Statement by Michael T. Scuse
Under Secretary for Farm and Foreign Agricultural Services
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Chairman Conaway, Ranking Member Scott, and Members of the Subcommittee, I am pleased to be here before you today to provide an update of the U.S. Department of Agriculture's (USDA) progress in implementing Title I, the Commodity Title, and Title XI, the Crop Insurance Title, of the Agricultural Act of 2014, also known as the Farm Bill.

The new Farm Bill improves the safety net for producers, expands critical crop insurance tools and continues our market development programs. USDA and the Farm and Foreign Agricultural Services (FFAS) Mission Area have made the implementation of these programs a top priority. In the roughly five months since enactment, the three agencies under FFAS, the Farm Service Agency (FSA), the Risk Management Agency (RMA) and the Foreign Agricultural Service (FAS) have made considerable progress in implementing many of the key provisions. Today I will focus on Titles I and XI.

In the Commodity Title, USDA's first priority was to implement the disaster relief programs for livestock producers. With enactment of the Farm Bill in February, Secretary Vilsack directed FSA to implement the livestock assistance programs by April 15th, and we met that goal. In fact, we implemented the disaster programs - including the Livestock Forage Program (LFP), Livestock Indemnity Program (LIP), the Emergency Livestock Assistance Program (ELAP) and the Tree Assistance Program (TAP) – in just 20 percent of the time it took USDA to implement in 2008. USDA has, through LFP and LIP, provided more than $1.2 billion in help to livestock producers, many of whom had been waiting for over two years for assistance.

USDA's next priority for the mission area was resuming conservation efforts. On June 9, FSA restarted continuous signups in the Conservation Reserve Program (CRP), as well as the CRP Transition Incentives Program (TIP) for beginning and socially disadvantaged farmers and ranchers. In lieu of a general sign-up this year, we're allowing producers with CRP contracts expiring this September to receive a one-year contract extension. And we've implemented the Farm Bill requirement that in certain cases producers enrolled through general sign-up for at least five years can opt-out of their contracts.

Another important priority for USDA and FSA is helping farmers and ranchers understand the new Farm Bill safety net programs including Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), Margin Protection Program (MPP) for dairy, and enhanced protection under Noninsured Disaster Assistance Program also known as NAP buy-up – and what these programs mean for their families. On May 29, USDA announced $3 million for two teams of universities representing the geographical diversity of agriculture - one led by the University of Illinois, and another led by 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 . The awardees are tasked with integrating the complex data and scenarios of the new safety-net programs into easy-to-use tools that producers can access on their home computers to explore program options and coverage levels. These tools will be available later this summer and in early fall.

Experts at the state cooperative extension services will be trained and, starting in late summer, producers will be able to pose questions to and seek advice from extension agents about the new safety net programs. FSA also recently launched a website with tables of monthly updated data for those who want to begin exploring how the ARC and PLC guarantees and payments will be determined for the 2014 crop.

Late this summer FSA also plans to provide producers information on their current base acres, yields and 2009-2012 planting history and offer them an opportunity to verify this information with their local FSA office. Then later this fall, there will be an opportunity to update yields and reallocate bases – this is the critical first step in implementing the ARC and PLC programs. By mid-winter all producers on a farm will be required to make a one-time, unanimous and irrevocable election between price protection, country revenue protection and/or individual revenue protection for 2014-2018 crop years. By early 2015 producers can expect to sign contracts for ARC or PLC for the 2014 and 2015 crop years.

Late this summer, FSA also plans to implement MPP for dairy. The Farm Bill has a target for MPP to be in effect by September 1 and USDA's goal is to meet that deadline. Late this summer FSA also plans to publish the details on the Dairy Product Donation Program (DPDP). While current margins are well above $4 per hundredweight and DPDP is not expected to trigger, USDA will have the program details finalized.

By law, dairy producers may not participate in both MPP and RMA's Livestock Gross Margin for Dairy (LGM-Dairy) programs. As a result, FSA and RMA jointly sent guidance at the end of June on the transition period, which will afford dairy producers maximum flexibility by allowing them to transition to the MPP-Dairy program in either 2014 or 2015. This flexibility will allow producers under LGM-Dairy, who already have LGM-Dairy target marketings that go into 2015, to participate in MPP-Dairy in 2015 after their insurance contract is over, as opposed to keeping these producers out until 2016.

Later this year, the Committee can expect to see a proposed definition of "significant contribution of active personal management."

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.

In order to implement the numerous crop insurance changes as quickly as possible, the Risk Management Agency (RMA) began preparing to implement the Stacked Income Protection Plan

(STAX) and Supplemental Coverage Options (SCO) programs months before Farm Bill passage. Specifically, since both the House and Senate had similar provisions related to STAX and SCO, RMA began efforts to develop and implement policies and procedures soon after passage. These efforts have paid dividends, and RMA will have information on SCO availability this month and STAX availability in August.

In April, RMA began revising the premium rates charged for Catastrophic Risk Protection Endorsement (CAT) coverage base them on the average historical "loss ratio" plus a reasonable reserve. This change will not increase costs for growers. RMA will update actuarial documents throughout the year as applicable to fully implement this section. Additionally, in April RMA implemented a prohibition of catastrophic coverage on crops used for grazing by issuing a guidance document to amend the Special Provisions for the annual forage policy.

In May, RMA completed the update to its systems to reflect the permanent enterprise unit subsidy as mandated by the Farm Bill. Also in May, due to efforts that RMA began last summer, a Whole -Farm Revenue Protection program, as required by the Farm Bill, was approved by the FCIC Board of Directors. RMA expects the Whole-Farm Revenue Protection product information to be available to farmers later this year in time for producers to make plans and decisions for 2015 crop sales. In mid-May, RMA's Risk Management Education Request for Application (RFA) for Risk Management Education Partnerships grants and Crop Insurance in Targeted States grants were published in the Federal Register. These RFAs provide funding opportunities related to financial benchmarking.

Last week RMA published an interim rule on seven sections from the Farm Bill: highly erodible land and wetland conservation for crop insurance, enterprise units for irrigated and non-irrigated crops, adjustment in actual production history (APH) to establish insurable yields, crop production on native sod, coverage levels by practice, beginning farmer and rancher provisions, and authority to correct errors.

This rule will allow RMA to begin offering some of these benefits to producers as soon as this fall, including the beginning farmer and rancher provisions, the authority to correct errors and make late payments, and restrictions for producers who plant on native sod. RMA expects to offer enterprise units for irrigated and non-irrigated crops and coverage levels by practice for spring crops in 2015. Adjustment in APH will be available for crops planted in the fall of 2015. This was one of the few crop insurance provisions that did not exist in either the House or Senate version of the Farm Bill prior to conference. While RMA understands how important this provision is to many farmers who have suffered from natural disasters, it is not possible to implement this provision for the 2015 crop year.

The interim rule links eligibility for any premium subsidy paid by FCIC on a policy or plan of federally reinsured crop insurance to be in compliance with Highly Erodible Land Conservation (HELC) and Wetlands Conservation (WC) provisions. Although no producers will lose premium subsidy for the current reinsurance year, "first time compliers" will need to visit a FSA office to certify their compliance if they have not already done so. USDA intends to provide more details on the new conservation compliance requirements by the fall. New conservation compliance requirement education will be a priority for USDA in the coming months.

RMA plans to release policy materials later this month for SCO, which provides coverage for the layer of risk between 86 percent and the coverage level selected by the insured. This means an insured that elects a 70 percent coverage level could elect to cover an additional 16 percent of risk under SCO. County availability for winter wheat will be published this month. Information for other crops such as corn, grain sorghum, rice, soybeans, spring wheat, and cotton will be made available later this summer or early fall for the spring planting. I am pleased to announce that in addition to these crops, RMA will be able to offer SCO coverage for spring barley beginning in 2015. This fall, RMA will look at additional crops that can receive SCO coverage as well as additional counties. USDA and I understand that producers need as much information as possible regarding when they are required to make their ARC or PLC election because producers who elect ARC on a farm will not be eligible for SCO, and RMA is working to provide additional information on new crops and counties that may have SCO prior to the ARC and PLC election period.

Policy materials and county availability for STAX will be made available in August. RMA anticipates that STAX will be available for over 98 percent of cotton acreage in production. FSA plans to have more information on cotton transition payments available later this summer. For the counties where STAX is not available in 2015, upland cotton producers will be eligible for an additional transition payment.

RMA is also preparing statements of work and cost estimates for contracted feasibility studies on food safety and swine catastrophic loss. In addition, it will be issuing a consultation notice as a first step in the research and development of a policy to insure biomass sorghum and sweet sorghum grown for the purposes of producing a feedstock for renewable biofuel, renewable electricity, or bio-based products.

Finally, RMA appreciates that Congress recognized the importance of program maintenance and program integrity by providing $ 9 million to conduct policy reviews and to ensure actuarial soundness and financial integrity. As crop insurance continues to be more important to our farmers and ranchers, it is vital that we also protect the interest of taxpayers. This money will enhance RMA's investments from discretionary funding for these activities. At this moment, I would like to express my thanks to the FSA and RMA employees who are working tirelessly to assist the American farmers and ranchers who waited so patiently for these programs. I commend the FSA and RMA employees for their hard work.

In closing, I would like to again thank the Committee for this opportunity to update you on USDA's continued progress in implementing Title I and Title XI of the 2014 Farm Bill. Farmers, ranchers, rural communities and other USDA stakeholders have waited several years for this legislation, and USDA has made significant progress to implement each provision of this critical legislation.