear and appropriate expectations for RCPP projects in the next proposal funding cycle.

- 4) Through the 2014 Farm Bill, we also provided support for the Agricultural Conservation Easement Program (ACEP). This program is crucial to preservation of wetlands and agricultural land for habitat and water conservation. However, USDA does not provide information on the number of easement acres based on the type of land. It's hard to figure out how much money and technical assistance is spent on wetland easements versus agricultural easements. For each state, can you please provide the Committee with how many dollars and how much mandatory technical assistance did USDA obligate for wetland easements versus agricultural land easements in FY 2014? If this information is not available for FY 2014, can you assure us that USDA will track and be able to report this information for FY 2015?

Response: Below is the fiscal year (FY 2014) summary of enrollments in the Agricultural Conservation Easement Program (ACEP) and the summary of ACEP financial assistance (FA) and technical assistance (TA) fund obligations by State. The ACEP enrollments are broken down by number and acres of enrollments and by ACEP component, either agricultural land easements (ACEP-WRE) or wetland reserve easements (ACEP-WRE). In FY 2015, NRCS will expand this table to include the ACEP FA funds obligated by ACEP component, either ACEP-ALE or ACEP-WRE. NRCS technical assistance for ACEP is not broken down by component as ACEP is a single program and is implemented as such from an administration and technical service standpoint. The financial assistance funds can be broken down by component as they are based on specific obligations to an individual agreement.

| FY 2014 Agricultural Conservation Easement Program (ACEP) | | | | |
|--|--|--|---|---|
| Enrollments - Summary Table | | | | |
| State | ACEP-Agricultural Lands Easements Count | ACEP-Agricultural Lands Easements Acres | ACEP-Wetland Reserve Easements Count | ACEP-Wetland Reserve Easements Acres |
| ALABAMA | - | - | 2 | 220 |
| ALASKA | 1 | 77 | - | - |
| ARIZONA | - | - | - | - |
| ARKANSAS | - | - | 30 | 6,955 |
| CALIFORNIA | 8 | 9,048 | 12 | 4,738 |
| COLORADO | 10 | 6,700 | 1 | 216 |
| CONNECTICUT | 12 | 983 | - | - |
| DELAWARE | 2 | 233 | 2 | 77 |
| FLORIDA | 7 | 7,040 | 8 | 3,518 |
| GEORGIA | 1 | 51 | 9 | 3,046 |
| HAWAII | - | - | - | - |
| IDAHO | 3 | 4,254 | - | - |
| ILLINOIS | - | - | 7 | 290 |
| INDIANA | - | - | 11 | 866 |
| IOWA | - | - | 18 | 1,664 |
| KANSAS | 3 | 3,883 | 14 | 986 |
| KENTUCKY | 14 | 1,340 | 16 | 1,692 |
| LOUISIANA | - | - | 22 | 7,473 |
| MAINE | 2 | 98 | - | - |
| MARYLAND | - | - | 5 | 258 |
| MASSACHUSETTS | 18 | 732 | 1 | 62 |
| MICHIGAN | 10 | 1,126 | 5 | 425 |
| MINNESOTA | 4 | 479 | 1 | 2,014 |
| MISSISSIPPI | - | - | 13 | 2,264 |
| MISSOURI | - | - | 8 | 1,611 |
| MONTANA | 4 | 22,743 | 2 | 307 |

| | | | | |
|----------------|------------|---------------|------------|---------------|
| NEBRASKA | 2 | 1,406 | 6 | 966 |
| NEVADA | 2 | 4,556 | 3 | 677 |
| NEW HAMPSHIRE | 8 | 432 | 6 | 591 |
| NEW JERSEY | 11 | 557 | 5 | 136 |
| NEW MEXICO | - | - | - | - |
| NEW YORK | 3 | 192 | 8 | 657 |
| NORTH CAROLINA | 3 | 280 | 1 | 529 |
| NORTH DAKOTA | - | - | 16 | 3,604 |
| OHIO | 13 | 3,870 | 7 | 1,248 |
| OKLAHOMA | 1 | 160 | 4 | 541 |
| OREGON | - | - | 1 | 18 |
| PENNSYLVANIA | 3 | 250 | 6 | 228 |
| RHODE ISLAND | 1 | 37 | - | - |
| SOUTH CAROLINA | 1 | 276 | 1 | 256 |
| SOUTH DAKOTA | - | - | 15 | 1,877 |
| TENNESSEE | 1 | 233 | 9 | 885 |
| TEXAS | 3 | 692 | 3 | 2,096 |
| UTAH | 6 | 9,385 | 1 | 105 |
| VERMONT | 23 | 3,078 | 1 | 486 |
| VIRGINIA | - | - | 1 | 337 |
| WASHINGTON | 3 | 449 | 2 | 299 |
| WEST VIRGINIA | 2 | 705 | - | - |
| WISCONSIN | 3 | 416 | 12 | 727 |
| WYOMING | 2 | 3,132 | - | - |
| PUERTO RICO | - | - | - | - |
| NFWF Agreement | | | | |
| TOTAL | 190 | 89,858 | 295 | 54,941 |

Data Source: NEST 10/10/2014

| FY14 ACEP-ALE Grasslands of Special Environmental Significance | | |
|--|--|----------------------------------|
| State | ACEP-ALE- GSS - Number of | ACEP-ALE- GSS - Acres |
| California (06) | 3 | 6,515 |
| Idaho (16) | 2 | 3,839 |
| Kansas (20) | 3 | 3,883 |
| Montana (30) | 1 | 19,452 |
| Nebraska (31) | 2 | 1,406 |
| Nevada (32) | 2 | 4,556 |
| Texas (48) | 1 | 210 |
| Utah (49) | 5 | 9,312 |
| Grand Total | 19 | 49,173 |
| * ACEP-ALE-GSS enrollments are included in the ACEP-ALE totals in the summary table | | |

| NRCS FY 2014 Agricultural Conservation Easement Program - Direct Obligations by State | | |
|---|------------------------------------|------------------------------------|
| States | ACEP Financial Assistance Funds | ACEP Technical Assistance Funds |
| AK - ALASKA | \$809,400 | \$24,676 |
| AL - ALABAMA | \$577,357 | \$439,665 |
| AR - ARKANSAS | \$16,863,173 | \$3,053,824 |
| AZ - ARIZONA | | \$21,635 |
| CA - CALIFORNIA | \$16,671,781 | \$2,430,316 |
| CO - COLORADO | \$3,997,514 | \$591,685 |
| CT - CONNECTICUT | \$3,744,711 | \$349,883 |
| DE - DELAWARE | \$3,399,882 | \$322,777 |
| FL - FLORIDA | \$23,533,822 | \$7,232,314 |
| GA - GEORGIA | \$4,668,802 | \$843,625 |
| HI - HAWAII | | \$142,323 |
| IA - IOWA | \$11,553,051 | \$1,728,317 |
| ID - IDAHO | \$3,167,763 | \$288,764 |
| IL - ILLINOIS | \$1,117,037 | \$585,538 |
| IN - INDIANA | \$3,148,371 | \$550,248 |
| KS - KANSAS | \$3,513,352 | \$369,175 |
| KY - KENTUCKY | \$8,688,185 | \$1,713,246 |
| LA - LOUISIANA | \$13,886,930 | \$3,051,082 |
| MA - MASSACHUSETTS | \$4,026,261 | \$436,061 |
| MD - MARYLAND | \$916,980 | \$396,263 |
| ME - MAINE | \$297,000 | \$64,076 |
| MI - MICHIGAN | \$2,629,138 | \$566,485 |
| MN - MINNESOTA | \$1,079,973 | \$2,158,064 |
| MO - MISSOURI | \$4,898,743 | \$827,096 |
| MS - MISSISSIPPI | \$5,359,161 | \$1,179,013 |
| MT - MONTANA | \$5,297,050 | \$563,050 |
| NC - N CAROLINA | \$1,879,825 | \$550,829 |
| ND - N DAKOTA | \$4,010,715 | \$1,512,375 |
| NE - NEBRASKA | \$2,716,636 | \$1,006,260 |
| NH - NEW HAMPSHIRE | \$2,894,030 | \$471,609 |
| NJ - NEW JERSEY | \$4,969,843 | \$502,538 |
| NM - NEW MEXICO | | \$45,881 |
| NV - NEVADA | \$3,601,993 | \$928,287 |
| NY - NEW YORK | \$2,225,206 | \$690,484 |
| OH - OHIO | \$7,454,863 | \$1,070,796 |
| OK - OKLAHOMA | \$994,395 | \$397,107 |

| | | |
|-----------------------------|----------------------|---------------------|
| OR - OREGON | \$618,858 | \$846,490 |
| PA - PENNSYLVANIA | \$3,992,490 | \$1,180,712 |
| PR - PUERTO RICO | | \$3,808 |
| RI - RHODE ISLAND | \$370,000 | \$88,958 |
| SC - S CAROLINA | \$1,882,917 | \$255,312 |
| SD - S DAKOTA | \$5,992,961 | \$1,575,037 |
| TN - TENNESSEE | \$2,335,738 | \$1,798,115 |
| TX - TEXAS | \$8,770,407 | \$1,721,656 |
| UT - UTAH | \$4,997,181 | \$303,871 |
| VA - VIRGINIA | \$850,240 | \$211,496 |
| VT - VERMONT | \$3,625,384 | \$393,771 |
| WA - WASHINGTON | \$1,342,530 | \$168,969 |
| WI - WISCONSIN | \$2,771,288 | \$720,016 |
| WV - WEST VIRGINIA | \$1,890,740 | \$257,368 |
| WY - WYOMING | \$1,502,925 | \$116,248 |
| NFWF Gulf 5 State Agreement | \$8,000,000 | \$2,000,000 |
| Grand Total | \$223,536,603 | \$48,747,191 |

Data Source: FMFI 9/30/2014

- 5) We've been working for years with a constituent in southeastern Colorado who is concerned about a denial of USDA disaster payments to her business, Hixson Farms, in 2009. She feels that there may be further steps that could be taken to ensure that her request has received full consideration. We hope that you will work closely with your staff to ensure that she is informed of any and all remaining options available to her, so that she can finally resolve this issue one way or another. Specifically, we ask that you provide her a thorough response to her letter dated June 14, 2014 and resubmitted multiple times.

Response: FSA's most recent letter to Hixson Farms, dated February 24, 2015, stated that on August 28, 2012, the Director of the National Appeals Division (NAD) denied their request for relief regarding the FSA determination that certain wheat acres at Hixson Farms were ineligible for the 2009 Supplemental Revenue Assistance Payment Program (SURE). A copy of this letter will be provided to your office. The NAD was established by Congress to conduct autonomous reviews for any person who has received an adverse program decisions from the FSA. NAD is independent of FSA, and its determinations are binding on both appellants and FSA. If Hixson Farms believes that the final NAD determination is erroneous, further pursuit of the matter can be made in a United States court of competent jurisdiction.

Senator Heidi Heitkamp

- 1) I want to reiterate the concerns raised by my colleagues regarding wetland determinations, particularly the proposed offsite methods proposal for the prairie pothole region. It is absolutely critical that this manual get it right and, just as importantly, that the Department

communicate the rules of the road and process to producers as it relates to wetland determinations and conservation compliance. Folks in North Dakota have a great deal of anxiety and lack of clarity on how these determinations are made.

What efforts is the Department undertaking to better communicate with producers the process for wetland determinations and the expected benefits of the new proposal?

Response: The Natural Resources Conservation Service (NRCS) has been making wetland determinations using offsite methods for more than 25 years. The changes proposed in the recent Federal Register notice are designed to use new technologies, create greater consistency, increase efficiencies, and better align the procedures to the most current Federal wetland delineation methodology.

To maximize transparency, in the summer of 2014, NRCS conducted six listening sessions in the Prairie Pothole states of Minnesota, North Dakota, South Dakota, Iowa and at NHQ. The sessions were designed to solicit comments and feedback from individual producers and conservation and agricultural groups. In response to the public comments, NRCS revised its draft procedures. The procedures were posted to the Federal Register on November 5, 2014, for a 90-day comment period that was extended through February 20, 2015.

Based on the public comments and additional subsequent feedback, it is clear that the NRCS needs to conduct additional outreach efforts to clarify the extent of the changes being made and ensure stakeholders and producers understand the wetland determination process and the use of State Offsite Methods. To that end, we are engaging at a national level and through our State Technical Committees to make more information available to clarify the current process utilized in making wetland determinations and the proposed changes.

- 2) As was discussed in the hearing, the 2014 farm bill linked conservation compliance to crop insurance—something that hadn't been done in the past and which is causing a lot of producers anxiety. I want to thank you for getting out the new AD-1026 quickly, but I have some concerns about how long it has taken to release a new rule on conservation compliance which is expected to address a number of provisions meant to protect farmers who have not been subject to conservation compliance before.

Could you please provide us assurance that the provisions in the farm bill laid out in my August 6, 2014, letter will be addressed in the forthcoming rule?

Response: In 2014, Congress re-linked Federal crop insurance to the list of USDA benefits that are subject to conservation compliance. These requirements are called Highly Erodible Land (HEL) and Wetland Conservation (WC) Provisions.

Since December 1985, there has been an expectation that producers receiving USDA benefits would meet some basic conservation requirements in order to receive a program payment or subsidy. These measures are intended to help protect erosion-prone land and wetlands for the multiple benefits they provide, such as improving the quality of our water, protecting wildlife habitats, and preventing flooding downstream.

For existing 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 and who 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.

For producers not currently FSA or NRCS program participants, many will meet the compliance requirements by simply filing the form AD-1026 since approximately 70% of all FSA and NRCS program participants have no compliance issues. For producers who only participate in crop insurance, compliance only applies to fields used for annually planted crops and sugarcane determined as highly erodible fields (HEL) or wetlands converted after February 7, 2014.

To be eligible for Federal crop insurance premium subsidy for the 2016 reinsurance year (July 1, 2015 – June 30, 2016) a producer must file form AD-1206 no later than June 1, 2015. Persons new to compliance, or returning to compliance because of the re-linking of crop insurance premium subsidy, will have additional time to develop and comply with a conservation plan, if needed.

Producers who do not comply with conservation compliance can still purchase Federal crop insurance, but they will no longer be eligible to receive the government paid premium subsidy on any policy until the reinsurance year following the date they are in compliance.

- 3) As you know, the 2014 Farm Bill included language encouraging the Department to work to maximize benefits to honey bees and other pollinators, and North Dakota is one of the states eligible for the \$8 million in incentives aimed at pollinator health. However, I've heard that the seed specifications unnecessarily increase the cost of creating pollinator habitat.

In order to increase the quality and quantity of cost-effective honey bee forage on USDA conservation program lands, what is USDA doing to allow more flexibility for seed species selection and to streamline approaches across national, state and county levels?

Response: USDA agencies provide important leadership to ensure pollinator health through research, education and outreach and providing technical assistance to land owners. For example, the Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish Program (ELAP) provides assistance for the loss of honeybee colonies, in excess of normal mortality, due to Colony Collapse Disorder or other natural causes. For 2012 and 2013 ELAP, over 1500 applications totaling over \$36 million in honeybee losses were received. Due to limited funds, approximately \$28 million in payments are being issued related to these claims.

In addition, USDA is working as a team to utilize conservation programs under multiple agencies and across Departments to help pollinators thrive. An example of this is the work by NRCS and FSA to coordinate efforts to improve honey bee health in five states, including North Dakota, that are home to over 65% of the managed bee population during the summer months. Two of the actions FSA and NRCS have taken are 1) examining the seed mixes used within conservation programs and 2) identifying less-costly, pollinator beneficial seed mixes. State Technical Committees, informed by the work of State and regional biologists, plant materials specialists, and agronomists across the U.S., decide which seed mixes will be approved for their state. FSA uses the State Technical Committee decisions to identify the seed mixes that can be

used for CRP. Decisions for FSA CRP are made by the State Technical Committees and are informed by the work of State and regional biologists, plant materials specialists, and agronomists across the U.S. This work will continue as seed mixes, seed options, and conservation practices evolve based on participant and stakeholder feedback.

In addition, FSA has projects with USGS, Iowa State University, Oklahoma State University and the Pollinator Partnership that monitor, assess and evaluate the effect of different CRP covers on honey bee and pollinator presence, abundance, and productivity in 10 states. These projects are designed to identify CRP covers that are beneficial to pollinators, and will be used to improve the seed mixes used in by CRP.

- 4) How is USDA leveraging the public and private sector to raise awareness of the availability of USDA conservation programs that promote pollinator health and how does the department intend to engage external stakeholders to evaluate and improve these conservation programs to benefit honey bees and other pollinators?

Response: USDA is working with multiple partners in the pollinator, conservation and agricultural communities, including the Pollinator Partnership, American Beekeeping Federation and the American Honey Producers Association, to leverage partnerships to communicate the benefits and social impacts pollinators provide to all Americans: more productive agriculture, healthier diets, and sustainable ecosystems. USDA is also working with our partners to communicate the plight of our pollinator.

