

FY 2010 Explanatory Notes
Farm Service Agency

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FARM SERVICE AGENCY

Purpose Statement

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, Public Law (P.L.) 103-354, as amended by the Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127. FSA's mission is to contribute to the viability of American agriculture by providing efficient and equitable administration of farm commodity, farm loan, conservation, and emergency programs. FSA provides the personnel to carry out many of the programs funded by the Commodity Credit Corporation (CCC) and is responsible for the overall coordination of budgetary and fiscal matters of the CCC.

FSA administers programs authorized by the Food, Conservation, and Energy Act of 2008, P. L. 110-234 (the 2008 Act), and a variety of other laws. Descriptions of the programs administered by FSA and funded by CCC appear in the CCC Purpose Statement in Section 20 of these Explanatory Notes. The following is a summary of FSA's programs and activities funded by other sources, including appropriations, transfers, and fees.

Farm Loan Programs: FSA's farm loan programs provide a safety net for farmers and ranchers temporarily unable to obtain sufficient credit elsewhere to finance their operations at reasonable rates and terms.

Most farm loan programs administered by FSA are authorized by the Consolidated Farm and Rural Development Act, P.L. 87-128, August 8, 1961, as amended. Subtitle A of this act authorizes direct and guaranteed farm ownership, recreation, and soil and water loans. Subtitle B authorizes direct and guaranteed operating loans. Subtitle C authorizes emergency loans. The Agriculture Credit Improvement Act of 1992, P.L. 102-554, establishes special assistance to qualified beginning farmers and ranchers to enable them to conduct viable farming and ranching operations. Indian Tribe Land Acquisition Loans are authorized by Public Law 91-229, April 11, 1970, as amended. The 2008 Act authorizes Conservation Loans and Indian Fractionated Land Loans.

The Agricultural Credit Insurance Fund Program Account was initiated in FY 1992, as required by the Federal Credit Reform Act of 1990. The account shows the direct loan obligations and guaranteed loan commitments of FSA's farm loan programs and the associated subsidy costs. Subsidy costs are obtained by estimating the net present value of the Government's cash flows resulting from direct and guaranteed loans made through this account.

The programs funded by this account are:

- **Farm Ownership Loans.** FSA makes direct and guaranteed loans to family farmers to purchase farmland; restructure their debts, including utilizing their real estate equities to refinance heavy short-term debts; and make adjustments in their operations to comply with local sanitation and pollution abatement requirements, keep up with advances in agricultural technology, better utilize their land and labor resources, or meet changing market requirements

Loans are made for 40 years or less. A direct loan may not exceed \$300,000 and a guaranteed loan may not exceed \$1,094,000, adjusted annually. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost of money to the Government plus up to 1 percent. However, loans to limited resource borrowers (farmers who need special supervision or who cannot afford the regular interest rate due to low income) bear interest of not more than one-half of the Treasury rate for marketable obligations with maturities of 5 years plus not more than 1 percentage point, with a floor of 5 percent. Effective with the Food, Conservation and Energy Act of 2008, interest rates for beginning farmer down-payment loans are established at 4 percent less than the

regular borrower rate, with a floor of 1.5 percent. The interest rate for guaranteed loans is negotiated by the lender and borrower.

At least 40 percent of the amounts appropriated for guaranteed farm ownership loans will be reserved for beginning farmers and ranchers during the first 6 months of the fiscal year. Also, at least 75 percent of the amount appropriated for direct farm ownership loans will be reserved for qualified beginning farmers and ranchers.

- **Farm Operating Loans.** Farm operating loans are targeted to family farmers unable to obtain credit from private sources and are accompanied by supervisory assistance in farm and financial management.

Operating loans may be made for paying costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry, and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other non-farm enterprises; and refinancing existing indebtedness.

Farm operating loans are for periods of 1 to 7 years depending on loan purposes. The loan limit is \$300,000 for a direct loan and \$1,094,000, adjusted annually, for a guaranteed loan. The interest rate for direct loans is determined by the Secretary of Agriculture and does not exceed the cost of money to the Government plus up to 1 percent. However, loans to limited resource borrowers bear interest of not more than one-half of the Treasury rate for marketable obligations plus not more than 1 percentage point, with a floor of 5 percent. The interest rate for guaranteed loans is negotiated by the lender and borrower and may be subsidized under the interest assistance program. In addition, the interest rate assistance program may also be sufficient to allow moderate-income borrowers to move from the direct loan program to the guaranteed loan program.

The Agricultural Credit Improvement Act of 1992, Public Law 102-554, requires at least 50 percent of the amounts available for direct farm operating loans be reserved for qualified beginning farmers and ranchers during the first 9 months of the fiscal year.

- **Emergency Loans.** Emergency loans are made available in designated areas (counties) and in contiguous counties where property damage and/or severe production losses have occurred as a direct result of a natural disaster. Areas may be declared a disaster by the President or designated for emergency loan assistance by the Secretary of Agriculture, or by the FSA Administrator for physical loss loans only.

Emergency loans are made to established, eligible, family-size farms and ranches (including equine farms and ranches) and aquaculture operators. Partnerships and private domestic corporations and cooperatives may also qualify, provided they are primarily engaged in agricultural or aquaculture production. Loans may be made only for actual losses arising from natural disasters. A farmer who cannot receive credit elsewhere is eligible for an actual loss loan of up to \$500,000 or the calculated actual loss, whichever is less, for each disaster, at an interest rate of 3.75 percent.

Actual loss loans may be made to repair, restore, or replace damaged or destroyed farm property, livestock and livestock products, and supplies and to compensate for disaster-related loss of income based on reduced production of crops and/or livestock products. Eligible farmers may use actual loss loan funds to pay costs incident to reorganizing a farming system to make it a sound operation that is approximately equivalent in earning capacity to the operation conducted prior to the disaster. Under certain conditions, loan funds may be used to buy essential home equipment and furnishings and for limited refinancing of debts.

Repayment terms for actual loss loans vary according to the purposes of the loan, type of collateral available to secure the loan, and the projected repayment ability of the borrower. Loans for actual production or physical losses to crops, livestock, supplies, and equipment may be scheduled for repayment for up to 7 years. Under some conditions a longer repayment period may be authorized for production loss loans, but not to exceed 20 years. Generally, real estate will be needed as security when a loan term of more than 7 years is authorized. Loss loans for actual losses to real estate will generally be scheduled for repayment within 30 years but under some conditions may be scheduled for up to 40 years.

- **Indian Tribe Land Acquisition Loans.** These loans allow Native Americans to repurchase tribal lands and maintain ownership for future generations. They are limited to acquisition of land within the defined boundaries of a tribe's reservation. To be eligible, a tribe must be recognized by the Secretary of the Interior or be a tribal corporation established pursuant to the Indian Reorganization Act; in addition, a tribe must be without adequate funds to acquire the needed land and be unable to obtain sufficient credit elsewhere for the purchase. The tribe must also have a satisfactory management and repayment plan. Loans are made at 5 percent interest for a period not to exceed 40 years.
- **Boll Weevil Eradication Loans.** Boll weevil eradication loans provide assistance to producer associations and State governmental agencies to eradicate boll weevils. Loans are made in major cotton producing States.
- **Credit Sales of Acquired Property.** Loans are authorized for the sale of security properties previously acquired by FSA during the servicing of its loan portfolio. Loans for sales of acquired property have been financed under the direct farm ownership loan program since separate funding for credit sales has not been appropriated.
- **Conservation Loans.** Loans for conservation projects must be part of a USDA-approved conservation plan. Eligible conservation plans may include projects for construction or establishment of conservation structures, forest and permanent cover, water conservation and waste management systems, improved permanent pasture, or other projects that comply with Section 1212 of the Food Security Act of 1985, and other purposes approved by Secretary. Eligible borrowers include farmers, ranchers, and other entities controlled by farmers and ranchers and primarily and directly engaged in agricultural production. The program gives priority to qualified beginning farmers, ranchers, socially disadvantaged farmers or ranchers, owners or tenants who use the loans to convert to sustainable or organic agricultural production systems, and producers who use the loans to build conservation structures or establish conservation practices. Loan guarantees are 75 percent of the principal amount of the loan, and loans are to be disbursed geographically to the maximum extent possible. Loans are made to borrowers unable to obtain credit elsewhere.
- **Indian Highly Fractionated Land Loans.** As authorized by the Food, Conservation and Energy Act of 2008, this program provides discretionary authority to make and insure loans to eligible purchasers of highly fractionated lands under relevant provisions of the Indian Land Consolidation Act. Eligible purchasers are Indian tribal members.
- **Beginning Farmer and Rancher Individual Development Grant Accounts.** This program, authorized by the Food, Conservation and Energy Act of 2008, establishes an Individual Development Account Pilot Program, which provides for matching-funds savings accounts for beginning farmers or ranchers to be used for specified farming-related expenses. The program is to be administered by FSA in at least 15 States. Eligible beginning farmers and ranchers are defined as those that lack significant assets and have an income that is either below 80 percent of their State's median or below 200 percent of their State's poverty income guidelines. Eligible participants cannot receive more than \$6,000 in matching funds for each fiscal year of contract. Participants must also complete financial training established by a qualified entity.

State Mediation Grants: Section 502 of the Agricultural Credit Act of 1987, P.L. 100-233, authorized the Secretary of Agriculture to help States develop and operate mediation programs to assist agricultural producers, their creditors, and other persons directly affected by the actions of USDA in resolving disputes confidentially, efficiently, and cost effectively compared to administrative appeals, litigation, and bankruptcy. Under the program, FSA makes grants to States to support mediation programs established under State statute and certified by FSA. Grants can be up to \$500,000 annually, or 70 percent of the State's cost of operating its program for the year.

Originally designed to address farm loan disputes, the program was expanded by the Department of Agriculture Reorganization Act of 1994, P.L. 103-354, to include other agricultural issues such as wetland determinations, conservation compliance, rural water loan programs, grazing on National forest system lands, and pesticides. The Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, clarified that certified State programs can provide mediation training and consulting services to producers, lenders, and USDA agencies.

The program was extended through fiscal year 2010 by P.L. 109-17, enacted June 29, 2005.

Emergency Conservation Program (ECP): ECP is authorized by Title IV of the Agricultural Credit Act of 1978 (P.L. 95-334), as amended in 1989 and 1996. ECP provides emergency cost-share assistance to farmers and ranchers to help rehabilitate farmland and rangeland damaged by natural disasters and to carry out water conservation measures during periods of severe drought. Cost-share assistance may be offered only for emergency conservation practices to restore land to a condition similar to that existing prior to the natural disaster.

Dairy Indemnity Program (DIP): Since its inception under the Economic Opportunity Act of 1964, DIP has been extended by numerous acts. The program indemnifies dairy farmers and manufacturers of dairy products who, through no fault of their own, suffer income losses on milk or milk products removed from commercial markets because of residues of chemicals that, at the time of their use, were approved by the Federal Government as safe to use. Under the program, FSA may also reimburse dairy farmers for milk removed from commercial markets because of nuclear radiation, fallout, or certain other toxic substances.

Tree Assistance Program (TAP): TAP originated as a cost-share assistance program for orchard and vineyard growers who replanted or rehabilitated orchard trees and vineyards lost to damaging weather. TAP was authorized by the 2002 Act. Under the program, cost-share assistance in amounts up to 75 percent of authorized expenditures incurred by producers are made by FSA for costs relating to replanting or rehabilitating orchard trees and vineyards lost due to plant disease, insect infestation, fire, freeze, flood, lightning, drought, tornado, earthquake, and other occurrences as determined by the Secretary. The total amount of payments that a person is entitled to receive may not exceed \$75,000 or an equivalent value in tree seedlings. Total acres planted to trees or tree seedlings for which a grower may receive payments cannot exceed 500 acres.

Grassroots Source Water Protection Program (GSWPP): The Grassroots Source Water Protection Program was reauthorized by the 2002 Act. This program is designed to help prevent source water pollution through voluntary practices installed by producers at the local level. Under the GSWPP, FSA utilizes onsite technical assistance capabilities of each State rural water association that operates a wellhead or groundwater protection program in the State. State rural water associations can deliver assistance in developing source water protection plans within priority watersheds for the common goal of preventing the contamination of drinking water supplies.

Commercial Warehouse Activities: Under the United States Warehouse Act (USWA), first enacted in 1916 and most recently reauthorized by the Grain Standards and Warehouse Improvement Act of 2000, P.L. 106-472, FSA operates a nationwide, voluntary program, under which FSA licenses warehouse operators who store agricultural products. Under the USWA, FSA also licenses qualified persons to

sample, inspect, weigh, and grade agricultural products. Entities which receive a USWA license must meet minimum financial standards and maintain physical warehouse facilities capable of handling and storing applicable agricultural commodities. In order to ensure compliance with the provisions of these licenses, FSA periodically makes unannounced examinations of the license holders. The USWA authorizes the use of user fees to cover the costs of administering that Act.

End-Use Certificate Program: Under the North American Free Trade Agreement Implementation Act, FSA monitors the end use of wheat imported from Canada. Under the program, importers of Canadian wheat, regardless of ultimate use, must complete an end-use certificate. Transactions that occur subsequent to the entry of such wheat into the United States must be reported to FSA, and all purchasers must continue to report any consumption of such wheat.

Domestic and Export Commodity Procurement Activities: Procurement activities are governed by the following legislation: National School Lunch Act, Sections 6(a) and (e), 13 and 17; Emergency Food Assistance Act of 1983, as amended; Agricultural Trade Development and Assistance Act of 1954 (Public Law 83-480, Title II), as amended; Food for Progress Act of 1985, as amended; and the Agricultural Act of 1949, Section 416(b), as amended.

- **Domestic Nutrition and Feeding Programs.** FSA procures commodities for domestic food programs administered by the Food and Nutrition Service. These programs include the National School Lunch Program; elderly, disaster, and emergency feeding programs; food aid to Native Americans living on reservations; and other programs that help individuals in need. FSA also donates surplus Government-owned commodities for use in feeding programs, using CCC authority, when these products are available.
- **Foreign Food-Aid Humanitarian and Developmental Assistance Programs.** FSA procures commodities for overseas humanitarian and developmental use for the Food for Progress and Section 416(b) programs, and under Title II of P.L. 480. Services for P.L. 480 are being provided on a reimbursable basis in FY 2009, and it is anticipated that the same will be the case in FY 2010.
- **Surplus Removal and Disaster and Food Assistance Programs.** FSA procures commodities under Executive Order and congressional mandate for surplus removal and disaster and food assistance programs. In response to natural disasters, FSA distributes Government-owned food from warehouses and may make special purchases of food as part of the disaster relief effort.

Disaster Assistance. The Agricultural Assistance Act of 2007, enacted as Title IX of P.L. 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, appropriated approximately \$2.8 billion for disaster assistance for farmers and ranchers. Under this title, appropriations are provided for the Crop Disaster Program, Livestock Compensation Program, Livestock Indemnity Program, Emergency Conservation Program, and Dairy Disaster Assistance Program. The FY 2008 Consolidated Appropriations Act, P.L. 110-161, provided an additional \$602 million. With the exception of the ECP, these programs are of the type historically funded by the CCC.

Aquaculture Assistance. The American Recovery and Reinvestment Act of 2009 (ARRA), P.L. 111-5, authorizes \$50 million of Commodity Credit Corporation funds as a transfer for grants to States that agree to provide assistance to eligible aquaculture producers for losses associated with high feed input costs during the 2008 calendar year. Eligible applicants are limited to State Departments of Agriculture or similar State government entities. Grants to States will be pro rated based on the amount of aquaculture feed used in each State during the 2007 calendar year. Applicants who receive assistance under this program may not receive assistance under the Supplemental Agricultural Disaster Assistance Program for the same losses.

Agricultural Disaster Relief Fund. The 2008 Act provides for supplemental agricultural disaster assistance that includes the Agricultural Disaster Relief Trust Fund. The Fund is composed of amounts equivalent to 3.08 percent of the amounts received in the general fund of the U.S. Treasury during FY 2008-2011 attributable to the duties collected on articles entered, or withdrawn from warehouse, for consumption under the Harmonized Tariff Schedule of the U.S. The Fund has authority to borrow and has repayable advances that are such sums as may be necessary to make up the Fund's budget authority. The Trust Fund may be used to make payments to farmers and ranchers under five programs: the Supplemental Revenue Assistance Payments (SURE) Program; Livestock Forage Disaster Program (LFP); Livestock Indemnity Program (LIP); Tree Assistance Program (TAP); and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP) Program. The 2008 Act requires that participants in these new disaster assistance programs have crop insurance or non-insured crop disaster assistance (NAP), or pay a fee if they are otherwise eligible. The ARRA amended the 2008 Act and the SURE Program to modify the payment formulas for 2008 crops. It also provided an additional 90-day window for 2008 crops for those producers who did not obtain a policy or plan of insurance or NAP coverage, or elect to buy in by September 16, 2008, as authorized under the 2008 Act. No obligations or outlays were incurred in FY 2008, and the budget authority totaling \$832,951,063 was carried forward into FY 2009 as an unobligated balance.

AGENCY STRUCTURE: FSA delivers its programs through approximately 2,280 USDA Service Centers, 50 State offices, and an area office in Puerto Rico. FSA has headquarters offices in Washington, DC, two field offices in Kansas City, an office in Salt Lake City, and a field office in St. Louis servicing farm loan programs. Personnel at the Washington headquarters office are responsible for program policy decisions, program design, and program oversight. Personnel at the Washington headquarters office and the Kansas City complex are responsible for financial management, IT support for program delivery, and commodity operations.

FSA's permanent, full-time, end-of-year Federal employment as of September 30, 2008, was 5,094. FSA non-Federal permanent employment in USDA Service Centers was 8,679.

OIG Reports:

Number	Title	Report Date
03601-21-KC and 03601-22-KC	Hurricane Relief Initiatives – Barge Movement, Barge Unloading, Alternative Grain Storage, and Transportation Differential Agreements	4/3/07 and 5/3/07
50099-51-KC	Risk Management Agency and Farm Service Agency Zero Acreage Reporting Compliance	5/3/07
03601-0014-Ch	Improper Payments: Monitoring the Progress of Corrective Actions for High-Risk Programs in the Farm Service Agency	6/22/07
50099-11-SF	Natural Resources Conservation Service and Farm Service Agency: Crop Bases on Lands With Conservation Easements in California	9/10/07
03601-12-At	Farm Service Agency Tobacco Transition Payment Program—Quota Holder Payments and Flue-Cured Tobacco Quotas	10/29/07
03601-48-Te	2005 Hurricane Initiatives: Aquaculture Grants to States	10/29/07
03601-27-KC	Hurricane Relief Initiatives: Emergency Conservation Program	3/11/08
03601-13-At	Hurricane Relief Initiative—Tree Indemnity Program	3/24/08

03601-0016-CH	Identification and Reporting of Improper Payments in FSA High-Risk Programs	3/27/08
03099-181-Te	Farm Service Agency Payment Limitation Review in Louisiana	6/30/08
03099-198-KC	Farm Service Agency Inspection of Temporary Domestic Storage Sites for Foreign Food Assistance	9/18/08
03601-24-KC	Farm Service Agency Hurricane Relief Initiatives: Emergency Forestry Conservation Reserve Program	9/29/08
03601-17-Ch	Controls Over Guaranteed Farm Loan Interest Rates and Interest Assistance	10/08/08
03601-26-KC	Methodology for Establishing National/Regional Loan Rates for USDA's Pulse Crop Loan Program	10/15/08
03601-15-AT	Tobacco Transition Payment Program Tobacco Assessments Against Tobacco Manufacturers and Importers	10/15/09
03099-182-TE	Payment Limitation Attestation Review in Wharton County, Texas	12/08/08
03601-23-KC	Hurricane Relief Initiatives: Livestock Indemnity and Feed Indemnity Programs	2/26/09

GAO Reports:

Number	Title	Report Date
GAO-08-363R	Department of Agriculture, Commodity Credit Corporation: Milk Income Loss Contract Program	12/12/07
GAO-08-657	Information Technology: Agriculture Needs to Strengthen Management Practices for Stabilizing and Modernizing Its Farm Program Delivery Systems	5/16/08
GAO-08-963-R	Department of Agriculture, Commodity Credit Corporation: Cotton World Price Determination	7/8/08
GAO-08-657	Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Payments to Individuals Who Exceed Income Eligibility Limits	10/24/08
GAO-09-528T	Department of Agriculture: Improved Management Controls Can Enhance Effectiveness of Key Conservation Programs	3/25/09

FARM SERVICE AGENCY

Available Funds and Staff Years
2008 Actual and Estimated 2009 and 2010

Item	Actual 2008		Estimated 2009		Estimated 2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries & Expenses:						
Direct Appropriation.....	\$1,134,045,000	2,126	\$1,170,273,000	2,071	\$1,253,777,000	2,071
Rescission, P.L. 110-161.....	-7,938,000	--	0	--	0	--
Transfer to Office of Ethics.....	-402,000	--	0	--	0	--
Transfer from Congressional Affairs.....	275,000	--	0	--	0	--
Credit Reform Transfers:						
P.L. 480 Program Account.....	2,680,000	24	2,736,000	24	2,812,000	24
CCC Export Loans Program Account.....	343,000	2	348,000	2	355,000	2
ACIF Program Account.....	303,309,000	2,727	309,403,000	2,935	318,173,000	2,935
Rescission, P.L. 110-161.....	-2,145,000	--	0	--	0	--
Subtotal, Salaries and Expenses.....	1,430,167,000	4,879	1,482,760,000	5,032	1,575,117,000	5,032
Emergency Appropriation.....	20,000,000	--	0	--	0	--
American Recovery and Reinvestment Act.....	0	--	38,000,000	--	12,000,000	--
Unobligated balance brought forward from FY 2007.....	80,830,000	--	0	--	0	--
Prior Year Recoveries.....	6,856,000	--	0	--	0	--
Unobligated FY 2003-2006 prior year balances carried forward ..	10,150,000	--	0	--	0	--
Unobligated balance carried forward from FY 2008.....	-30,815,000	--	30,815,000	--	0	--
Unobligated balances lapsing.....	-4,346,000	--	0	--	0	--
Total, Salaries and Expenses.....	1,512,842,000	4,879	1,551,575,000	5,032	1,587,117,000	5,032
ACIF Program Account:						
Subsidy.....	148,590,000	0	147,422,000	0	109,122,000	0
American Recovery and Reinvestment Act (subsidy).....	0	0	20,440,000	0	0	0
Administrative Expenses:						
Non-Recoverable Loan Costs.....	7,865,000	0	7,920,000	0	7,920,000	0
State Mediation Grants.....	4,369,000	0	4,369,000	0	4,369,000	0
Grassroots Source Water Protection Program.....	3,687,000	0	5,000,000	0	5,000,000	0
American Recovery and Reinvestment Act: Aquaculture Grants.....	0	0	50,000,000	0	0	0
CRP Fees.....	1,126,000	0	0	0	0	0
Total, Above.....	1,678,479,000	0	1,786,726,000	0	1,713,528,000	0
Obligations under other USDA appropriations:						
Foreign Agricultural Service.....	4,958,000	56	5,800,000	65	5,800,000	65
Risk Management Agency.....	1,866,000	24	2,260,000	24	2,260,000	24
Office of the Chief Information Officer.....	6,451,000	0	0	0	0	0
Food & Nutrition Service.....	518,000	20	2,548,000	22	2,573,000	22
Agricultural Marketing Service.....	909,000	9	1,367,000	10	1,380,000	10
Flying Contracts.....	8,484,000	0	9,000,000	0	9,000,000	0
CCC to administer P.L. 480 Title II Grants.....	5,525,000	64	6,500,000	64	6,565,000	64
Farm Bill (CCC).....	2,750,000	0	47,250,000	0	0	0
Miscellaneous.....	59,535,000	0	50,759,000	0	51,151,000	0
Total, Other USDA Appropriations.....	90,996,000	173	125,484,000	185	78,729,000	185
Total, Agriculture Appropriations.....	1,769,475,000	5,052	1,912,210,000	5,217	1,792,257,000	5,217
Obligations under Other Federal Funds:						
Sales of Aerial Photographs.....	434,000	4	409,000	4	450,000	4
Miscellaneous.....	914,000	0	700,000	0	707,000	0
Total, Other Federal Funds.....	1,348,000	4	1,109,000	4	1,157,000	4
Obligations under Non-Federal Funds:						
Loan Service Fee Financing.....	7,000,000	0	5,716,000	0	7,000,000	0
Producer Measurement Service.....	1,870,000	0	2,700,000	0	2,700,000	0
Warehouse Examinations.....	3,192,000	33	3,354,000	33	3,471,000	33
Sales of Aerial Photographs.....	628,000	5	590,000	5	650,000	5
Total, Non-Federal Funds.....	12,690,000	38	12,360,000	38	13,821,000	38
Total, Farm Service Agency.....	1,783,513,000	5,094	1,925,679,000	5,259	1,807,235,000	5,259

FSA Non-Federal county staff years (S/Y) are as follows:

	Direct	Reimbursable	Total S/Y
FY 2008	9,440	165	9,605
FY 2009	9,231	194	9,425 1/
FY 2010	9,231	194	9,425

1/ FY 2009 excludes 200 reimbursable temporary staff years for implementing the Farm Bill.

FARM SERVICE AGENCY
Permanent Positions by Grade and Staff Year Summary
 2008 Actual and Estimated 2009 and 2010

Grade	2008			2009			2010		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	17	0	17	17	0	17	17	0	17
GS 15	49	10	59	49	11	60	49	11	60
GS 14	121	33	154	122	33	155	122	33	155
GS 13	233	581	814	232	579	811	232	579	811
GS 12	88	1,508	1,596	88	1,506	1,594	88	1,506	1,594
GS 11	20	690	710	20	687	707	20	687	707
GS 10	0	0	0	0	0	0	0	0	0
GS 9	28	284	312	29	283	312	29	283	312
GS 8	17	58	75	17	59	76	17	59	76
GS 7	42	1,030	1,072	41	1,034	1,075	41	1,034	1,075
GS 6	16	95	111	17	96	113	17	96	113
GS 5	4	61	65	4	60	64	4	60	64
GS 4	1	15	16	1	16	17	1	16	17
GS 3	0	2	2	0	2	2	0	2	2
GS 2	0	2	2	0	2	2	0	2	2
Other Graded Positions.....	12	2	14	3	10	13	3	10	13
Ungraded Positions.....									
Total Permanent Positions.....	648	4,371	5,019	640	4,378	5,018	640	4,378	5,018
Unfilled Positions end-of-year	0	0	0	0	0	0	0	0	0
Total, Permanent Full-Time Employment, end-of-year.....	648	4,371	5,019	640	4,378	5,018	640	4,378	5,018
Staff-Year Estimate.....	1,625	3,469	5,094	1,664	3,595	5,259	1,664	3,595	5,259

Farm Service Agency
Size, Composition, and Annual Cost
(in thousands of dollars)

Fiscal Year	Number of Vehicles by Type								Annual Operating Costs (\$ in 000)
	Sedans and Station Wagons	Light Trucks, SUV's and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles	Total Number of Vehicles	
		4X2	4X4						
FY 2007	325	172	244	13	0	0	0	754	\$5,022
Change from 2007	-40	-27	-20	-7	0	0	3	-91	\$602
FY 2008	285	145	224	6	0	0	3	663	\$5,624
Change from 2008	0	0	0	0	0	0	0	0	\$112
FY 2009 1/	285	145	224	6	0	0	3	663	\$5,736
Change from 2009	0	0	0	0	0	0	0	0	\$115
FY 2010 1/	285	145	224	6	0	0	3	663	\$5,851

1/ FY 2009 and FY 2010 are estimates.

The majority of the State Offices use GSA Motor Pool services within their State for travel purposes. These vehicles are used for different types of travel such as site visits, information meetings, training, speech and presentation, conference attendance, relocation, entitlement, special mission, emergency and other travel. These vehicles are obtained from the nearest GSA Motor Pool with the approval of Management Services Division (MSD). Each State is assigned a Billing Office Address Code (BOAC) number, fund code and sales code by MSD.

FSA owns all-terrain vehicles in Hawaii. Neither private contractors nor the GSA Interagency Fleet Management System provides or maintains these types of vehicles.

The change from FY 2007 reflects a decrease in GSA leased vehicles. FSA's GSA leased vehicles have been adjusted down because vehicles belonging to another Agency were inadvertently counted as FSA vehicles.

The change from FY 2007 reflects an increase in annual operating costs due to increased gas prices nationwide.

FARM SERVICE AGENCY

The estimates include proposed changes in the language of this item as follows (new language underscored; deleted matter enclosed in brackets):

Salaries and Expenses (Including Transfers of Funds):

For necessary expenses of the Farm Service Agency, [\$1,170,273,000] \$1,253,777,000: Provided, That the Secretary is authorized to use the services, facilities, and authorities (but not the funds) of the Commodity Credit Corporation to make program payments for all programs administered by the Agency: Provided further, That other funds made available to the Agency for authorized activities may be advanced to and merged with this account.

FARM SERVICE AGENCY

Lead-Off Tabular Statement

SALARIES AND EXPENSES

Appropriations Act, 2009.....	\$1,482,760,000
Budget Estimate, 2010.....	1,575,117,000
Increase in Appropriation.....	+ 92,357,000

FARM SERVICE AGENCY

SUMMARY OF INCREASES AND DECREASES

<u>Item of Change</u>	<u>2009</u> <u>Estimated</u>		<u>Pay Costs</u>		<u>Program</u> <u>Changes</u>		<u>2010</u> <u>Estimated</u>
Farm Loans.....	\$309,403,000	+	\$8,770,000	+	0		\$318,173,000
Income Support and Disaster Assistance.....	823,043,000	+	15,014,000	+	\$46,639,000		884,696,000
Conservation.....	289,209,000	+	1,001,000	+	20,661,000		310,871,000
Commodity Operations.....	61,105,000	+	272,000	+	0		61,377,000
Total Available.....	1,482,760,000	+	25,057,000	+	67,300,000		1,575,117,000

FARM SERVICE AGENCY

Project Statement By Program
(On basis of appropriation)

	2008 Actual		2009 Estimated		Increase or Decrease	2010 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Total S&E:							
Farm Loan Programs.....	\$301,185,000	2,752	\$309,403,000	2,960	+	\$8,770,000	\$318,173,000 2,960
Income Support and Disaster Assistance.....	850,657,000	8,480	823,043,000	8,292	+	61,653,000	884,696,000 8,276
Conservation Programs.....	300,000,000	2,981	289,209,000	2,908	+	21,662,000	310,871,000 2,908
Commodity Operations.....	61,000,000	106	61,105,000	103	+	272,000	61,377,000 103
Total Available or Estimate.....	1,512,842,000	14,319	1,482,760,000	14,263	+	92,357,000 (1)	1,575,117,000 14,247
Unobligated Balance.....	35,161,000	--					
Emergency Supplemental.....	-20,000,000	--					
Transfer from the Office of Congressional Affairs.....	-275,000	--					
Transfer to Office of Ethics.....	402,000	--					
Rescission.....	10,083,000	--					
Total, Appropriation.....	1,538,213,000	14,319					

Project Statement
(On basis of available funds)

	2008 Actual		2009 Estimated		Increase or Decrease	2010 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Farm Loan Programs.....	\$301,185,000		\$309,403,000		+	\$8,770,000	\$318,173,000
Income Support and Disaster Assistance.....	850,657,000		823,043,000		+	61,653,000	884,696,000
Includes transfers from:							
P.L. 480 Program Account.....	2,661,000		(2,736,000)			(76,000)	(2,812,000)
CCC Export Guarantee Account.....	341,000		(348,000)			(7,000)	(355,000)
Conservation Programs.....	300,000,000		289,209,000		+	21,662,000	310,871,000
Commodity Operations.....	61,000,000		61,105,000		+	272,000	61,377,000
Total Available or Estimate.....	\$1,512,842,000		\$1,482,760,000		+	\$92,357,000	\$1,575,117,000
Advances and Reimbursements (A&R):							
Loan Service Fees Transferred.....a/	7,000,000		5,716,000			1,284,000	7,000,000
Farm Bill.....	2,750,000		47,250,000			-47,250,000	0
All Other Advances and Reimbursements.....	95,284,000		85,987,000		+	720,000	86,707,000
Subtotal, A&R.....	105,034,000		138,953,000			-45,246,000	93,707,000
Total Net Obligations.....	1,617,876,000		1,621,713,000		+	47,111,000	1,668,824,000
American Recovery and Reinvestment Act (ARRA).....b/	0		38,000,000			-26,000,000	12,000,000
Funds Forwarded From Prior Year for County Committee.....c/..d/..e/..f/..g/..h/	38,830,000		0			0	0
Funds Carried Forward to Next Year.....h/..i/	-30,815,000		30,815,000			-30,815,000	0
Funds Carried Forward from prior year (Disaster Supplemental).....j/	52,150,000		0			0	0
Prior Year Refunds/Adjustments.....	6,856,000		0			0	0
Change in Funds Carried Forward.....	67,021,000		68,815,000			-56,815,000	12,000,000
Rescission.....	10,083,000		0			0	0
Total, Available Funds Basis.....	\$1,694,980,000		\$1,690,528,000		+	-\$9,704,000	\$1,680,824,000

a/ Loan service fees are paid by producers who obtain CCC commodity loans. These fees partially defray the administrative costs of processing the loans and are held in an account for the use by the FSA administrative expense account as needed.

b/ The American Recovery and Reinvestment Act of 2009, P.L. 111-5, \$50 million is available through Sept. 30, 2010, of which \$38m is estimated to be obligated in FY 2009 and \$12m in FY 2010.

c/ Section 705 of Title VII - General Provisions of the 2003 Appropriations Act.....	2003	\$3,634,000
d/ Section 705 of Title VII - General Provisions of the 2004 Appropriations Act.....	2004	2,425,000
e/ Section 704 of Title VII - General Provisions of the 2003 Appropriations Act.....	2005	4,002,000
f/ Section 104 of which PL 110-5 incorporates by referencing Sec. 704 of PL 109-97.....	2006	89,000
g/ Section 705 of title VII - General Provisions of the 2003 Appropriations Act.....	2007	28,642,000
h/ FY 2001 Military Construction Appropriations (PL 106-246) unobligated balance available.....	2008	38,000
Subtotal.....		38,830,000

i/ Section 702 of Title VII - General Provisions of the 2008 Appropriations Act provided that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b). An unobligated balance of \$30.777m was made available in FY 2009.

j/ The remaining balance of \$52.150m of the \$59.5m of Supplemental funding, U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Public Law 110-28, was available through Sept. 30, 2008.

FARM SERVICE AGENCY
Salaries and Expenses by Source of Funding
(Dollars in Thousands)

<u>Item</u>	<u>Direct Appropriation</u>	<u>Program Accounts</u>			<u>Total</u>
		<u>ACIF</u>	<u>P.L. 480</u>	<u>CCC Export Credit</u>	
FY 2009 Appropriations Act.....	\$1,170,273	\$309,403	\$2,736	\$348	\$1,482,760
FY 2010 Budget Estimate:					
Pay costs.....	16,204	8,770	76	7	25,057
Increase for IT Modernization and Stabilization.....	67,300	0	0	0	67,300
Change from FY 2009 Appropriation.....	83,504	8,770	76	7	92,357
Total, FY 2010 Budget Estimate.....	\$1,253,777	\$318,173	\$2,812	\$355	\$1,575,117

Justification of Increases and Decreases

- (1) An increase of \$92,357,000 for Farm Service Agency Salaries and Expenses (\$1,482,760,000 available in FY 2009) consisting of:

- (a) A total increase of \$81,572,000 for Federal Offices:

- (1) An increase of \$14,272,000 for the proposed pay costs for 5,032 direct Federal staff years.

The FY 2010 proposed pay cost is for 5,032 direct Federal staff years. This includes \$4.50 million for annualization of the FY 2009 pay raise and \$9.77 million for the anticipated FY 2010 pay raise. The increase is necessary to fully support the staff required to administer farm programs such as direct and counter-cyclical payment (DCP) contract and increased conservation programs; to properly service existing farm loans efficiently and effectively and analyze new loan requests; and to maintain the personnel required to meet key objectives related to commodity operations.

- (2) An increase of \$67,300,000 for IT stabilization and modernization of FSA computer systems.

The Farm Service Agency (FSA) relies on one of the oldest technology infrastructures within the Department of Agriculture, and arguably some of the oldest in the Federal Government. Since the major crash of the systems in January 2007, \$62 million in funding has been provided to support the improvement of these systems. Since then, FSA has been able to deliver a significant return on investment by supporting the Web based delivery of approximately \$3 billion in program payments to farmers, producers and ranchers. Beginning in October 2009, FSA will leverage the stabilized Web based infrastructure to support all payment processing for the Direct and Countercyclical Program and the Conservation Reserve Program. The payments for these two programs are estimated at over \$6.7 billion annually.

At the beginning of FY 2009, the required costs for the MIDAS and Stabilization projects were estimated at \$392 million. FY 2009 base funding for stabilization is \$6.3 million and \$2.6 million for MIDAS. In addition, \$50 million was received from the Recovery Act. The estimated net requirement is \$333.1 million. The FY 2010 Budget Request includes an increase of \$67.3 million over the base of \$8.9 million for these projects. If enacted, the net funding requirement will be \$265.8 million.

The increase for IT Stabilization is \$20.4 million and will enable FSA to continue improving the management, monitoring and performance of current and planned web-based system networks, hosting environments, applications, databases and reporting capabilities needed to support current and future customer business transactions on USDA's Common Computing Environment.

These efforts will reduce and in some cases eliminate the costs of unscheduled "outages," decreased data processing times, and under-utilization of capacity. Furthermore, it is a necessary bridge to the successful implementation of our modernization strategy.

Continuation provides tools and IT best practices that are essential for the infrastructure foundation upon which all Modernization efforts will be constructed. These essential tools and practices include hosting environments, monitoring tools, testing procedures and environments and enhanced reporting capabilities to manage and optimize the utilization capacity of the network and computing environment.

This increase will also enable FSA to continue the Infrastructure Stabilization Data Warehouse (ISDW) project initiated in FY 2008. FY 2009 ISDW project funding supports two major initiatives: (1) definition of the FSA Enterprise Data Strategy, and (2) migration of the existing data marts to the newly acquired data warehouse environment. The Enterprise Data Strategy establishes the roadmap for the build out of an enterprise data warehouse. In FY 2010, funds allocated will be used to incrementally build to the plan. The build out will be a multi-year effort aligned with other FSA Modernization initiatives such as MIDAS and the Financial Management Modernization Initiative.

Once fully implemented, ISDW will establish a consolidated reporting environment to provide stability and capacity to the environment and position FSA to implement a COTS solution for Modernization.

The increase for IT Modernization is \$46.9 million and will help implement the MIDAS initiative, i.e. Modernize and Innovate the Delivery of Agricultural Systems. MIDAS is an initiative to streamline FSA business processes and develop an effective long-term IT system and architecture for FSA farm program delivery. MIDAS will support reengineered business processes to improve efficiencies, and reduce errors, and increase compliance with modern security, financial and privacy controls.

Implementation of MIDAS will produce an effective long-term IT system and architecture for FSA farm program delivery, including price support programs, conservation/environmental programs, production and disaster programs. The modernization efforts will foster applications and systems that align with strategic emphasis on Web-based electronic government to provide faster, more secure and accurate benefits and services to FSA customers.

Exact duration of these efforts is contingent on funding. Changes in expected funding levels negatively impact delivery schedules and implementation target dates.

(b) An total increase of \$10,785,000 for non-Federal county offices includes:

- (1) An increase of \$10,785,000 for the proposed pay costs for 9,231 direct non-Federal staff years.

The FY 2010 proposed pay cost is for 9,231 direct non-Federal staff years. This includes \$3.575 million for annualization of the FY 2009 pay raise and \$7.21 million for the anticipated FY 2010 pay raise. The increase is necessary to fully support the staff required to administer farm programs such as direct and counter-cyclical payment contracts increased conservation programs; and to properly service existing farm loans efficiently and effectively and analyze new loan requests.

FARM SERVICE AGENCY
Salaries and Expenses
Geographic Breakdown of Obligations and Staff Years
2008 Actual and Estimated 2009 and 2010

State	FY 2008		FY 2009		FY 2010	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	\$19,692,695	52	\$19,301,117	61	\$20,503,330	61
Alaska	1,018,277	4	\$998,029	7	\$1,060,193	7
Arizona	5,246,069	24	\$5,141,754	23	\$5,462,020	23
Arkansas	25,880,162	111	\$25,365,550	118	\$26,945,500	118
California	17,586,137	71	\$17,236,447	72	\$18,310,057	72
Caribbean	5,298,404	57	\$5,193,048	60	\$5,516,509	60
Colorado	15,121,022	42	\$14,820,349	46	\$15,743,467	46
Connecticut	2,194,535	9	\$2,150,898	8	\$2,284,871	8
Delaware	1,849,789	9	\$1,813,007	9	\$1,925,934	9
District of Columbia	436,029,000	1,213	\$427,358,812	1,268	\$453,977,803	1,268
Florida	13,205,097	49	\$12,942,521	50	\$13,748,675	50
Georgia	27,900,883	71	\$27,346,090	75	\$29,049,402	75
Hawaii	3,270,351	16	\$3,205,322	17	\$3,404,973	17
Idaho	14,209,301	56	\$13,926,757	60	\$14,794,216	60
Illinois	49,038,645	106	\$48,063,540	118	\$51,057,284	118
Indiana	33,682,712	74	\$33,012,950	77	\$35,069,235	77
Iowa	59,941,211	149	\$58,749,314	155	\$62,408,645	155
Kansas	46,888,021	119	\$45,955,679	123	\$48,818,130	123
Kentucky	33,216,254	117	\$32,555,768	121	\$34,583,576	121
Louisiana	21,229,397	98	\$20,807,263	95	\$22,103,290	95
Maine	6,407,631	33	\$6,280,219	33	\$6,671,396	33
Maryland	7,133,409	21	\$6,991,565	22	\$7,427,050	22
Massachusetts	3,646,334	22	\$3,573,829	21	\$3,796,433	21
Michigan	25,881,465	79	\$25,366,827	78	\$26,946,856	78
Minnesota	41,820,709	129	\$40,989,128	136	\$43,542,227	136
Mississippi	30,069,023	102	\$29,471,118	112	\$31,306,792	112
Missouri	58,609,898	301	\$57,444,474	226	\$61,022,530	226
Montana	23,025,629	71	\$22,567,778	79	\$23,973,462	79
Nebraska	41,649,570	126	\$40,821,392	125	\$43,364,043	125
Nevada	2,427,663	11	\$2,379,390	12	\$2,527,596	12
New Hampshire	2,227,745	10	\$2,183,448	10	\$2,319,449	10
New Jersey	4,138,086	19	\$4,055,803	18	\$4,308,428	18
New Mexico	8,217,053	35	\$8,053,662	34	\$8,555,302	34
New York	18,844,900	83	\$18,470,180	85	\$19,620,636	85
North Carolina	32,092,075	90	\$31,453,942	93	\$33,413,121	93
North Dakota	32,357,239	120	\$31,713,834	125	\$33,689,200	125
Ohio	30,890,952	69	\$30,276,703	69	\$32,162,555	69
Oklahoma	30,670,172	137	\$30,060,313	140	\$31,932,686	140
Oregon	11,288,688	47	\$11,064,219	46	\$11,753,378	46
Pennsylvania	18,884,778	67	\$18,509,265	76	\$19,662,156	76
Rhode Island	1,127,332	7	\$1,104,916	6	\$1,173,738	6
South Carolina	14,914,479	54	\$14,617,913	55	\$15,528,422	55
South Dakota	33,689,540	126	\$33,019,643	129	\$35,076,345	129
Tennessee	27,894,826	84	\$27,340,153	88	\$29,043,095	88
Texas	74,679,753	228	\$73,194,789	238	\$77,753,889	238
Utah	12,778,285	95	\$12,524,196	105	\$13,304,293	105
Vermont	4,819,717	29	\$4,723,880	23	\$5,018,117	23
Virginia	18,868,518	57	\$18,493,328	59	\$19,645,226	59
Washington	12,636,923	46	\$12,385,645	47	\$13,157,112	47
West Virginia	9,665,727	43	\$9,473,530	45	\$10,063,610	45
Wisconsin	31,899,353	103	\$31,265,052	106	\$33,212,465	106
Wyoming	7,086,569	28	\$6,945,656	28	\$7,378,282	28
Subtotal, Available or Estimate	1,512,842,000	4,919	1,482,760,005	5,032	1,575,117,000	5,032
Unobligated balance	35,161,000					
Total, Available or Estimate	1,548,003,000	4,919	1,482,760,005	5,032	1,575,117,000	5,032

FARM SERVICE AGENCY

CLASSIFICATION BY OBJECTS

Salaries and Expenses

2008 Actual and Estimated 2009 and 2010

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Personnel Compensation:			
Washington D.C.	\$136,426,000	\$113,399,000	\$117,493,000
Field	229,667,000	232,320,000	243,401,000
11 Total personnel compensation.....	366,093,000	362,058,000	373,106,000
12 Personnel benefits.....	95,367,000	127,292,000	130,516,000
13 Benefits for former personnel.....	663,000	0	0
Total pers. comp. & benefits.....	462,123,000	489,350,000	503,622,000
Other Objects:			
21 Travel.....	17,489,000	2,321,000	2,321,000
22 Transportation of things.....	3,696,000	0	0
23 Rent, communications, and utilities.....	3,742,000	3,742,000	3,742,000
23.1 Rental Payments to GSA.....	6,821,000	6,875,000	6,875,000
24 Printing and reproduction.....	951,000	0	0
25 Other services.....	276,173,000	249,854,000	317,154,000
26 Supplies and materials.....	5,715,000	0	0
31 Equipment.....	3,198,000	0	0
41 Grants, subsidies, and contributions....	732,403,000	730,618,000	741,403,000
42 Insurance claims and indemnities.....	312,000	0	0
43 Interest and dividends.....	219,000	0	0
44 Refunds.....	0	0	0
Total other objects.....	1,050,719,000	993,410,000	1,071,495,000
Total direct obligations	1,512,842,000	1,482,760,000	1,575,117,000

Position Data:

Average Salary, ES positions	\$160,181	\$168,062	\$179,490
Average Salary, GS positions	\$70,150	\$73,601	\$77,944
Average Grade, GS positions	12.2	12.2	12.2

FARM SERVICE AGENCY
Salaries and Expenses

SUMMARY OF RECOVERY ACT FUNDING

<u>Item of Change</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Stabilization			
Income Support.....	\$22,940,000	0	0
Conservation.....	8,060,000	0	0
MIDAS			
Income Support.....	4,810,000	\$9,250,000	0
Conservation.....	1,690,000	3,250,000	0
Total Available.....	\$37,500,000	\$12,500,000	0

Program Implementation Activities:

Goals and Coordination Efforts:

Stabilization - Optimal performance of both the current and future web-based network system and the Common Computing Environment (CCE). Stabilization of the network and CCE is essential for the current success of program delivery as well as future success. Continuation of the Stabilization initiative provides tools and IT best practices that are essential for the infrastructure foundation upon which all Modernization efforts will be constructed. Success of the stabilization effort will enable FSA staff to be more productive and efficient in program delivery, both now and in the future.

MIDAS - Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) goal is to develop an effective, long-term information technology architecture and system so that FSA customers will receive their farm program payments faster and these payments will be more secure and accurate.

Objectives:

Stabilization - To improve the management, monitoring and performance of the current and future Web-based system networks, hosting environments, applications, databases and reporting capabilities. These objectives will reduce or eliminate the costs of unscheduled "outages," decreased data processing times, and under-utilization of capacity.

MIDAS - To replace FSA's current farm program information technology structure of nationally distributed systems with a centralized system that modernizes the delivery of farm programs, improves customer service and satisfaction, achieves Federal compliance, and supports USDA and FSA strategic plans.

Delivery Schedule:

Stabilization – Completion planned prior to FY 2010. Funding will be used to continue ongoing support, maintenance, and licensing of infrastructure hardware and monitoring tools, and contractor services that provide ongoing support, maintenance, upkeep of hardware, software and infrastructure to manage FSA's Web environment systems performance. Funding will be used for continuation of the Infrastructure Stabilization Data Warehouse (ISDW) project initiated in FY 2008 to support business objectives in the FSA FY 2005-11 Strategic Plan. FY 2009 ISDW project funding supports two major initiatives: definition of the FSA enterprise data strategy, and migration of the existing data marts to the newly acquired data warehouse environment.

MIDAS - Currently in the planning and acquisition phase. In FY2009, MIDAS plans to complete the required management, business process improvement, requirements management and software procurements. In early FY2010, MIDAS plans to complete the large-scale system integration procurement.

Performance Measures:

	<u>2009</u>	<u>Target</u> <u>2010</u>	<u>2011</u>
Number of jobs created or saved	100	232	TBD
Expenditures to non-federal recipients	100%	100%	100%
Web-based system availability	90%	90%	90%

**FARM SERVICE AGENCY
SALARIES AND EXPENSES**

STATUS OF PROGRAM

Current Activities:

FSA's major program areas are:

- **Farm Loans** – FSA's farm loan programs provide loans or guarantees to family farmers who could not otherwise obtain agricultural credit. The programs improve access to capital and mitigate market losses, including those resulting from disasters, and thus contribute to the success of farms and ranches, market-based agriculture sector, and thriving agricultural communities.
- **Income Support and Disaster Assistance** – FSA's income support and disaster assistance programs are key components of USDA's efforts to provide America's farmers and ranchers with an economic safety net to help them maintain their operations during difficult times. The programs mitigate market losses, including those resulting from disasters, and thus contribute to the success of farms and ranches, a market-based agriculture sector, and thriving agricultural communities. The programs also contribute to affordable food and fiber, a secure supply of quality food and fiber, and effective food aid.
- **Commodity Operations** – FSA's commodity operations include management of the U.S. Warehouse Act and acquisition, procurement, storage, and distribution of commodities. The programs expand market opportunities for farmers and thus contribute to the success of farms and ranches, a market-based sector, and thriving agricultural communities. These programs also contribute to affordable food and fiber, a secure supply of quality food and fiber, and effective food aid.
- **Conservation** – FSA conservation programs help maintain and enhance the nation's natural resources and environment. Certain conservation programs mitigate losses from natural disasters and thus contribute to the success of farms and ranches, a market-based agricultural sector, and thriving agricultural communities. The programs target land to maximize conservation benefits and contribute to quality soil, water, wildlife habitat, and air.

FSA programs, activities, and workload indicators in FY 2008 are outlined in the following pages.

Farm Loans

Farm Loan Programs. In FY 2008, activity under the Agricultural Credit Insurance Fund included:

Number of direct loans.....	17,419
Dollar value of direct loans.....	\$1,055,882,000
Number of guaranteed loans.....	8,886
Dollar value of guaranteed loans.....	\$2,251,862,000

State Mediation Grants (SMG). In FY 2008, SMG activity included:

Number of State Mediation Grants.....	34
Dollar value of grants.....	\$4,459,213
Amount of SMG payments issued.....	\$4,006,966

Income Support and Disaster Assistance

Direct and Counter-cyclical Program (DCP). FY 2008 activity consisted of participant annual enrollment, contract maintenance, and payment processing.

Total number of DCP contracts1,877,050
 Dollar value of direct payments made..... \$4,821,206,000
 Dollar value of counter-cyclical payments made \$359,064,000

Marketing Assistance Loans and Loan Deficiency Payments. Marketing assistance loans, loan deficiency payments, and other price support program activities in FY 2008 included:

Commodity	Marketing Assistance Loans		Loan Deficiency Payments (LDP's)	
	Number of Loans	Dollar Value (\$000)	Number of LDP's a/	Dollar Value (\$000)
Corn	30,807	\$2,250,207		\$83
Grain Sorghum	188	7,624		13
Barley	185	5,625		4
Oats	133	1,407		0
Wheat	2,480	119,548		-1
Rice	4112	441,692		-49
Cotton b/	14,726	4,051,921		120
Soybeans	18,166	888,581		58
Minor Oilseeds	203	9,740		0
Sugar c/	563	1,237,786		
Peanuts	8773	485,412		-1
Tobacco c/ d/				
Honey e/	349	7,678		
Pulse Crops	54	1,760		-5
Wool & Mohair	8	66		5,814
Total	80,747	\$9,509,047	19,795	\$6,036

a/ With the advent of electronic Loan Deficiency Payments (eLDP), data on the number of LDP's by commodity is not available.

b/ Reflects loans made through the county offices. In addition, loans are made through cooperative associations; the number of those loans is not available.

c/ LDP's are not available for tobacco or sugar.

d/ The number of tobacco loans is not available.

e/ There was no LDP activity for honey.

Farm Storage Facility Loans (FSFL). FSFL program activities in 2008 included:

Farm Storage Facility Loans closed	2,659
Amount of Farm-Storage Facility Loans	\$135,495,000

The objectives of the Corporation in carrying out its storage program are to help producers finance needed storage facilities on their own farms and to make efficient use of commercial facilities in the storage of CCC-owned commodities.

Quota Buyout for Peanuts. FY 2008 activity included:

Number of quota buyout payments issued	1
Amount of quota buyout payments issued	\$8,000

Milk Income Loss Contract (MILC) Program. The MILC was authorized by the 2002 Act and has no set funding level. This program purpose is to financially compensate dairy producers when domestic milk prices fall below a specified level. FY 2008 activity included:

Number of MILC payments	464
Amount of MILC payments	\$2,091,000

Non-Insured Crop Disaster Assistance Program (NAP). NAP activity in FY 2008 included:

Number of actual production history records completed for NAP	60,000
Number of NAP applications for coverage	53,000
Amount of NAP payments issued	\$73,989,000

FCIC Program Integrity. FY 2008 FSA activity to assist RMA included:

Possible violations referred and spot-checks completed	5581
Producer claims audited	253

Livestock Compensation Program (LCP) LCP activity in FY 2008:

Number of LCP contracts	307,644
Amount of LCP payments - CCC	\$24,983
Amount of LCP payments – USDA Disaster Assistance	\$336,555,000

Livestock Indemnity Program (LIP). LIP activity in FY 2008:

Number of LIP applications and disapproved applications	5,449
Amount of LIP payments- USDA Disaster Assistance	\$38,064,000

Crop Disaster Program (CDP). CDP activity in FY 2008 included:

Number of CDP applications	423,084
Amount of CDP payments issued - CCC	\$1,281,000
Amount of CDP payments issued USDA Disaster Assistance	\$1,909,619,000

Tree Assistance Program (TAP). Activity for FY 2008 included:

Number of TAP applications	326
Amount of TAP payments - CCC	\$1,010,000

Commodity Operations

Commercial Warehouse Activities. During FY 2008, 955 U.S. Warehouse Act licenses were in effect at 2,931 locations. 78 staff years, which includes Federal examiners, were used in the performance and review of onsite examinations at 1,064 grain, 275 cotton, and 77 miscellaneous commodity warehouses. In addition, CCC contract onsite examinations were performed at 787 grain, 275 cotton, 79 miscellaneous, 81 Quality Assurance Surveillance and 58 processed commodity warehouses.

End-Use Certificate Program. FSA monitors Canadian wheat imports through the use of North American Free Trade Agreement (NAFTA) mandated end-use certificates. Almost 1.839 million metric tons (80.9 million bushels) of Canadian wheat entered the U.S. in FY 2008.

Upland Cotton Marketing Certificate Program. The statutory authority for this program expired August 1, 2006 and CCC did not make any payments in FY 2008.

Extra-Long Staple Cotton Competitiveness Program. In FY 2008, CCC payments of \$0.744 million to domestic users and \$28.56 million to exporters were obligated.

Domestic Nutrition and Feeding Programs. In FY 2008, no dairy commodities were purchased by FSA under the Milk Price Support Program, however the remaining balance of 2.7 million pounds of commodities valued at approximately \$2.9 million from the previous fiscal year was donated to Commodity Supplement Feeding Program.

Foreign Food-Aid Humanitarian and Developmental Assistance Programs. In FY 2008, FSA procured more than 2.3 million metric tons of grains, processed grain products, vegetable oil, pulses (such as dried beans, peas, lentils), and other products valued at approximately \$1.1 billion for food relief programs throughout the world.

Commercial Storage. The Corporation has contracts with about 2,634 commercial warehouse operators in over 4,500 locations within 40 States for the storage of Government-owned and loan grain and rice. The agreements provide for a storage rate covering about 2,596 grain and rice warehouse facilities operating under the agreements.

The grain and rice facilities have a total capacity of about 8.2 billion bushels. The inventory of CCC-owned commodities was reduced during FY2008 which resulted in 12.3 million in storage and handling charges. Total number of loans was 37,199.

In accordance with the Grain Standards and Warehouse Improvement Act of 2000, user fees are charged for warehouse examination services of all warehouses licensed under the United States Warehouse Act (USWA). Grain, rice, and cotton warehouses not licensed under the United States Warehouse Act pay contract fees to CCC. However, the collection of an annual contract fee is currently suspended.

Conservation

Emergency Conservation Program (ECP). FY 2008 activity included:

Number of ECP payment applications	26,117
Amount of ECP payments issued	\$27,729,774

Hazardous Waste Management Program: Carbon tetrachloride, formerly used as a pesticide to treat stored grain, has been detected above the Environmental Protection Agency Maximum Contaminant Level in groundwater samples taken at over 80 former CCC grain storage facilities. Current environmental liability posed by these sites is estimated to exceed \$50 million. Since FY 2003, Hazardous Waste Management funding from the Department has been greatly reduced and CCC has relied on its Section 11 borrowing

authority. CCC is authorized to use its borrowing authority, not to exceed \$5 million, for site investigations, ongoing operations and maintenance, and remediation expenses.

Conservation Reserve Program (CRP) and Emergency Forestry Conservation Reserve Program (EFCRP).

FY 2008 activity included:

Number of active CRP contracts	771,674
Number of CRP cost-share payments	65,075
Amount of CRP cost-share and incentive payments	\$146,766,000
Number of CRP rental payments.....	976,670
Amount of CRP annual rental payments	\$1,781,246,000
Number of CRP acres approved for enrollment	437,093
Amount of EFCRP cost-share payments.....	\$9,114,000
Amount of EFCRP technical assistance payments.....	\$3,722,000

Grasslands Reserve Program (GRP). FY 2008 activity included:

Number of GRP applications and contracts submitted	26
Number of GRP active contracts.....	2,824

18-21

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows:

State Mediation Grants

For grants pursuant to section 502(b) of the Agricultural Credit Act of 1987, as amended (7 U.S.C. 5101-5106), \$4,369,000.

STATE MEDIATION GRANTS

Appropriations Act, 2009.....	\$4,369,000
Budget Estimate, 2010	<u>4,369,000</u>
Change in Appropriations	<u> --</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
State Mediation Grants.....	<u>\$4,369,000</u>	<u> --</u>	<u>\$4,369,000</u>

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>Increase or Decrease</u>	<u>2010 Estimated</u>
State mediation grants	\$4,369,200	\$4,369,000	--	\$4,369,000
Total Appropriation.....	4,369,200	4,369,000	--	4,369,000

Justification of Requested Level

In FY 2008, 34 States received grants pro rated at 71 percent of their initial request. States budgeted over \$2.1 million in matching funds for the program. In fiscal year 2009, 34 to 35 States are expected to receive grants. In fiscal year 2008, grants to States ranged from \$11,492 to \$451,782, and in fiscal years 2009 and 2010 grants are expected to range from about \$5,000 to \$340,372.

Current authority for the program under P. L. 109-17 expires September 30, 2010.

The following tables show the geographic breakdown of obligations and the classification by objects for fiscal years 2008 – 2010.

State Mediation Program
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

State	2008 Actual	2009 Estimated	2010 Estimated
Alabama	\$175,473	\$166,128	\$166,128
Arizona	116,740	109,664	109,664
Arkansas	76,411	69,130	69,130
California	73,776	57,284	57,284
Colorado	22,584	12,610	12,610
Florida	15,821	40,788	40,788
Illinois	82,594	89,985	89,985
Indiana	88,162	95,353	95,353
Iowa	274,024	176,402	176,402
Kansas	410,742	340,372	340,372
Louisiana	167,877	95,353	95,353
Maine	64,351	50,001	50,001
Maryland	72,270	104,834	104,834
Massachusetts	148,215	137,150	137,150
Michigan	91,751	83,123	83,123
Minnesota	451,782	310,219	310,219
Missouri	11,492	117,656	117,656
Nebraska	149,400	67,574	67,574
Nevada	29,165	131,450	131,450
New Jersey	17,755	14,303	14,303
New Mexico	56,362	53,074	53,074
New York	293,597	289,515	289,515
North Carolina	144,066	157,870	157,870
North Dakota	249,933	233,135	233,135
Oklahoma	215,870	223,996	223,996
Rhode Island	67,753	43,386	43,386
South Dakota	102,688	90,682	90,682
Texas	198,698	197,857	197,857
Utah	14,523	17,025	17,025
Vermont	155,450	163,530	163,530
Virginia	25,407	54,526	54,526
Washington	76,973	56,973	56,973
Wisconsin	248,090	218,157	218,157
Wyoming	72,418	81,445	81,445
Undistributed	0	218,450	218,450
Total, Available or Estimate	4,462,213 1/	4,369,000	4,369,000

1/ Includes unobligated balance from FY 1990 and 1991.

FARM SERVICE AGENCY
State Mediation GrantsClassification by Objects
2008 Actual and Estimated 2009 and 2010

	<u>Object Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
41.0	Grants, subsidies, and contributions	\$4,459,213	\$4,369,000	\$4,369,000
	Total direct obligations	<u>4,459,213</u>	<u>4,369,000</u>	<u>4,369,000</u>

STATE MEDIATION GRANTS

STATUS OF PROGRAM

Current Activities: During FY 2008:

- Grants were made to 34 States. One additional State is expected to become certified in FY 2009.
- States contributed over \$2.1 million in matching funds.
- Participating USDA agencies include FSA, Forest Service, Natural Resources Conservation Service, Risk Management Agency, and Rural Development.
- In addition to credit disputes, the most frequently mediated issues were Conservation Reserve Program payment eligibility/limitation, highly erodible land/water conservation program requirements, price support payments, and production flexibility contracts.
- Program Results Comparison:

	<u>FY 2007</u>	<u>FY 2008</u>
Number of cases mediated	2,176	2,577
Number of cases resolved	1,474	1,728
Percentage of cases resolved*	68%	80%
Average cost per case	\$679	\$986

*Target was 75 percent for both fiscal years.

Selected Example of Recent Progress:

In order to protect the confidentiality of the mediation process, details could not be provided that would allow identification of the parties.

Mediation Enables Producer to Restructure Loan Payment Schedule and Stay In Business: The mediation involved a commercial lender, the Farm Service Agency, and a producer. The Mediation Program arranged for an agricultural finance counselor to meet the producer and help get his finances in order before a mediation session with the lenders. This was a great benefit to all parties going into the mediation session, which was successful because all parties agreed to restructure the payment schedule to align with the producer selling crops after they were harvested. Without the mediation session or help of the agricultural finance counselor, the producer may not have been able to negotiate such an agreement and remain in business.

The following table shows allocations and outlays by State for FY 2008.

State Mediation Grants
Grants and Outlays by State
Fiscal Year 2008

State	Grants <u>a/</u>	Outlays <u>b/</u>
Alabama	\$175,473	\$199,785
Arizona	116,740	119,810
Arkansas	76,411	46,775
California	73,776	43,875
Colorado	22,584	0
Florida	15,821	43,331
Illinois	82,594	62,782
Indiana	88,162	88,162
Iowa	274,024	137,012
Kansas	410,742	388,608
Louisiana	167,877	36,083
Maine	64,351	52,200
Maryland	72,270	16,817
Massachusetts	148,215	162,014
Michigan	91,751	115,319
Minnesota	451,782	385,983
Missouri	11,492	11,492
Nebraska	149,400	186,734
Nevada	29,165	20,278
New Jersey	17,755	0
New Mexico	56,362	53,417
New York	293,597	293,597
North Carolina	144,066	82,265
North Dakota	249,933	206,708
Oklahoma	215,870	251,853
Rhode Island	67,753	81,980
South Dakota	102,688	56,819
Texas	198,698	204,922
Utah	14,523	17,990
Vermont	155,450	150,450
Virginia	25,407	127,021
Washington	76,973	76,973
Wisconsin	248,090	207,165
Wyoming	72,418	78,745
Total	\$4,459,213	\$4,006,966

a/ Includes prior-year funding that was available until expended.

b/ Includes outlays from prior year obligations.

18-25

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows:

Grassroots Source Water Protection Program

For necessary expenses to carry out wellhead or groundwater protection activities under section 1240O of the Food Security Act of 1985 (16 U.S.C. 3839bb-2), \$5,000,000, to remain available until expended.

GRASSROOTS SOURCE WATER PROTECTION PROGRAM

Appropriations Act, 2009.....	\$5,000,000
Budget Estimate, 2010	<u>5,000,000</u>
Change in Appropriations	<u> --</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Payments to State Rural Water Associations.....	<u>\$5,000,000</u>	<u> --</u>	<u>\$5,000,000</u>

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>Increase or Decrease</u>	<u>2010 Estimated</u>
Payments to State Rural Water Associations	\$3,650,139	\$4,950,000	--	\$4,950,000
Payment to the FSA/S&E Account	36,870	50,000	--	50,000
Total appropriation.....	3,687,009	5,000,000	--	5,000,000

Justification of Requested Level

This level of funding will enable State rural water associations to deliver additional assistance in developing source water protection plans within priority watersheds to prevent the contamination of drinking water supplies.

Classification by Objects

2008 Actual and Estimated 2009 and 2010

<u>Object Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
25.0 Payment to the FSA/S&E Account	\$36,870	\$50,000	\$50,000
41.0 Grants, subsidies, and contributions	3,650,139	4,950,000	4,950,000
Total direct obligations	<u>3,687,009</u>	<u>5,000,000</u>	<u>5,000,000</u>

GRASSROOTS SOURCE WATER PROTECTION PROGRAM

STATUS OF PROGRAM

Current Activities: The Grassroots Source Water Protection Program (GSWPP) is a joint project by the Farm Service Agency and the nonprofit National Rural Water Association (NRWA) designed to help prevent source water pollution in States through voluntary practices installed by producers at the local level. GSWPP uses onsite technical assistance capabilities of each State rural water association that operates a wellhead or groundwater protection program in the State. State rural water associations can deliver assistance in developing source water protection plans within priority watersheds for the common goal of preventing the contamination of drinking water supplies.

Selected Examples of Recent Activity: During FY 2008, \$3.7 million was provided by P.L. 110-161, the Consolidated Appropriations Act, 2008. The 37 States participating in the GSWPP were chosen based on objective technical criteria relating to water quality and population. Thirty-six States received \$89,926 each, one State received \$184,997 and \$227,806 was used for administrative costs to operate the program under the NRWA. In addition, \$36,870 was transferred to the FSA Salaries and Expense account for administrative expenses associated with the implementation of the program.

The program was implemented in the following States: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Montana, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Utah, Vermont, Washington, and Wisconsin.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows:

Dairy Indemnity Program (Including Transfer of Funds):

For necessary expenses involved in making indemnity payments to dairy farmers and manufacturers of dairy products under a dairy indemnity program, such sums as may be necessary, to remain available until expended: Provided, That such program is carried out by the Secretary in the same manner as the dairy indemnity program described in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (Public Law 106-387, 114 Stat. 1549A-12).

DAIRY INDEMNITY PROGRAM

Appropriations Act, 2009.....	\$876,000
Budget Estimate, 2010	930,000
Increase in Appropriation.....	+54,000

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Indemnity payments to dairy farmers and manufacturers	\$876,000	+\$54,000	\$930,000

PROJECT STATEMENT

(On basis of appropriation)

Project	2008 Actual	2009 Estimated	Increase	2010 Estimated
Indemnity payments to dairy farmers and manufacturers	\$100,000	\$876,000	+54,000 (1)	\$930,000
Total appropriation.....	100,000	876,000	+54,000	930,000

PROJECT STATEMENT

(On basis of available funds)

Project	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
Indemnity payments to dairy farmers and manufacturers	\$144,388	\$983,388	-\$53,388	\$930,000
Unobligated balance brought forward from prior years	-151,776	-107,388	+107,388	--
Unobligated balance carried forward to next year	107,388	--	--	--
Total appropriation.....	100,000	876,000	+54,000	930,000

Justification of Increase

- (1) An increase of \$54,000 for indemnity payments to dairy farmers and manufacturers (\$876,000 available in 2009).

The amount of Dairy Indemnity Program (DIP) claims varies considerably from year to year, depending upon the nature and extent of contamination problems encountered. It is therefore impossible to predict with any degree of accuracy what program needs will be in a given year. For that reason, the budget requests "such sums as may be necessary," the same as Congress provided for

FY 2009. The FY 2010 level of \$930,000 is an estimate of the amount to be used under the indefinite authority.

Recent years have seen an upward trend in DIP claims due to a high incidence of aflatoxin contamination. In both 2007 and 2008, payments were suspended during the year because the levels of claims were such that pro-rating would have yielded pennies on the dollar. The FY 2009 funding estimate will cover remaining FY 2007 and 2008 claims as well as 2009 claims.

The following tables show the geographic breakdown of obligations and the classification by objects for fiscal years 2008-2010:

Dairy Indemnity Program
Geographic Breakdown of Obligations
2008 Actual and Estimated 2009 and 2010

State	2008 Actual	2009 Estimated	2010 Estimated
Alabama	--	\$175	
Arkansas	--	14,652	--
Georgia	\$4,486	47,968	--
Kansas	--	175,221	--
Louisiana	--	13,517	--
Mississippi	40,382	--	--
Missouri	10,655	20,443	--
Nevada	--	77,958	--
New Mexico	--	62,983	--
Oklahoma	--	49,007	--
Texas	88,833	166,789	--
Prompt Payment penalty	32	--	--
Undistributed	--	247,287	\$930,000
TOTAL	\$144,388	\$876,000	\$930,000

Classification by Objects
2008 Actual and Estimated 2009 and 2010

<u>Object Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
41.0 Grants, subsidies, and contributions	\$144,388	\$876,000	\$930,000
Total direct obligations	144,388	876,000	930,000

DAIRY INDEMNITY PROGRAM**STATUS OF PROGRAM**

Current Activities: During FY 2008, 14 dairy farmers in 9 States filed claims totaling \$422,004 under the Dairy Indemnity Program. The claims resulted from losses incurred mostly from aflatoxin discovered in the milk of dairy farmers' cattle. The final number of claims for FY 2008 will be determined in February 2009. Additional claims for FY 2008 may be submitted after September 30, 2008, but must be received at the County Office by December 31, 2008. All FY 2008 timely filed claims eligible for benefits are due in the National Office through the State Offices by the close of business January 30, 2009.

The large increase in claims exceeding the annual appropriation began in FY 2007, and there are 15 unpaid claims from 6 States totaling \$206,709 for FY 2007. Only \$5,082 is available to pay these claims and farmers would receive less than \$0.03 per dollar claimed. Currently, FY 2007 payments are suspended.

FSA Notice LD-603 to State and County Offices provides information on how DIP claims will be paid for FY 2008. Since the amount of FY 2008 eligible claims exceeds the amount appropriated, the Notice states that each eligible claimant is eligible to receive a pro rata share of the funds available based on a factored payment rate to be determined by the program.

Payments to dairy farmers since the program's inception in FY 1965 total \$19.10 million.

The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, 20 manufacturers have received indemnity payments totaling \$3.9 million, which is unchanged since FY 2006.

Selected Examples of Recent Activity: The following tables show (a) eligible claims by State during FY 2008 and (b) payments and number of payees during fiscal years 1965 through 2008.

Dairy Indemnity Program
Eligible Claims by State
Fiscal Year 2008

State	Claim Amount
New Mexico	\$27,729
New Mexico	6,769
New Mexico	17,910
Kansas	175,220
Arkansas	8,140
Arkansas	6,512
Missouri	8,071
Texas	51,469
Texas	18,959
Texas	6,070
Georgia	47,968
Oklahoma	42,053
Mississippi	4,959
Alabama	175
Total	\$422,004

Dairy Indemnity Program
Payments and Number of Payees
Fiscal Years 1965-2008

Fiscal Years	Payments to Dairy Farmers	Payments to Manufacturers of Dairy Products	Total Payments	Number of Payees
1965 to 1974	\$1,648,663	\$141,427	\$1,790,090	449
1975	193,389	--	193,389	26
1976 a/	159,289	--	159,289	19
1977	40,284	--	40,284	8
1978	66,266	9,210	75,476	12
1979	64,267	--	64,267	13
1980	91,575	--	91,575	9
1981	42,231	--	42,231	15
1982	15,087	--	15,087	5
1983	6,121,374	--	6,121,374	18
1984	2,043,010	398,910	2,441,920	22
1985	50,070	--	50,070	5
1986	15	--	15	10
1987	4,871,724	3,361,892	8,233,616 b/	131
1988	449,543	--	449,543	4
1989	230,101	--	230,101	106
1990	112,405	--	112,405	52
1991	90,702	--	90,702	24
1992	131,651	--	131,651	51
1993	120,129	--	120,129	27
1994	387,358	--	387,358	27
1995	18,565	--	18,565	7
1996	207,867	--	207,867	22
1997	257,311	--	257,311	30
1998	416,622	--	416,622	42
1999	126,353	--	126,353	30
2000	36,407	--	36,407	7
2001	22,112	--	22,112	9
2002	124,309	--	124,309	19
2003	393,369	--	393,369	69
2004	601,092	--	601,092	86
2005	349,232	--	349,232	23
2006	132,457	--	132,457	15
2007	181,329	--	181,329	21
2008	144,388	--	144,388	14
Total	\$19,940,546	\$3,911,439	\$23,851,985	1,427

a/ Includes transition quarter.

b/ Includes payments totaling \$2,264,172 that were issued to producers and manufacturers in fiscal year 1986 but not reported to the National office and Treasury in time to appear as outlays in fiscal year 1986.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (new language underscored, deleted matter enclosed in brackets):

Agricultural Credit Insurance Fund Program Account (Including Transfers of Funds):

For gross obligations for the principal amount of direct and guaranteed farm ownership (7 U.S.C. 1922 et seq.) and operating (7 U.S.C. 1941 et seq.) loans, Indian tribe land acquisition loans (25 U.S.C. 488), [and] boll weevil loans (7 U.S.C. 1989), direct and guaranteed conservation loans (7 U.S.C. 1924 et seq.), Indian highly fractionated land loans (25 U.S.C. 488), and individual development account grants (7 U.S.C. 1981-2008r), to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, [\$1,461,066,000]\$1,892,990,000, of which [\$1,238,768,000] \$1,500,000,000 shall be for unsubsidized guaranteed loans and [\$222,298,000]\$392,990,000 shall be for direct loans; operating loans, [\$1,862,578,000]\$1,994,467,000, of which [\$1,017,497,000] \$1,150,000,000 shall be for unsubsidized guaranteed loans, [\$269,986,000]\$144,467,000 shall be for subsidized guaranteed loans and [\$575,095,000]\$700,000,000 shall be for direct loans; Indian tribe land acquisition loans, [\$3,940,000]\$2,000,000; conservation loans, \$150,000,000, of which \$75,000,000 shall be for guaranteed loans and \$75,000,000 shall be for direct loans; Indian highly fractionated land loans, \$10,000,000; and for boll weevil eradication program loans, \$100,000,000 \$60,000,000: Provided, That the Secretary shall deem the pink bollworm to be a boll weevil for the purpose of boll weevil eradication program loans.

For the cost of direct and guaranteed loans and grants, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, [\$16,803,000]\$21,584,000, of which [\$4,088,000]\$5,550,000 shall be for unsubsidized guaranteed loans, and [\$12,715,000]\$16,034,000 shall be for direct loans; operating loans, [\$130,371,000] \$80,402,000, of which [\$25,336,000]\$26,910,000 shall be for unsubsidized guaranteed loans, [\$37,231,000]\$20,312,000 shall be for subsidized guaranteed loans, and [\$67,804,000]\$33,180,000 shall be for direct loans; conservation loans, \$1,343,000, of which \$278,000 shall be for guaranteed loans, and \$1,065,000 shall be for direct loans; and Indian[tribe land acquisition loans, \$248,000] highly fractionated land loans, \$793,000; and for individual development account grants, \$5,000,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [\$317,323,000]\$326,093,000, of which [\$309,403,000]\$318,173,000 shall be [transferred]paid to and merged with the appropriation for "Farm Service Agency, Salaries and Expenses".

Funds appropriated by this Act to the Agricultural Credit Insurance Program Account for farm ownership, [and] operating and conservation direct loans and guaranteed loans may be transferred among these programs: Provided, That the Committees on Appropriations of both Houses of Congress are notified at least 15 days in advance of any transfer.

These changes provide appropriations language for direct and guaranteed conservation loans; Indian fractionated land loans, and individual development account grants as authorized by the Food, Conservation and Energy Act of 2008; and clarify the appropriation language for the reimbursement of the Farm Service Agency Salaries and Expenses account for work to administer farm loans.

FARM SERVICE AGENCY
AGRICULTURAL CREDIT INSURANCE FUND
Analysis of Change in Appropriation

	Loan and Grant Level	Subsidy	Administrative Expenses	Total Budget Authority
Appropriations Act, 2009.....	\$3,405,522,000	\$147,422,000	\$317,323,000	\$464,745,000
Budget Estimate, 2010.....	4,114,457,000	109,122,000	326,093,000	435,215,000
Change in Appropriation.....	<u>708,935,000</u>	<u>-38,300,000</u>	<u>+8,770,000</u>	<u>-29,530,000</u>

Summary of Increases and Decreases
(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Loan Levels:			
Farm Ownership.....	200,236,000	+192,754,000	392,990,000
Farm Operating.....	575,095,000	+124,905,000	700,000,000
Indian Land.....	3,940,000	-1,940,000	2,000,000
Boll Weevil.....	100,000,000	-40,000,000	60,000,000
Total Direct Loans.....	879,271,000	+275,719,000	1,154,990,000
Farm Ownership - Unsubsidized.....	1,238,768,000	+261,232,000	1,500,000,000
Farm Operating - Unsubsidized.....	1,017,497,000	+132,503,000	1,150,000,000
Farm Operating - Subsidized.....	269,986,000	-125,519,000	144,467,000
Total Guaranteed Loans.....	2,526,251,000	+268,216,000	2,794,467,000
Conservation			
Direct.....	0	+75,000,000	75,000,000
Guaranteed.....	0	+75,000,000	75,000,000
Total Conservation Loans.....	0	+150,000,000	150,000,000
Indian Fractionated Land Loans.....	0	+10,000,000	10,000,000
Total Loans.....	<u>3,405,522,000</u>	<u>+703,935,000</u>	<u>4,109,457,000</u>
Individual Development Accounts - Grants	0	+5,000,000	5,000,000
Total Loans and Grants.....	<u>3,405,522,000</u>	<u>+708,935,000</u>	<u>4,114,457,000</u>
Budget Authority:			
Direct Loan Subsidy.....	80,767,000	-31,553,000	49,214,000
Guaranteed Loan Subsidy.....	66,655,000	-13,883,000	52,772,000
Conservation Loan Subsidy.....	0	+1,343,000	1,343,000
Indian Fractionated Land Subsidy.....	0	+793,000	793,000
Individual Development Accounts - Grants.....	0	+5,000,000	5,000,000
Total Subsidy.....	<u>147,422,000</u>	<u>-38,300,000</u>	<u>109,122,000</u>
Administrative Expenses.....	317,323,000	+8,770,000	326,093,000
Total Budget Authority.....	<u>464,745,000</u>	<u>-29,530,000</u>	<u>435,215,000</u>

FARM SERVICE AGENCY
 AGRICULTURAL CREDIT INSURANCE FUND
Project Statement by Program
 (On basis of appropriation)

Program:	2008 Actual		2009 Estimated		Increase or Decrease		2010 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct loans:								
Farm Ownership	\$381,778,000	\$16,990,000	\$200,236,000	\$12,715,000	+\$192,754,000	+\$3,319,000	\$392,990,000	\$16,034,000
Farm Operating	629,109,000	79,959,000	575,095,000	67,804,000	+124,905,000	-34,624,000	700,000,000	33,180,000
Indian Land Acquisition	0	0	3,940,000	248,000	-1,940,000	-248,000	2,000,000	0
Boll Weevil Eradication	100,000,000	0	100,000,000	0	-40,000,000	0	60,000,000	0
Total Direct Loans and Subsidies	1,110,887,000	96,949,000	879,271,000	80,767,000	+275,719,000	-31,553,000	1,154,990,000	49,214,000
Guaranteed Loans:								
Farm Ownership, Unsubsidized	1,170,527,000	4,955,000	1,238,768,000	4,088,000	+261,232,000	+1,462,000	1,500,000,000	5,550,000
Farm Operating, Unsubsidized	899,437,000	21,766,000	1,017,497,000	25,336,000	+132,503,000	+1,574,000	1,150,000,000	26,910,000
Farm Operating, Subsidized	134,707,000	23,341,000	269,986,000	37,231,000	-125,519,000	-16,919,000	144,467,000	20,312,000
Total Guaranteed Loans and Subsidies	2,204,671,000	50,062,000	2,526,251,000	66,655,000	+268,216,000	-13,883,000	2,794,467,000	52,772,000
Conservation Loans:								
Direct	0	0	0	0	+75,000,000	+1,065,000	75,000,000	1,065,000
Guaranteed	0	0	0	0	+75,000,000	+278,000	75,000,000	278,000
Total Conservation Loans and Subsidies	0	0	0	0	+150,000,000	+1,343,000	150,000,000	1,343,000
Indian Fractionated Land	0	0	0	0	+10,000,000	+793,000	10,000,000	793,000
Subtotal, Loans Regular Appropriation:	3,315,558,000	147,011,000	3,405,522,000	147,422,000	+703,935,000	-43,300,000 (2)	4,109,457,000	104,122,000
Administrative expenses	0	309,051,000	0	317,323,000	0	8,770,000 (3)	0	326,093,000
Total Available or Estimate	3,315,558,000	456,062,000	3,405,522,000	464,745,000	+703,935,000	-34,530,000	4,109,457,000	430,215,000
Individual Development Accounts - Grants	0	0	0	0	+5,000,000	+5,000,000 (2)	5,000,000	5,000,000
TOTAL APPROPRIATION	3,315,558,000	456,062,000	3,405,522,000	464,745,000	+708,935,000 (1)	-29,530,000	4,114,457,000	435,215,000

FARM SERVICE AGENCY
 AGRICULTURAL CREDIT INSURANCE FUND
 Project Statement by Program
 (On basis of available funds)

Program:	2008 Actual		2009 Estimated		Increase or Decrease		2010 Estimated	
	Loan Level	Subsidy						
Direct loans								
Farm Ownership	\$381,778,000	\$16,990,000	\$200,236,000	\$12,715,000	+\$192,754,000	+\$3,319,000	\$392,990,000	\$16,034,000
Farm Ownership - Carryover	0	0	0	0	0	0	0	0
Subtotal	381,778,000	16,990,000	200,236,000	12,715,000	+192,754,000	+3,319,000	392,990,000	16,034,000
Farm Operating	629,109,000	79,959,000	575,095,000	67,804,000	+124,905,000	-34,624,000	700,000,000	33,180,000
Farm Operating - Carryover	0	0	848,000	100,000	-848,000	-100,000	0	0
Subtotal	629,109,000	79,959,000	575,943,000	67,904,000	+124,057,000	-34,724,000	700,000,000	33,180,000
Emergency Disaster	0	0	0	0	0	0	0	0
Emergency Disaster - Carryover	46,056,000	5,135,000	86,353,000	12,279,000	-86,353,000	-12,279,000	0	0
Subtotal	46,056,000	5,135,000	86,353,000	12,279,000	-86,353,000	-12,279,000	0	0
Indian Land Acquisition	0	0	3,940,000	248,000	-1,940,000	-248,000	2,000,000	0
Boll Weevil Eradication	100,000,000	0	100,000,000	0	-40,000,000	0	60,000,000	0
Total Direct Loans and Subsidies	1,156,943,000	102,084,000	966,472,000	93,146,000	+188,518,000	-43,932,000	1,154,990,000	49,214,000
Guaranteed Loans:								
Farm Ownership, Unsubsidized	1,170,527,000	4,955,000	1,238,768,000	4,088,000	+261,232,000	+1,462,000	1,500,000,000	5,550,000
Farm Ownership, Unsubsidized - Carryover	0	0	34,883,000	115,000	-34,883,000	-115,000	0	0
Subtotal	1,170,527,000	4,955,000	1,273,651,000	4,203,000	+226,349,000	+1,347,000	1,500,000,000	5,550,000
Farm Operating, Unsubsidized	899,437,000	21,766,000	1,017,497,000	25,336,000	+132,503,000	+1,574,000	1,150,000,000	26,910,000
Farm Operating, Unsubsidized - Carryover	47,190,000	1,142,000	25,344,000	631,000	-25,344,000	-631,000	0	0
Subtotal	946,627,000	22,908,000	1,042,841,000	25,967,000	+107,159,000	+943,000	1,150,000,000	26,910,000
Farm Operating, Subsidized	134,707,000	23,341,000	269,986,000	37,231,000	-125,519,000	-16,919,000	144,467,000	20,312,000
Farm Operating, Subsidized - Carryover	0	0	3,000	0	-3,000	0	0	0
Subtotal	134,707,000	23,341,000	269,989,000	37,231,000	-125,522,000	-16,919,000	144,467,000	20,312,000
Total Guaranteed Loans and Subsidies	2,251,861,000	51,204,000	2,586,481,000	67,401,000	+207,986,000	-14,629,000	2,794,467,000	52,772,000
Conservation Loans								
Direct	0	0	0	0	+75,000,000	+1,065,000	75,000,000	1,065,000
Guaranteed	0	0	0	0	+75,000,000	+278,000	75,000,000	278,000
Total Conservation Loans and Subsidies	0	0	0	0	+150,000,000	+1,343,000	150,000,000	1,343,000
Indian Fractionated Land	0	0	0	0	+10,000,000	+793,000	10,000,000	793,000
Subtotal, Loans Regular Appropriation:	3,315,558,000	147,011,000	3,405,522,000	147,422,000	+703,935,000	-43,300,000	4,109,457,000	104,122,000
Subtotal Carryover	93,246,000	6,277,000	147,431,000	13,125,000	-147,431,000	-13,125,000	0	0
Total, Loans and Subsidies Above	3,408,804,000	153,288,000	3,552,953,000	160,547,000	+556,504,000	-56,425,000	4,109,457,000	104,122,000
Administrative expenses	0	309,051,000	0	317,323,000	0	+8,770,000	0	326,093,000
Individual Development Accounts - Grants	0	0	0	0	+5,000,000	+5,000,000	5,000,000	5,000,000
GRAND TOTAL	3,408,804,000	462,339,000	3,552,953,000	477,870,000	+561,504,000	-42,655,000	4,114,457,000	435,215,000

Justification of Increases and Decreases

- (1) An increase of \$708,935,000 for the Agricultural Credit Insurance Fund (ACIF) loan program levels (\$3,405,522,000 available in FY 2009) consisting of:

- (a) An increase of \$192,754,000 for direct ownership loans to encourage beginning farmers to establish more productive farming operations (\$200,236,000 available in FY 2009).

The increase for direct ownership loans is projected to assist approximately 1,268 additional farmers to purchase a farm. A number of factors in the recent months brought about unprecedented demand for this program. Those factors include the tightening of available commercial credit, as well as an increase in demand resulting from farm bill changes including but not limited to the reduced borrower interest rate for down payment loans. The unexpected increased demand during FY 2009 will result in a backlog of approved, unfunded loans carried into FY 2010. The requested increase will almost double the available loan level and reflects the need to respond to the backlog as well as to increased demand in FY 2010. This program serves minority and beginning family farmers who are unable to obtain commercial financing.

- (b) An increase of \$124,905,000 for direct farm operating loans to assist family farmers in maintaining productive farming operations (\$575,095,000 available in FY 2009).

FSA has obligated an average of \$633 million for direct farm operating loans over the last five years. The requested level of \$700 million in FY 2010 is adequate to meet average annual obligations. In the recent months, demand has exceeded the average level, and even with the addition of \$173 million in Recovery Act funding, the program is expected to carry a backlog into FY 2010. In addition to increased demand, a reason for the backlog is an increase in the average loan size during FY 2009 of approximately 33% over the last year. The funding requested is necessary to support the daily operations of almost 12,000 family farmers.

- (c) A decrease of \$1,940,000 for Indian land acquisition loans to enable Indian tribes to purchase privately held lands that lie within their reservations (\$3,940,000 available in FY 2009).

The decrease in proposed loan level is commensurate with a decrease in demonstrated demand for this program over the last several years.

- (d) A decrease of \$40,000,000 for boll weevil eradication loans to eliminate the boll weevil and prevent reinfestation (\$100,000,000 available in FY 2009).

The decrease for boll weevil eradication loans is due to recent progress made in actual eradication efforts which in turn results in lower demand. The requested loan level is expected to be adequate to meet demand.

- (e) An increase of \$261,232,000 for guaranteed farm ownership unsubsidized loans to reflect increasing demand (\$1,238,768,000 available in FY 2009).

This increase will fund approximately 645 more guaranteed ownership loans in FY 2010 than in FY 2009. The requested loan level is anticipated to be adequate to meet the increased demand for this program based on the difficult economic times and private lenders tightening of credit availability.

- (f) An increase of \$132,503,000 for guaranteed farm operating unsubsidized loans to reflect higher demand (\$1,017,497,000 available in FY 2009).

An increase of \$132,503,000 for guaranteed farm operating unsubsidized loans is indicative of the increase in demand that has resulted from an increase in the average loan size. Average loan size has increased by approximately 18% over the previous year. The FY 2010 loan level of \$1,150,000,000 will provide an additional 235 loans above the amount available in FY 2009.

- (g) A decrease of \$125,519,000 for guaranteed farm operating subsidized loans that enable family farmers to obtain credit from commercial lenders in rural communities (\$269,986,000 available in FY 2009).

The \$144 million in program level requested will provide about 188 guaranteed farm operating subsidized loans. Demand for this program has declined since programmatic regulations were revised to tighten lending requirements. The decline in demand in this program did not reflect an overall decline in the need for operating loans; rather, the revised regulations resulted in increased demand in the direct and guaranteed unsubsidized operating loan programs.

- (h) An increase of \$150,000,000 for direct and guaranteed conservation loans which will be used for conservation projects and plans (no funding was available in FY 2009).

This is a new program in FY 2010, authorized by the Food, Conservation and Energy Act of 2008. Conservation loans provide funding for construction or establishment of conservation structures, forest and permanent cover, water conservation and waste management systems, improved permanent pasture, or other projects. Priority is given to qualified beginning farmers, ranchers, socially disadvantaged farmers or ranchers, owners or tenants who use the loans to convert to sustainable or organic agricultural production systems, and producers who use the loans to build conservation structures or establish conservation practices.

- (i) An increase of \$10,000,000 for Indian highly fractionated land to allow the purchase of highly fractionated land under the Indian Land Consolidation Act (no funding was available in FY 2009).

This is a new program in FY 2010, authorized by the Food, Conservation and Energy Act of 2008. This program provides authority to make and insure loans to eligible purchasers of highly fractionated lands.

- (j) An increase of \$5,000,000 for individual grant accounts for beginning farmers or ranchers who lack significant financial resources (no funding was available in FY 2009).

This is a new program in FY 2010, authorized by the Food, Conservation and Energy Act of 2008. Individual development account grants provide for matching-funds savings accounts for beginning farmers and ranchers to be used for specified farm-related expenses. Eligible beginning farmers and ranchers are those that lack significant assets and have an income that is either below 80% of State's median or below 200% of State's poverty income guidelines.

- (2) A net decrease of \$38,300,000 for the Agricultural Credit Insurance Fund (ACIF) loan subsidy (\$147,422,000 available in FY 2009):

The subsidy amounts support the proposed FY 2010 direct and guaranteed loan levels of \$4.109 billion, and individual development grants in the amount of \$5 million. The net decrease is comprised of the following increases and decreases:

For direct loans, there is net decrease of \$31.553 million in subsidy to support proposed direct loan levels. The net decrease is comprised of: an increase of \$3.319 million for direct

ownership loan subsidy, which is due to the requested increase in loan level; a decrease of \$34.624 million for direct operating loan subsidy and a decrease of \$248 thousand for Indian land acquisition loans are due largely to changes in borrower interest rates.

For guaranteed loans, there is a net decrease of \$13.883 million in subsidy that is comprised of: an increase of \$1.462 million in ownership loans; an increase of \$1.574 million in operating unsubsidized loans; and a decrease of \$16.919 million in operating subsidized loans. The increases and decreases are due to changes in requested loan levels.

For conservation loans, there is an increase of \$1.343 million that is comprised of \$1.065 million for direct conservation loans and \$278,000 for guaranteed loans. No funding was available in FY 2009.

For Indian highly fractionated land, there is an increase of \$793,000. No funding was available in FY 2009.

For individual development account grants for beginning farmers or ranchers, there is an increase of \$5 million. No funding was available in FY 2009.

- (3) An increase of \$8,770,000 for Agricultural Credit Insurance Fund (ACIF) administrative expenses (\$317,323,000 available in FY 2009):

This increase is attributable to increases in personnel compensation and increased operating costs. See the FSA Salaries and Expenses section of these explanatory notes for further details.

AGRICULTURAL CREDIT INSURANCE FUND
 DIRECT FARM OWNERSHIP PROGRAM
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated	2010 Estimated
Alabama	\$1,931,000	\$1,012,776	\$1,987,709
Alaska	0	0	0
Arizona	0	0	0
Arkansas	4,237,000	2,222,234	4,361,432
California	4,548,000	2,385,348	4,681,565
Colorado	4,012,000	2,104,225	4,129,824
Connecticut	417,000	218,709	429,246
Delaware	560,000	293,710	576,446
Florida	1,516,000	795,116	1,560,522
Georgia	3,614,000	1,895,481	3,720,135
Hawaii	80,000	41,959	82,349
Idaho	2,534,000	1,329,039	2,608,418
Illinois	20,955,000	10,990,537	21,570,403
Indiana	12,810,000	6,718,625	13,186,202
Iowa	34,724,000	18,212,141	35,743,769
Kansas	23,192,000	12,163,805	23,873,099
Kentucky	14,256,000	7,477,027	14,674,668
Louisiana	299,000	156,820	307,781
Maine	1,118,000	586,372	1,150,833
Maryland	1,400,000	734,276	1,441,115
Massachusetts	961,000	504,028	989,223
Michigan	12,252,000	6,425,963	12,611,815
Minnesota	30,007,000	15,738,156	30,888,241
Mississippi	908,000	476,230	934,666
Missouri	15,844,000	8,309,906	16,309,304
Montana	2,860,000	1,500,021	2,943,992
Nebraska	32,426,000	17,006,880	33,378,282
Nevada	690,000	361,893	710,264
New Hampshire	277,000	145,282	285,135
New Jersey	45,000	23,602	46,322
New Mexico	860,000	451,055	885,256
New York	4,218,000	2,212,269	4,341,874
North Carolina	2,803,000	1,470,125	2,885,318
North Dakota	12,439,000	6,524,042	12,804,307
Ohio	9,765,000	5,121,575	10,051,777
Oklahoma	29,438,000	15,439,725	30,302,531
Oregon	2,903,000	1,522,574	2,988,255
Pennsylvania	10,625,000	5,572,630	10,937,033
Rhode Island	300,000	157,345	308,810
South Carolina	3,663,000	1,921,181	3,770,574
South Dakota	19,089,000	10,011,852	19,649,603
Tennessee	4,543,000	2,382,725	4,676,418
Texas	11,177,000	5,862,144	11,505,244
Utah	5,536,000	2,903,537	5,698,580
Vermont	1,345,000	705,429	1,384,500
Virginia	3,168,000	1,661,562	3,261,037
Washington	2,259,000	1,184,807	2,325,342
West Virginia	3,037,000	1,592,854	3,126,190
Wisconsin	22,748,000	11,930,935	23,416,060
Wyoming	775,000	406,474	797,760
District of Columbia	0	0	0
Puerto Rico	2,614,000	1,370,998	2,690,768
Other Countries	0	0	0
Undistributed	0	0	0
Total, Available or Estimate	<u>381,778,000</u>	<u>200,236,000</u>	<u>392,990,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OWNERSHIP LOAN PROGRAM
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>2010 Estimated</u>
Alabama	\$52,832,000	\$57,486,525	\$67,702,838
Alaska	0	0	0
Arizona	1,908,000	2,076,096	2,445,053
Arkansas	65,592,000	71,370,687	84,054,447
California	28,578,000	31,095,736	36,621,966
Colorado	10,928,000	11,890,762	14,003,949
Connecticut	1,004,000	1,092,453	1,286,600
Delaware	4,159,000	4,525,410	5,329,651
Florida	6,823,000	7,424,110	8,743,498
Georgia	38,248,000	41,617,667	49,013,820
Hawaii	1,093,000	1,189,294	1,400,651
Idaho	16,577,000	18,037,442	21,242,996
Illinois	42,530,000	46,276,914	54,501,092
Indiana	51,491,000	56,027,382	65,984,381
Iowa	55,157,000	60,016,359	70,682,265
Kansas	16,825,000	18,307,291	21,560,801
Kentucky	29,672,000	32,286,118	38,023,899
Louisiana	12,624,000	13,736,181	16,177,329
Maine	1,774,000	1,930,290	2,273,335
Maryland	9,777,000	10,638,358	12,528,972
Massachusetts	3,914,000	4,258,825	5,015,690
Michigan	38,557,000	41,953,891	49,409,796
Minnesota	45,338,000	49,332,300	58,099,471
Mississippi	14,504,000	15,781,809	18,586,500
Missouri	66,304,000	72,145,415	84,966,857
Montana	21,924,000	23,855,515	28,095,038
Nebraska	37,105,000	40,373,969	47,549,095
Nevada	3,954,000	4,302,349	5,066,948
New Hampshire	793,000	862,864	1,016,209
New Jersey	6,370,000	6,931,200	8,162,990
New Mexico	5,521,000	6,007,403	7,075,018
New York	28,985,000	31,538,593	37,143,526
North Carolina	40,727,000	44,315,069	52,190,594
North Dakota	13,051,000	14,200,799	16,724,518
Ohio	107,528,000	117,001,269	137,794,344
Oklahoma	54,396,000	59,188,314	69,707,064
Oregon	8,204,000	8,926,776	10,513,213
Pennsylvania	13,530,000	14,722,000	17,338,344
Rhode Island	865,000	941,207	1,108,475
South Carolina	31,736,000	34,531,957	40,668,861
South Dakota	28,725,000	31,255,687	36,810,343
Tennessee	10,781,000	11,730,811	13,815,572
Texas	20,761,000	22,590,054	26,604,683
Utah	1,971,000	2,144,646	2,525,785
Vermont	8,164,000	8,883,252	10,461,954
Virginia	14,643,000	15,933,055	18,764,625
Washington	6,453,000	7,021,512	8,269,352
West Virginia	3,308,000	3,599,436	4,239,116
Wisconsin	77,064,000	83,853,376	98,755,518
Wyoming	4,089,000	4,449,243	5,239,947
District of Columbia	0	0	0
Puerto Rico	3,670,000	3,993,329	4,703,010
Other Countries	0	0	0
Undistributed	0	0	0
Total Available or Estimate	<u>1,170,527,000</u>	<u>1,273,651,000</u>	<u>1,500,000,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
 DIRECT FARM OPERATING LOAN PROGRAM
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated	2010 Estimated
Alabama	\$4,636,000	\$4,244,212	\$5,158,407
Alaska	199,000	182,183	221,424
Arizona	2,381,000	2,179,782	2,649,302
Arkansas	22,344,000	20,455,709	24,861,828
California	16,185,000	14,817,206	18,008,803
Colorado	6,995,000	6,403,853	7,783,230
Connecticut	304,000	278,309	338,256
Delaware	0	0	0
Florida	4,783,000	4,378,789	5,321,971
Georgia	20,663,000	18,916,770	22,991,405
Hawaii	1,229,000	1,125,137	1,367,490
Idaho	9,018,000	8,255,889	10,034,191
Illinois	10,733,000	9,825,954	11,942,446
Indiana	4,753,000	4,351,324	5,288,591
Iowa	32,595,000	29,840,397	36,267,960
Kansas	22,298,000	20,413,596	24,810,645
Kentucky	27,192,000	24,894,004	30,256,124
Louisiana	9,441,000	8,643,141	10,504,857
Maine	2,926,000	2,678,724	3,255,716
Maryland	1,136,000	1,039,997	1,264,010
Massachusetts	1,457,000	1,333,869	1,621,182
Michigan	16,968,000	15,534,034	18,880,035
Minnesota	36,344,000	33,272,569	40,439,415
Mississippi	10,092,000	9,239,125	11,229,215
Missouri	15,583,000	14,266,081	17,338,967
Montana	7,756,000	7,100,540	8,629,983
Nebraska	42,208,000	38,641,002	46,964,199
Nevada	1,220,000	1,116,898	1,357,475
New Hampshire	997,000	912,744	1,109,347
New Jersey	1,138,000	1,041,828	1,266,235
New Mexico	2,055,000	1,881,332	2,286,567
New York	14,854,000	13,598,688	16,527,820
North Carolina	13,427,000	12,292,284	14,940,018
North Dakota	20,825,000	19,065,079	23,171,660
Ohio	3,568,000	3,266,468	3,970,059
Oklahoma	19,608,000	17,950,928	21,817,523
Oregon	11,857,000	10,854,965	13,193,103
Pennsylvania	19,776,000	18,104,730	22,004,454
Rhode Island	569,000	520,914	633,118
South Carolina	19,582,000	17,927,125	21,788,593
South Dakota	27,049,000	24,763,089	30,097,010
Tennessee	16,147,000	14,782,417	17,966,521
Texas	34,772,000	31,833,418	38,690,275
Utah	9,424,000	8,627,578	10,485,941
Vermont	6,743,000	6,173,149	7,502,833
Virginia	7,683,000	7,033,710	8,548,757
Washington	11,491,000	10,519,896	12,785,861
West Virginia	6,646,000	6,084,347	7,394,903
Wisconsin	45,526,000	41,678,598	50,656,087
Wyoming	1,434,000	1,312,813	1,595,590
District of Columbia	0	0	0
Puerto Rico	2,262,000	2,070,838	2,516,893
Other Countries	237,000	216,971	263,706
Undistributed	0	0	0
Total Available or Estimate	629,109,000	575,943,000	700,000,000

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING SUBSIDIZED LOAN PROGRAM
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated	2010 Estimated
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	\$100,000	\$200,427	\$107,245
California	0	0	0
Colorado	270,000	541,153	289,562
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Georgia	278,000	557,187	298,142
Hawaii	0	0	0
Idaho	1,026,000	2,056,380	1,100,337
Illinois	7,677,000	15,386,769	8,233,226
Indiana	874,000	1,751,731	937,324
Iowa	12,821,000	25,696,727	13,749,927
Kansas	6,797,000	13,623,013	7,289,467
Kentucky	345,000	691,473	369,996
Louisiana	32,000	64,137	34,319
Maine	0	0	0
Maryland	0	0	0
Massachusetts	400,000	801,707	428,981
Michigan	2,647,000	5,305,299	2,838,785
Minnesota	14,877,000	29,817,503	15,954,891
Mississippi	0	0	0
Missouri	2,910,000	5,832,421	3,120,840
Montana	1,496,000	2,998,386	1,604,391
Nebraska	21,606,000	43,304,226	23,171,431
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	211,000	422,901	226,288
New Mexico	430,000	861,835	461,155
New York	2,122,000	4,253,058	2,275,746
North Carolina	1,297,000	2,599,536	1,390,972
North Dakota	14,715,000	29,492,811	15,781,154
Ohio	85,000	170,363	91,159
Oklahoma	4,925,000	9,871,022	5,281,834
Oregon	0	0	0
Pennsylvania	2,975,000	5,962,699	3,190,549
Rhode Island	0	0	0
South Carolina	400,000	801,707	428,981
South Dakota	9,038,000	18,114,579	9,692,835
Tennessee	2,444,000	4,898,432	2,621,076
Texas	400,000	801,707	428,981
Utah	319,000	639,362	342,113
Vermont	0	0	0
Virginia	800,000	1,603,415	857,963
Washington	0	0	0
West Virginia	162,000	324,692	173,737
Wisconsin	18,877,000	37,834,577	20,244,706
Wyoming	1,351,000	2,707,767	1,448,885
District of Columbia	0	0	0
Puerto Rico	0	0	0
Other Countries	0	0	0
Undistributed	0	0	0
Total Available or Estimate	<u>134,707,000</u>	<u>269,989,000</u>	<u>144,467,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING UNSUBSIDIZED LOAN PROGRAM
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated	2010 Estimated
Alabama	\$2,975,000	\$3,277,375	\$3,614,148
Alaska	0	0	0
Arizona	2,759,000	3,039,421	3,351,743
Arkansas	55,424,000	61,057,227	67,331,272
California	51,427,000	56,653,977	62,475,558
Colorado	6,810,000	7,502,160	8,273,058
Connecticut	4,540,000	5,001,440	5,515,372
Delaware	695,000	765,639	844,314
Florida	7,024,000	7,737,911	8,533,034
Georgia	32,605,000	35,918,932	39,609,846
Hawaii	92,000	101,351	111,765
Idaho	21,035,000	23,172,971	25,554,152
Illinois	21,096,000	23,240,171	25,628,257
Indiana	36,820,000	40,562,339	44,730,395
Iowa	30,291,000	33,369,740	36,798,707
Kansas	20,311,000	22,375,385	24,674,608
Kentucky	16,776,000	18,481,092	20,380,150
Louisiana	92,767,000	102,195,723	112,697,029
Maine	3,231,000	3,559,395	3,925,147
Maryland	1,101,000	1,212,904	1,337,538
Massachusetts	1,415,000	1,558,819	1,718,998
Michigan	24,648,000	27,153,192	29,943,367
Minnesota	43,570,000	47,998,401	52,930,563
Mississippi	11,364,000	12,519,023	13,805,438
Missouri	30,097,000	33,156,022	36,563,029
Montana	16,719,000	18,418,299	20,310,904
Nebraska	31,278,000	34,457,057	37,997,754
Nevada	150,000	165,246	182,226
New Hampshire	180,000	198,295	218,671
New Jersey	2,636,000	2,903,920	3,202,317
New Mexico	7,226,000	7,960,442	8,778,431
New York	17,615,000	19,405,367	21,399,400
North Carolina	18,722,000	20,624,881	22,744,228
North Dakota	43,879,000	48,338,807	53,305,948
Ohio	28,174,000	31,037,571	34,226,892
Oklahoma	27,076,000	29,827,971	32,892,998
Oregon	14,865,000	16,375,860	18,058,591
Pennsylvania	6,870,000	7,568,258	8,345,948
Rhode Island	40,000	44,066	48,594
South Carolina	13,650,000	15,037,369	16,582,561
South Dakota	19,563,000	21,551,359	23,765,908
Tennessee	26,583,000	29,284,863	32,294,082
Texas	58,419,000	64,356,635	70,969,717
Utah	1,088,000	1,198,583	1,321,746
Vermont	5,139,000	5,661,322	6,243,061
Virginia	10,767,000	11,861,345	13,080,178
Washington	29,658,000	32,672,403	36,029,714
West Virginia	868,000	956,222	1,054,481
Wisconsin	38,952,000	42,911,033	47,320,433
Wyoming	6,975,000	7,683,930	8,473,506
District of Columbia	0	0	0
Puerto Rico	662,000	729,285	804,224
Other Countries	0	0	0
Undistributed	0	0	0
Total Available or Estimate	<u>946,627,000</u>	<u>1,042,841,000</u>	<u>1,150,000,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
EMERGENCY LOAN PROGRAM
Geographic Breakdown of Obligations
2008 Actual and Estimated 2009 and 2010

	2008 Actual	2009 Estimated*	2010 Estimated*
Alabama	\$549,000	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	790,000	0	0
California	2,250,000	0	0
Colorado	0	0	0
Connecticut	0	0	0
Delaware	20,000	0	0
Florida	201,000	0	0
Georgia	2,341,000	0	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	480,000	0	0
Indiana	184,000	0	0
Iowa	671,000	0	0
Kansas	2,074,000	0	0
Kentucky	2,370,000	0	0
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	0	0	0
Michigan	1,465,000	0	0
Minnesota	709,000	0	0
Mississippi	40,000	0	0
Missouri	1,978,000	0	0
Montana	138,000	0	0
Nebraska	0	0	0
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	464,000	0	0
New Mexico	0	0	0
New York	524,000	0	0
North Carolina	1,956,000	0	0
North Dakota	544,000	0	0
Ohio	113,000	0	0
Oklahoma	366,000	0	0
Oregon	102,000	0	0
Pennsylvania	550,000	0	0
Rhode Island	0	0	0
South Carolina	4,864,000	0	0
South Dakota	172,000	0	0
Tennessee	13,487,000	0	0
Texas	1,836,000	0	0
Utah	0	0	0
Vermont	561,000	0	0
Virginia	2,078,000	0	0
Washington	0	0	0
West Virginia	148,000	0	0
Wisconsin	970,000	0	0
Wyoming	0	0	0
District of Columbia	0	0	0
Puerto Rico	0	0	0
Other Countries	0	0	0
Undistributed	0	\$50,000,000	\$50,000,000
Total Available or Estimate	<u>44,995,000</u>	<u>50,000,000</u>	<u>50,000,000</u>

* A geographic breakdown of Emergency Loan obligations is not projected due to the nature of the program.

AGRICULTURAL CREDIT INSURANCE FUND
 BOLL WEEVIL ERADICATION AND INDIAN LAND ACQUISITION LOAN PROGRAMS
 Geographic Breakdown of Obligations
 2008 Actual and Estimated 2009 and 2010

BOLL WEEVIL ERADICATION LOAN PROGRAM

	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>2010 Estimated</u>
Arkansas	\$23,000,000		
Texas	77,000,000		
Undistributed	0	\$100,000,000	\$60,000,000
Total Available or Estimate	<u>100,000,000</u>	<u>100,000,000</u>	<u>60,000,000</u>

INDIAN LAND ACQUISITION LOAN PROGRAM

	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>2010 Estimated</u>
Undistributed	0	\$3,940,000	\$2,000,000
Total Available or Estimate	<u>0</u>	<u>3,940,000</u>	<u>2,000,000</u>

FARM SERVICE AGENCY
Agricultural Credit Insurance FundClassification by Objects
2008 Actual and Estimated 2009 and 2010

Object Class	<u>2008</u>	<u>2009</u>	<u>2010</u>
25.3 Purchases of goods and services	\$309,051,000	\$317,323,000	\$326,093,000
41.0 Grants, subsidies and contributions	153,288,000	160,547,000	109,122,000
99.0 Total Obligations	<u>462,339,000</u>	<u>477,870,000</u>	<u>435,215,000</u>

FARM SERVICE AGENCY
Agricultural Credit Insurance Fund

SUMMARY OF RECOVERY ACT FUNDING

<u>Item of Change</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Farm Operating Loans.....	\$20,440,000	0	0
<i>Loan Level</i>	<i>(\$173,367,000)</i>		

Program Implementation Activities:

Objective: To provide operating capital for family farmers and ranchers.

The Recovery Act provides an additional \$20.44 million (\$173,367,000 loan level) for FSA's Direct Farm Operating Loan (OL) program. The Direct OL program, as with all FSA farm loan programs, assists eligible family farmers and ranchers in building and sustaining successful farm operations. Direct OL proceeds are used to purchase items necessary to continue operations – for example, livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses. Operating Loans may also be used to pay for minor improvements to buildings, costs associated with land and water development, family subsistence, and to refinance debts under certain conditions. Given the timing of the additional loan funds made available through the Recovery Act, much of the funding will be used to cover spring planting expenses. These funds will have an immediate impact on main street businesses in rural communities.

Delivery Schedule:

Completed Actions

1. FSA used Recovery Act funds on March 4 to address the existing OL backlog of 1,783 loans valued at \$130 million.
2. Once the OL backlog was eliminated, FSA used Recovery Act money to fund applications received on a daily basis until the annual appropriation was available.
3. FSA did not allocate Recovery Act funds to States. FSA maintained all stimulus funds at its Washington, DC, headquarters. Maintaining the funds in one location resulted in greater transparency and improved funds control, and allowed for the most efficient and expedient means of distribution.
4. FSA targeted funds to minority and beginning farmers as required by the CONACT.

Planned Actions:

After all FY 2009 appropriated funds are used, FSA will use the small amount of remaining Recovery Act funds.

Performance Measures

	2009	Target 2010	2011
Increase lending to beginning and socially disadvantaged farmers and ranchers (%)	37.9%	38.3%	38.8%
Reduce average loan processing time for direct loans (# days)	33.5 days	33 days	32.5 days

AGRICULTURAL CREDIT INSURANCE FUND

STATUS OF PROGRAM

Current Activities:

Through the Agricultural Credit Insurance Fund (ACIF), FSA offers direct and guaranteed loans to farmers temporarily unable to obtain regular commercial credit. Under the guaranteed loan program, FSA guarantees up to 95 percent of the principal amount of loans made by conventional agricultural lenders. Applicants unable to qualify for a guaranteed loan may be eligible for a direct loan made and serviced by FSA loan officers, who also provide loan supervision and credit counseling.

- Farm Ownership Loans. FSA makes direct and guaranteed loans to family farmers to purchase farmland; restructure debts, including utilizing real estate equity to refinance heavy short-term debts; and modify their operations to comply with sanitation and pollution abatement requirements, keep up with advances in agricultural technology, better utilize their land and labor resources, or meet changing market requirements.
- Farm Operating Loans. Direct and guaranteed operating loans may be made to pay costs incident to reorganizing a farming system for more profitable operations; purchasing livestock, poultry, and farm equipment; purchasing feed, seed, fertilizer, insecticides, and farm supplies and meeting other essential operating expenses; financing land and water development, use, and conservation; developing recreation and other non-farm enterprises; and refinancing existing indebtedness. Under the law, at least 50 percent of direct farm operating loan funding must be reserved for qualified beginning farmers and ranchers during the first 11 months of the fiscal year.
- Emergency Loans. Direct loans are made available in designated counties and contiguous counties where property damage and/or severe production losses have occurred as a result of natural disaster.
- Indian Tribe Land Acquisition Loans. Direct loans are made to eligible Native American tribes to assist them in repurchasing lands within the boundaries of their reservations and maintaining ownership for future generations.
- Boll Weevil Eradication Loans. Direct loans assist producer associations and State governmental agencies in cotton-producing States to carry out boll weevil eradication programs.

The following table reflects FY 2008 ACIF program activity:

FY 2008 Actual Agricultural Credit Insurance Fund Loans and Obligations
(Dollars in Thousands)

<u>Farm Loans Program:</u>	<u>Number of Loans</u>	<u>Obligations</u>
Direct Loans	17,419	\$1,055,882
Guaranteed Loans	<u>8,886</u>	<u>2,551,862</u>
Totals	<u>26,305</u>	<u>3,307,744</u>

Direct and guaranteed loan programs provided assistance totaling \$1 billion to beginning farmers during FY 2008. Loans for socially disadvantaged farmers totaled \$379 million, of which \$213 million was in the farm ownership program, and \$166 million in the farm operating program.

Selected Examples of Recent Progress: Lending to beginning farmers was above target during FY 2008, especially in the direct farm ownership program, which demonstrated a 6 percent increase compared to FY 2007. Lending to beginning farmers in the guaranteed ownership program also increased dramatically, an increase of 20 percent as compared to FY 2007. Overall, lending to beginning farmers was 12 percent above the FY 2007 levels. Lending to minority and women farmers was a significant portion of overall assistance provided with \$379 million of loans and loan guarantees provided to these farmers. Outreach efforts by FSA field offices to promote and inform beginning and minority farmers of available FSA funding has resulted in increased lending to these groups.

During FY 2008, FSA utilized both the Secretary's transfer authority (provided to ACIF in annual appropriations acts) and the Secretary's interchange authority to fund critical farm loan needs. \$86 million in emergency funding was made available for Midwest floods and other natural disasters through use of the interchange authority. Through the use of the Secretary's transfer authority, additional direct operating funds totaling \$55 million and direct farm ownership funds of \$128 million were made available in FY 2008 by transfer of unused funds from the guaranteed operating with interest assistance loan program. This transfer provided funding for 1,300 direct operating and 900 direct farm ownership loan applicants.

PART Program Assessments

Agricultural Credit Insurance Fund – Guaranteed Loans. FSA completed an updated PART for guaranteed farm loans during FY 2008. This PART review determined that the program is moderately effective. In general, it is well managed and meets a clear and specific need, as it reaches the intended beneficiaries. The program earned an overall score of 73 percent, with 80 percent for program purpose and design, and 100 percent for program management. The assessment concluded that the program serves a clear need to provide access to capital for farmers temporarily unable to meet commercial lending standards or those in geographically isolated areas with fewer lenders specializing in agricultural lending. The agency has improved administrative efficiencies, is comparatively cost-effective with low subsidy rates, and the delivery mechanism is consistent with program objectives. Performance measures have been improved to address how the program is improving the economic viability of farmers and ranchers. Although the program has very low default and delinquency rates and consistently meets its targeted borrower segments, performance goals were not deemed sufficiently ambitious as they do not necessarily change on an annual basis. In response to the 2003 PART findings and recommendations, FSA developed a new performance measure in FY 2006 to help determine how well it is reaching core components of its target audience – racial and ethnic minorities, women, and beginning farmers. The revised methodology to calculate the percentage of total loan obligations in a given fiscal year issued to farmers in targeted groups was implemented in FY 2007. The results show FSA is meeting or exceeding its target for this measure. FSA continues to address PART recommendations on an independent evaluation process, identifying additional outcome measures and development of a graduation plan to move borrowers to private credit.

Agricultural Credit Insurance Fund – Direct Loans. The 2004 PART review determined that the program is moderately effective. The primary area of concern is whether the program has ambitious targets for its long-term, outcome-based performance goals. FSA continues to address this area of concern, including adjusting targets consistent with budget and resource limitations. FSA is also consolidating and streamlining all of its direct loan program regulations and processes to significantly reduce the administrative burden on field employees and customers while maintaining or improving program effectiveness. An independent evaluation of the Direct Farm Loan program was completed in FY 2005 by the University of Arkansas. The study found that current lending patterns, in terms of servicing targeted borrowers, are consistent with the program's goals. In addition, consistent with the program's intended design, the majority of borrowers use the program on a temporary basis and do not become permanent clients. FSA continues to address PART recommendations and associated milestones.

FARM SERVICE AGENCY

The estimates include appropriation language for this item as follows (deleted matter enclosed in brackets):

Reforestation Pilot Program

[Sec. 728. There is hereby appropriated \$794,000 to the Farm Service Agency to carry out a pilot program to demonstrate the use of new technologies that increase the rate of growth of re-forested hardwood trees on private non-industrial forests lands, enrolling lands on the coast of the Gulf of Mexico that were damaged by Hurricane Katrina in 2005.]

The 2010 Budget proposes no funding for this program.

REFORESTATION PILOT PROGRAM

Appropriations Act, 2009.....	\$794,000
Budget Estimate, 2010	--
Decrease in Appropriation	<u>-794,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Reforestation of lands on the coast of the Gulf of Mexico damaged by Hurricane Katrina.....	<u>\$794,000</u>	<u>-794,000</u>	<u>--</u>

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>Decrease</u>	<u>2010 Estimated</u>
Reforestation of lands on the coast of the Gulf of Mexico damaged by Hurricane Katrina.....	794,400	\$794,000	-\$794,000 (1)	--
Total Appropriation.....	794,400	794,000	-794,000	--

Justification of Decrease

- (1) A decrease of \$794,000 for the Reforestation Pilot Program (\$794,000 available in 2009):

The 2010 Budget proposes no funding for this program.

Classification by Objects
2008 Actual and Estimated 2009 and 2010

<u>Object Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
41.0 Grants, subsidies, and contributions	\$794,000	\$794,000	0
Total direct obligations	<u>794,000</u>	<u>794,000</u>	<u>0</u>

REFORESTATION PILOT PROGRAM

STATUS OF PROGRAM

Sec. 742 of the 2008 Consolidated Appropriations Act, Public Law 110-161, enacted December 26, 2007, provided \$800,000 to the Farm Service Agency to conduct a pilot program demonstrating the use of new technologies that increase the rate of growth of reforested hardwood trees on private, non-industrial forest lands. The lands to be enrolled in this pilot program are those on the coast of the Gulf of Mexico that were damaged by Hurricane Katrina in 2005.

Current Activities: After adjusting the \$800,000 for rescission under Sec. 752, \$794,400 was paid to the Mississippi State University, Forest and Wildlife Research Center, Department of Forestry, to conduct the hardwood reforestation demonstration project in areas impacted by Hurricane Katrina. The purpose of the demonstration project is to compare conventional seedlings with seedlings grown using new technologies.

EMERGENCY CONSERVATION PROGRAM

Appropriations Act, 2009.....	--
Budget Estimate, 2010.....	--
Change in Appropriation.....	--

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Emergency cost-sharing to farmers	=	=	=

PROJECT STATEMENT

(On basis of appropriation)

<u>Project</u>	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>Change</u>	<u>2010 Estimated</u>
Emergency cost-sharing to farmers	\$183,971,700	--	--	--
Technical assistance.....	20,441,300	--	--	--
Total appropriation	204,413,000	--	--	--

PROJECT STATEMENT

(On basis of available funds)

<u>Project</u>	<u>2008 Actual</u>	<u>2009 Estimated</u>	<u>Increase or Decrease</u>	<u>2010 Estimated</u>
Emergency cost-sharing to farmers	\$34,679,543	\$90,000,000	-\$4,500,000	\$85,500,000
Technical assistance	796,225	10,000,000	-500,000	9,500,000
Total available or estimate	35,475,768	100,000,000	-5,000,000	95,000,000
Unobligated balance brought forward from prior years.....	-128,456,724	-285,232,912	+100,000,000	-185,232,912
Unobligated balance transferred to other accounts.....	+12,161,044	--	--	--
Unobligated balance carried forward to next year.....	285,232,912	185,232,912	-95,000,000	90,232,912
Total appropriation.....	204,413,000	--	--	--

The Emergency Conservation Program (ECP) was authorized by the Agricultural Credit Act of 1978 (16 U.S.C. 2201-05) and was amended in fiscal years 1989 and 1996. For 2008, there were two Emergency Supplemental Appropriations for ECP totaling \$204.413 million. The Supplemental Appropriations Act, 2008, P.L. 110-252, provided \$89.413 million and the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009, P.L. 110-329, provided \$115 million. Funding will remain available until expended. The 2010 Budget proposes no funding for this program.

The following tables show (a) outlays by type of disaster for fiscal year 2008 and (b) geographic breakdown of obligations for fiscal years 2008-2010.

Emergency Conservation Program
Outlays by Type of Disaster
Fiscal Year 2008

STATE	Drought	Flood	Hurricane	Tornado	Adjusted Gross Income	All Other	Technical Assistance	Total
Alabama	\$575,458		\$177,043	\$86,458	\$766,087		\$111,154	\$1,716,200
Arizona	23,199	\$32,936					13,656	69,791
Arkansas		36,887		10,132		\$148,157		195,176
California		138,881			1,029,568	1,919,514		3,087,963
Colorado		156,768			70,871	108,443		336,082
Connecticut		79,263					148,542	227,805
Florida			25,236					25,236
Georgia	1,018,647	1,316	-807	532,946	88,452	22,957	18,975	1,682,486
Hawaii		169,628				918,529		1,088,157
Idaho	25,637					322,194		347,831
Indiana	1,176			1,125				2,301
Iowa		31,723			602,425		59,409	693,557
Kansas		18,404		731,222				749,626
Louisiana			1,249,527					1,249,527
Maine		44,876			20,728			65,604
Massachusetts		17,146						17,146
Minnesota				45,547			7,070	52,617
Mississippi	237,978		1,416,941	5,384	954,833		114,794	2,729,930
Missouri	47,794	350,768		8,048	2,210,845	1,117,037		3,734,492
Montana	60,611	53,211			92,826	200,988		407,636
Nebraska		252,817				77,823	26,264	356,904
Nevada	1,528	33,806				21,150		56,484
New Hampshire					8,081	17,595	1,719	27,395
New Jersey					101,978		10,198	112,176
New Mexico		172,930				632	99,487	273,049
New York		90,412			471,999			562,411
North Carolina	225,470							225,470
North Dakota					511			511
Ohio	747,916				205,600			953,516
Oklahoma	2,382	517,659		-1,278		1,240,136		1,758,899
Oregon	70,597	73,544			12,749	54,842	2,575	214,307
Pennsylvania	35,083	180,840			2,765		17,716	236,404
Puerto Rico			-7,016				1,000	-6,016
South Carolina	246,250			5,000				251,250
South Dakota	807,672				562,245		28,173	1,398,090
Tennessee	385,354			11,641		2,700	101,909	501,604
Texas		89,662	190,256			539,855	18,029	837,802
Utah	141,851	84,119			82,093	1,989		310,052
Vermont		72,007			2,790	5,400		80,197
Virginia	177,838						14,962	192,800
Washington	12,551	85,022				311,574	593	409,740
West Virginia	321,909							321,909
Wyoming		17,100				156,257		173,357
Prompt Payment			1,745	2,760		11,091		15,596
Undistributed	-13,296							-13,296
Total	5,153,605	2,801,725	3,052,925	1,438,985	7,287,446	7,198,863	796,225	27,729,774

Emergency Conservation Program - Geographic Breakdown of Obligations
2008 Actual and Estimated 2009 and 2010

STATE	2008 Actual	2009 Estimated	2010 Estimated
Alabama	\$6,257,022	\$42,000	\$0
Arizona	127,029	0	0
Arkansas	523,757	7,628,000	0
California	2,508,894	222,299	0
Colorado	922,371	157,000	0
Connecticut	9,580	89,761	0
Florida	-6,699,910	0	0
Georgia	538,256	3,413,000	0
Guam	42,281	0	0
Hawaii	1,166,302	397,000	0
Idaho	1,440,138	0	0
Illinois	325,398	724,188	0
Indiana	409,845	13,106,000	0
Iowa	1,744,435	19,956,413	0
Kansas	-1,093,865	1,195,067	0
Kentucky	705,980	27,239,000	0
Louisiana	10,393,451	16,000,000	0
Maine	36,232	10,000	0
Maryland	309,537	0	0
Massachusetts	37,727	300,000	0
Michigan	0	64,350	0
Minnesota	405,207	0	0
Mississippi	18,148,662	337,000	0
Missouri	3,677,308	4,360,000	0
Montana	3,734,832	927,000	0
Nebraska	369,780	3,054,000	0
Nevada	161,168	478,000	0
New Hampshire	84,280	234,000	0
New Jersey	112,176	0	0
New Mexico	242,290	2,475,000	0
New York	1,550,510	10,000	0
North Carolina	1,669,541	40,000	0
North Dakota	73,399	2,395	0
Northern Mariana Islands	-42,281	0	0
Ohio	397,906	375,000	0
Oklahoma	3,228,482	859,000	0
Oregon	422,064	2,429,000	0
Pennsylvania	295,229	0	0
Puerto Rico	-1,164,735	0	0
Rhode Island	0	1,000	0
South Carolina	752,709	95,000	0
South Dakota	2,435,918	0	0
Tennessee	1,410,948	2,758,000	0
Texas	-9,456,774	32,353,000	0
Utah	687,606	253,000	0
Vermont	22,590	134,000	0
Virginia	649,398	219,000	0
Virgin Islands	57,388	0	0
Washington	1,088,268	1,373,000	0
West Virginia	206,631	0	0
Wisconsin	264,690	0	0
Wyoming	1,134,321	191,000	0
Undistributed	-17,644,428	-53,501,473	\$85,500,000
FSA, Subtotal	34,679,543	90,000,000	85,500,000
NRCS, Technical Assistance	796,225	10,000,000	9,500,000
Total, Available or Estimate	35,475,768	100,000,000	95,000,000

NOTE: Negative obligations represent deobligations of prior years' obligations.

FARM SERVICE AGENCY
Emergency Conservation ProgramClassification by Objects
2008 Actual and Estimated 2009 and 2010

	<u>Object Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
25.1	Advisory and assistance services	\$796,225	\$10,000,000	\$9,500,000
41.0	Grants, subsidies, and contributions	34,679,543	90,000,000	85,500,000
99.0	Total direct obligations	<u>35,475,768</u>	<u>100,000,000</u>	<u>95,000,000</u>

EMERGENCY CONSERVATION PROGRAM**STATUS OF PROGRAM**

Current Activities: During FY 2008, 39 States participated in the program, involving an estimated 856,242 acres and approximately \$27,729,774 in cost-share and technical assistance outlays.

Selected Examples of Recent Activity: Emergency Conservation Program (ECP) provisions in prior year supplemental appropriations acts have targeted funding for both regular ECP and specific disaster needs, and funds are monitored through separate Standard General Ledger (SGL) accounts. Funds totaling \$112,034,415 were allocated for the following SGL accounts during FY 2008:

ECP Accounts	Number of States	Allocation
Regular ECP	39	\$109,945,239
ECP Adjusted Gross Income	3	29,288
Kansas Disaster	1	2,000,000
Hurricane Katrina Disaster	1	59,888
Southern California	0	0
TOTAL		\$112,034,415

PART PROGRAM ASSESSMENT

ECP provides emergency funding and technical assistance for farmers and ranchers to rehabilitate farmland damaged by natural disasters and to carry out emergency water conservation measures in periods of several droughts. ECP was assessed in 2006 and the program received a rating of results not demonstrated. The PART assessment found that ECP shows effective targeting of approved program practices, ECP funds are used for their intended purposes, program improvements are regularly made based on the recommendations from audits, but that results cannot be effectively demonstrated because of a lack of measures to judge ECP performance.

Based on PART findings, FSA will: develop improved, outcome-based performance and efficiency measures to evaluate the program's cost effectiveness; develop a method of effectively prioritizing limited disaster recovery funds to farmers most in need of financial assistance; and develop efficiency measures that report on the performance and effectiveness of ECP program partners.

The tables that follow show (a) appropriations and outlays for fiscal years 1981 through 2008 and (b) FY 2008 allocations by State.

Emergency Conservation Program
Appropriations and Outlays
Fiscal Years 1981-2008

Fiscal Year	Appropriation	Outlays
1981 - 89	\$58,800,000	\$81,271,444
1990	29,927,000 1/	12,256,527
1991	9,999,870	13,245,469
1992	22,500,000 2/	8,854,177
1993	89,667,000 3/	27,431,669
1994	25,000,000 4/	34,139,167
1995	23,000,000 5/	27,206,940
1996	30,000,000 6/	25,405,741
1997	95,000,000 7/	31,921,356
1998	34,000,000 8/	26,458,921
1999	28,000,000 9/	40,263,070
2000	60,000,000 10/	64,985,108
2001	79,824,000 11/	37,740,788
2002	0	32,365,424
2003	0	46,979,673
2004	11,929,200 12/	23,099,983
2005	150,000,000 13/	57,123,442
2006	161,800,000 14/	88,311,155
2007	18,000,000 15/	72,165,818
2008	204,413,000 16/	27,729,774
TOTAL	\$1,131,860,070	\$778,955,646

NOTE: From fiscal years 1957 to 1980, \$250.5 million was provided under the Emergency Conservation Measures, authorized by P.L. 85-88, The Third Supplemental Appropriation Act of 1957. A total of \$219 million was outlaid during those years. The Emergency Conservation Program (ECP) was established by Title IV of the Agricultural Credit Act of 1978, P.L. 95-334.

1/ Includes \$10 million through a direct ECP appropriation and \$10 million transferred from the former SCS per the Dire Emergency Supplemental Appropriation Act, P.L. 101-302.

2/ Excludes \$10.5 million in contingency funds provided by P.L. 102-368, which was made available on December 30, 1992.

3/ Includes \$10.5 million in contingency funds provided by P.L. 102-368, which was made available on December 30, 1992; \$31.367 million transferred from CRP under the authority of 7 U.S.C. 2257; \$30 million provided by the FY 1993 Midwest Flood Supplemental; \$14.8 million transferred from the former FmHA; and \$3 million provided by P.L. 102-341.

4/ \$25 million in supplemental funding was provided by P.L. 103-211.

5/ Provided in the FY 1995 Agriculture Appropriations Act by transfer from the NRCS.

6/ \$30 million in supplemental funding was provided by P.L. 104-134.

7/ \$25 million in supplemental funding was provided by P.L. 104-208, and \$70 million in supplemental funding was provided by P.L. 105-18.

8/ \$34 million in supplemental funding was provided by P.L. 105-174, which included \$4 million for taps and tubing for maple producers.

9/ \$28 million in supplemental funding was provided by P.L. 106-31.

10/ \$50 million in supplemental funding was provided by P.L. 106-113, and \$10 million in supplemental funding was provided by P.L. 106-246 for the Los Alamos Fire in New Mexico.

11/ \$80 million in supplemental funding was provided by P.L. 106-387, and \$176 thousand was rescinded under P.L. 106-554.

12/ \$11.9 million in supplemental funding was provided by P.L. 108-199 for southern California.

13/ \$150 million in supplemental funding was provided by P.L. 108-324, including \$50 million in CCC funding.

14/ \$199.8 million in supplemental funding was provided by P.L. 109-148. \$38 million was transferred to NOAA by P.L. 109-234.

15/ \$18 million in supplemental funding was provided by P.L. 110-28; \$2 million was for Kansas only.

16/ \$89.413 million in supplemental funding was provided by P.L. 110-252; \$115 million in a 2nd supplemental was provided by P.L. 110-329.

EMERGENCY CONSERVATION PROGRAM
FY 2008 Allocations by State

State	Disaster	Total Allocations
Alabama	Drought/Tornado	\$919,000
Arizona	Flood	15,974
Arkansas	Drought/Flood/Tornado	4,829,953
California	Wildfire	1,327,000
Colorado	Flood/Wildfire	354,000
Connecticut	Flood	51,000
Georgia	Drought/Flood/Tornado/Wildfire	6,501,677
Hawaii	Drought/Flood	415,000
Idaho	Drought/Wildfire	330,000
Illinois	Flood	9,333,000
Indiana	Drought	10,688,000
Iowa	Flood/Tornado	13,933,440
Kansas	Drought/Flood/Ice Storm/Tornado	5,260,955
Kentucky	Drought/Flood/High Wind/Tornado	2,922,700
Maine	Flood/Ice Storm	101,000
Michigan	Drought/Tornado	34,000
Minnesota	Drought/Flood	989,000
Mississippi	Drought/Tornado	2,414,988
Missouri	Drought/Flood/Ice Storm/Tornado	5,690,800
Montana	Drought/Wildfire	2,349,457
Nebraska	Flood/Tornado	2,424,300
Nevada	Drought/Wildfire	1,078,460
New Hampshire	Flood	10,000
North Carolina	Drought	1,784,000
North Dakota	Drought	29,011
Ohio	Drought	352,200
Oklahoma	Drought/Flood/Ice Storm/Wildfire	11,522,300
Oregon	Drought/Flood/Wildfire	905,200
Pennsylvania	Drought	158,000
South Carolina	Drought/Flood/Tornado	1,491,000
South Dakota	Drought/Flood	2,377,000
Tennessee	Drought/Flood/Tornado	6,457,500
Texas	Flood/Tornado/Wildfire	6,058,800
Utah	Drought/Flood/High Wind/Wildfire	1,289,100
Vermont	Drought/Flood/Tornado	87,600
Virginia	Drought	1,477,000
Washington	Flood/High Winds	2,607,000
Wisconsin	Flood	3,037,000
Wyoming	Drought/Flood	428,000
Total		\$112,034,415

FARM SERVICE AGENCY
Agriculture Disaster Assistance Transition
Agriculture Disaster Relief

SUMMARY OF RECOVERY ACT FUNDING

<u>Item of Change</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
2008 Agriculture Disaster Transition (estimated available funding)	0	\$674,000,000	0

Program Implementation Activities:

Goals and Coordination Efforts:

Coordination efforts rely on providing daily and weekly reports to the agency regarding accomplishments and expected goals for the next 30 – 60 days. Success also involves the interaction from other agencies such as the Risk Management Agency and our ability to use data provided by them.

Objectives:

The Supplemental Revenue Assistance Payments (SURE) Program was authorized in §902 of the Food, Conservation, and Energy Act of 2008, P. L. 110-246, enacted June 18, 2008. The objective is to provide financial assistance to producers for crop production and quality losses due to natural disasters. To be eligible for the SURE program, producers must have at least the catastrophic level (CAT) of Federal crop insurance for all insurable crops, and/or coverage for non-insurable crops under the Non-insured Crop Disaster Assistance Program (NAP). The sales closing dates for CAT and application closing dates for NAP have passed for the 2008 crop year for all insurable and non-insurable crops. The SURE is available for the 2008 crop year through September 30, 2011.

The American Recovery and Reinvestment Act of 2009 authorizes these changes:

- a) Provides a waiver for producers that did not obtain CAT or NAP, through a buy-in fee before May 18, 2009, to maintain 2008 SURE eligibility.
- b) Increases minimum coverage level for SURE guarantees (70/100 for those producers who buy in under this extended authority, up from the previous 50/55 for CAT and 50/100 for NAP).
- c) Allows previously eligible SURE producers benefits based on the greater of the increased 70/100 level or a 5 percent increase in payment factor calculation for SURE guarantees. This increases insured crops from 115 percent to 120 percent and NAP crops from 120 percent to 125 percent.
- d) Provides a risk management requirement that new eligible producers purchase at least 70/100 crop coverage for the next available year that crop insurance is available, or obtain NAP coverage.

Delivery Schedule:

Implementation Phases

Development of Program Policy and Procedure – This phase consists of developing program policy and procedure, including compliance with the Recovery Act accountability and transparency requirements.

Completed milestones include:

1. Develop a matrix of outstanding program issues
2. Announce the extended deadline for accepting “buy-in” waivers to become eligible for SURE
3. Provide instruction to State and county offices for accepting the additional buy-in fees
4. Ensure compliance with Recovery Act requirements.

Planned milestones:

1. Resolve outstanding program issues
2. Publish regulations for SURE program
3. Develop handbook procedures on new eligibility and policy for revised SURE guarantee calculations.

The first phase is estimated to be completed approximately June 1, 2009.

Software Development – The second phase consists of the following planned milestones:

1. Develop automated buy-in process for buy-in provision
2. Develop requirement for RMA data download
3. Develop crop tables for program implementation
4. Develop yield software for calculating adjusted approved yield
5. Develop application software process
6. Develop payment software process

The second phase is split into one sub-function and two major functions: application software and payment software. The sub-function is the software for accepting fees under the buy in and is estimated to be complete by May 1, 2009. The first major function which is the actual SURE application process is estimated to be complete January 2010. The second major function is payment software and it is estimated to be completed on or around June 2010. Note: The agency is in the process of expediting activities and resources associated to these functions in an attempt to cut completion dates.

Conduct Program Signup –The third phase consists of the following planned milestones:

1. Receive data downloads from RMA for the calculation of guarantees for insurable crops and internal data for NAP crops.
2. Announce signup dates for accepting SURE applications.
3. Begin signup.

The third phase is estimated to begin on or around January 2010.

Process Payment Applications – Run payment processes based on completed and approve SURE applications. This fourth phase is estimated to be completed on or near June 1, 2010.

Performance Measures:

Measures	Targets
Number of jobs created or retained	TBD
Number of additional producers receiving assistance	TBD
Number of additional crops that become eligible for assistance	TBD
Number dollars paid in additional assistance	TBD
Number of dollars paid in future year indemnities and NAP payments due to linkage requirement.	TBD
Number of dollars received for buy-in	TBD

AGRICULTURAL DISASTER RELIEF TRUST FUND

STATUS OF PROGRAM

Current Activities: The 2008 Farm Bill, the Food, Conservation, and Energy Act of 2008, P.L. 110-246, provides for Supplemental Agricultural Disaster Assistance under Sec. 15101. This includes the Agricultural Disaster Relief Trust Fund, which is composed of amounts equivalent to 3.08 percent of the amounts received in the general fund of the U.S. Treasury during FY 2008-2011 "attributable to the duties collected on articles entered, or withdrawn from warehouse, for consumption under the Harmonized Tariff Schedule of the United States." The fund has authority to borrow, and repayable advances that are "such sums as may be necessary" make up the fund's budget authority. Advances to the fund must be repaid with interest to the general fund of the U.S. Treasury when the Secretary of the Treasury determines that funds are available in the trust fund.

No obligations were incurred or outlays made during FY 2008. The budget authority in the fund totaled \$832,951,063 in FY 2008, which is the amount of customs receipts credited to the Agricultural Disaster Relief Trust Fund receipt account. This amount was carried forward into FY 2009 as an unobligated balance.

Funds from the trust fund may be used to make payments to farmers and ranchers under the following five new disaster assistance programs: Supplemental Revenue Assistance Payments (SURE) Program; Livestock Forage Disaster Program (LFP); Livestock Indemnity Program (LIP); Tree Assistance Program (TAP); and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (EALHF) Program. P.L. 110-246 provides that participants in the new disaster assistance programs are required to have crop insurance or non-insured crop disaster assistance, or to pay a fee if they are otherwise ineligible.

USDA DISASTER ASSISTANCE

Appropriations Act, 2009.....	--
Budget Estimate, 2010	--
Change in Appropriation.....	--

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>2009 Estimated</u>	<u>Program Changes</u>	<u>2010 Estimated</u>
Payments to farmers and ranchers for losses because of natural disasters.....	==	==	==

PROJECT STATEMENT
(On basis of appropriation)

Project	2008 Actual	2009 Estimated	Change	2010 Estimated
Payments to farmers and ranchers for losses because of natural disasters.....	\$602,000,000	--	--	--
Total appropriation	602,000,000	--	--	--

PROJECT STATEMENT
(On basis of available funds)

Project	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
Payments to farmers and ranchers for losses because of natural disasters.....	\$2,541,733,184	\$860,266,816	-\$860,266,816	--
Unobligated balance brought forward from prior years	-2,800,000,000	-860,266,816	+860,266,816	--
Unobligated balance carried forward to next year	860,266,816	--	--	--
Total appropriation.....	602,000,000	--	--	--

Classification by Objects
2008 Actual and Estimated 2009 and 2010

<u>Object Class</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
41.0 Grants, subsidies, and contributions	\$2,541,733,184	\$860,266,816	\$0
Total direct obligations	2,541,733,184	860,266,816	0

USDA DISASTER ASSISTANCE PROGRAM

STATUS OF PROGRAM

Current Activities: The Agricultural Assistance Act of 2007, enacted as Title IX of P.L. 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, appropriated approximately \$2.8 billion for disaster assistance for farmers and ranchers. Under this title, appropriations are provided for the Crop Disaster Program, Livestock Compensation Program, Livestock Indemnity Program, Emergency Conservation Program, and Dairy Disaster Assistance Program. With the exception of the ECP, these programs are of the type historically funded by the Commodity Credit Corporation. Funding will remain available until expended. No outlays were made during FY 2007.

The FY 2008 Consolidated Appropriations Act, P.L. 110-161, provided an additional \$602 million under Sec. 743, which extends the period of loss eligibility for disaster assistance from February 28, 2007, to December 31, 2007.

Selected Examples of Recent Activity: The following table shows outlays for FY 2008 by program.

USDA Disaster Assistance Program
Outlays by Program
Fiscal Year 2008

Programs	Allocations
Crop Disaster Assistance - 2007	\$1,909,618,815
Livestock Compensation Program - 2007	355,517,638
Livestock Indemnity Payments- 2007	38,064,632
Dairy Assistance	12,371,858
Adjustment	170,287
TOTAL	\$2,315,743,230

FARM SERVICE AGENCY
Aquaculture Assistance

SUMMARY OF RECOVERY ACT FUNDING

<u>Item of Change</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Aquaculture Assistance Grants.....	\$50,000,000	0	0

Program Implementation Activities:

Objective:

The 2008 Aquaculture Grant Program objective is to provide block grants to State departments of agriculture that agree to provide assistance to eligible aquaculture producers for losses associated with high feed input costs during the 2008 calendar year. This objective aligns with the Agency's Goal 1, Supporting Productive Farms and Ranches, Objective 1.1, Improving Access to Capital.

Delivery Schedule:

Implementation Phases

1. Development of Program Policy and Procedure – This phase consists of developing program policy and procedure, including compliance with the Recovery Act accountability and transparency requirements.

Completed milestones include:

- Developed a matrix of outstanding program issues
- Drafted a Memorandum of Understanding (MOU) to be executed between CCC and the States
- Drafted a letter to the States announcing availability of funding and requesting 2007 feed delivery data
- Provided a draft MOU for States to comments on program provisions and implementation
- Ensured compliance with Recovery Act requirements including standard language for grants

Planned milestones includes:

- Resolve outstanding program issues
- Finalize program announcement letter to the States announcing availability of funding
- Finalize draft MOU to be included in announcement letter to the States
- The first phase was completed in early April 2009.

2. Program Announcement – This phase consists of the following planned milestone:
 - Providing the States a program announcement letter that will:
 - Announce availability of funding
 - Request 2007 feed delivery data (required for FSA to allocate grant funding to the States),
 - Include a draft MOU so that States may provide FSA comments on program provisions and implementation.
 - The second phase was completed in mid April 2009.
3. Collecting Data and Program Comments – This phase consists of the following milestones:
 - Receive 2007 feed data from participating States
 - Determine grant amount for each State
 - Review comments submitted by States
 - Revise and finalize MOU as needed.
 - The third phase is estimated to be completed on or around May 10, 2009.

4. Grant Agreement Execution – This phase will consist of the following planned milestones:
Execute MOU's between CCC and the States, including the collection of required grant forms and certifications
Receive and approve Work Plans submitted by the States.
The fourth phase is estimated to be completed on or around June 1, 2009
5. Grant Approval – This phase will consist of the following planned milestones:
Receive and approve Work Plans submitted by the States.
Transfer grant funding to the States.
The fifth phase is estimated to be completed on or before June 17, 2009.

Performance Measures:

Measures	Targets
Number of jobs created or retained	TBD
Number of States receiving assistance	TBD
Number of aquaculture species receiving assistance	TBD
Number of aquaculture producers/operations receiving assistance	TBD
Amount of assistance provided per State	TBD
Amount of assistance provided per aquaculture species	TBD
Amount of assistance provided per aquaculture operation	TBD

AGRICULTURAL CONSERVATION PROGRAM

Appropriations Act, 2009.....	-
Budget Estimate, 2010	-
Change	-

PROJECT STATEMENT
(On basis of available funds)

Project	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
Unobligated balance brought forward from prior years	-\$22,739	-	-	-
Unobligated balance transferred to other accounts.....	22,739	-	-	-
Unobligated balance carried forward to next year	-	-	-	-
Total available or estimate	-	-	-	-

The Federal Agriculture Improvement and Reform Act of 1996, enacted April 4, 1996, repealed the ACP and incorporated its objectives into the Environmental Quality Incentives Program. The \$22,739 unobligated balance brought forward into FY 2008 was transferred to USDA's Working Capital Fund per P.L. 110-161.

AGRICULTURAL CONSERVATION PROGRAM

STATUS OF PROGRAM

The Agricultural Conservation Program (ACP) is no longer an active program. Its objectives were incorporated into the Environmental Quality Incentives Program (EQIP) by the Federal Agriculture Improvement and Reform Act of 1996. EQIP is administered by the Natural Resources Conservation Service and funded by the Commodity Credit Corporation.

Farmers, ranchers, and woodland owners participated in the program by carrying out practices that help solve soil and water conservation problems identified in State and county ACP plans. ACP cost-sharing agreements were for up to 10 years and usually required a practice to be applied annually until the agreement expired. Each practice was maintained for another 5 to 10 years according to the contract specifications. ACP cost sharing was authorized in agricultural counties in all 50 States, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands.

Payments: Historically, unobligated ACP funds are used only for prior year obligation adjustments. However, in FY 2008, \$22,738.98 in unobligated funds were transferred to the USDA Working Capital Fund as authorized by section 703 of P.L. 110-161, the Consolidated Appropriations Act, 2008. No outlays occurred during FY 2008.

CONSERVATION RESERVE PROGRAM

Appropriations Act, 2009	-
Budget Estimate, 2010	-
Change.....	-

PROJECT STATEMENT
(On basis of available funds)

Project	2008 Actual	2009 Estimated	Increase or Decrease	2010 Estimated
Unobligated balance brought forward from prior years	-\$295,947	-\$301,235	-	-\$301,235
Recoveries of prior year obligations	-5,288	-	-	-
Unobligated balance carried forward to next year	301,235	301,235	-	301,235
Total available or estimate	-	-	-	-

This information is associated with the Conservation Reserve Program appropriations of prior years and only depicts changes in the unobligated balance of CRP appropriated funds. Program information for the CCC-financed CRP is shown under the Commodity Credit Corporation Explanatory Notes.

CONSERVATION RESERVE PROGRAM

STATUS OF PROGRAM

The Conservation Reserve Program (CRP) is operated by State and local Farm Service Agency committees, with technical assistance provided by appropriate agencies. The Federal Agriculture Improvement and Reform Act of 1996 changed the funding source from direct appropriation to the Commodity Credit Corporation (CCC). FY 2008 program information for the CRP is included in the CCC section of the Explanatory Notes.

TREE ASSISTANCE PROGRAM

STATUS OF PROGRAM

Current activities: The Consolidated Appropriations Act, 2004, P.L. 108-199, provided an annual appropriation of \$12.5 million to help with replanting or rehabilitating of mainly avocado and lemon trees damaged by wildfire in southern California. During FY 2004, \$4 million was obligated, \$6 million was transferred to the USDA Working Capital Fund per section 704 of P.L. 108-199, and the remaining \$2 million lapsed and will expire at the end of FY 2009.

No outlays occurred during FY 2008.

FARM SERVICE AGENCY

Summary of Budget and Performance Statement of Agency Goals and Objectives

The Farm Service Agency (FSA) was established October 13, 1994, pursuant to the Department of Agriculture Reorganization Act of 1994, P.L. 103-354. FSA's mission is to equitably serve all farmers, ranchers, and agricultural partners by delivering effective, efficient, agricultural programs for all Americans.

FSA has four major program areas that contribute to three strategic goals and seven strategic objectives.

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
Agency Goal 1: Supporting Productive Farms and Ranches	<u>Objective 1.1:</u> Improving Access to Capital	<u>Farm Loan Programs</u> All Programs except Conservation Loan and Loan Guarantee Program	<u>Key Outcome 1:</u> Successful Farms and Ranches
	<u>Objective 1.2:</u> Mitigating Market Losses	<u>Income Support and Disaster Assistance Programs</u> All Income Support Programs	<u>Key Outcome 2:</u> Market-Based Agricultural
	<u>Objective 1.3:</u> Mitigating Losses from Natural Disasters	Non-Insured Crop Disaster Assistance Program All Ad Hoc Disaster Assistance Programs Emergency Conservation Program <u>Commodity Operations</u> Milk Price Support Purchases CCC Inventory Management Operations ELS Cotton Competitiveness Program Canadian End Use Wheat Program Domestic and Foreign Food Assistance Purchases	<u>Key Outcome 3:</u> Thriving Agricultural Communities

Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
Agency Goal 2: Supporting Secure and Affordable Food and Fiber	<u>Objective 2.1:</u> Providing Adequate, Secure Storage Capacity that Maintains Quality	<u>Income Support and Disaster Assistance Programs</u> Farm Storage Facility Loan Program Sugar Storage Facility Loan Program <u>Commodity Operations</u> U.S. Warehouse Act - Licensing and Enforcement	<u>Key Outcome 1:</u> Affordable Food and Fiber <u>Key Outcome 2:</u> Secure Supply of Quality Food and Fiber <u>Key Outcome 3:</u> Effective Food Aid
Agency Goal 3: Conserving Natural Resources and Enhancing the Environment	<u>Objective 3.1:</u> Improving Conservation Practices <u>Objective 3.2:</u> Targeting Lands to Maximize Conservation Benefits <u>Objective 3.3:</u> Mitigating Adverse Impacts from Agricultural Production	<u>Conservation Programs</u> Conservation Reserve Program Grassroots Source Water Protection Program Conservation Loan and Loan Guarantee Program	<u>Key Outcome 1:</u> Quality Soil <u>Key Outcome 2:</u> Quality Water <u>Key Outcome 3:</u> Quality Wildlife Habitat <u>Key Outcome 4:</u> Quality Air

Selected Accomplishments Expected at the FY 2010 Proposed Resource Level:

Major Program Areas:

Farm Loans: FSA's farm loan programs assist farmers and ranchers who have limited resources or are temporarily unable to obtain commercial credit at reasonable rates and terms to establish and maintain profitable farms. These loans are particularly important to beginning, minority, and women farmers, groups that have limited cash flow and have been underserved by the commercial lending industry. These programs significantly contribute to successful farms and ranches and thriving agricultural communities.

Income Support and Disaster Assistance: FSA helps farmers manage market risk primarily through income support and disaster assistance programs. These programs help farmers and ranchers to address major fluctuations in market conditions and unexpected natural or man-made disasters. These efforts contribute to productive farms and ranches, thriving agricultural communities, market-based agriculture and secure and affordable food and fiber.

Commodity Operations: Commodity operations programs handle the acquisition, storage and distribution of commodities, and administer the U.S. Warehouse Act. These programs help enforce a uniform regulatory system for storing farm products and ensure timely delivery of products for domestic and

international food aid and market development programs. These efforts also help achieve affordable food and fiber, a secure supply of quality food and fiber, and effective food aid.

Conservation: FSA's conservation programs offer agricultural producers a variety of economic incentives to conserve natural resources, including land, water, air and wildlife habitat.

Expected Accomplishments

Strategic Goal 1: To achieve the desired key outcomes of "Successful Farms and Ranches," and "Thriving Agricultural Communities," FSA works with its partners to improve access to capital while mitigating market losses and losses to crops and property resulting from natural disasters.

- FSA expects to meet its FY 2010 farm loan program goals for increased lending to women, minority, and beginning farmers and improved timeliness of loan application processing. Proposed FY 2010 funding will allow FSA to provide agricultural credit through its direct and guaranteed loan programs to a total of approximately 27,000 family farmers. In addition, FSA will continue to improve the operational effectiveness and efficiency of its farm loan programs through information system enhancements:
 - Multiple improvements to the Farm Business Plan management information system will be implemented in FY 2010 to increase the operational, reporting, and analytical capabilities for the direct loan program.
 - FSA is transitioning all direct loan servicing information technology applications into a single, web-based application. In addition to moving direct loan servicing to a modern platform, the system will expand on existing capabilities to include all special servicing options. Implementation of the direct loan servicing system will allow FSA to better service its delinquent and financially distressed borrowers.
 - Lenders participating in the guaranteed loan program will have access to Guaranteed Loan System enhancements that will allow them to submit loss claims, pay guarantee fees, and renew interest assistance agreements electronically.
 - The Farm Loan Programs Data Mart, which will house data for all of the farm loan programs systems, is under development. Once completed, the Data Mart will significantly enhance data usefulness, resulting in improved reporting and analytical capabilities.

Additionally, through its Budget and Performance Management System (BPMS) initiative, FSA is establishing cost efficiency measures, which will provide valuable information for managing the costs associated with loan origination and loan servicing and improving operational efficiencies.

- FSA will continue to expand efforts to publicize available program benefits to all eligible producers and work to improve access to information through use of Web pages, media mailing, FSA Service Center newsletters, and producer informational meetings. Staff resources may shift to accomplish these tasks.
- The Emergency Conservation Program will provide cost-share assistance, as funds permit, to agricultural producers to provide emergency water for livestock in times of severe drought and for rehabilitation of farmland damaged by natural disasters.

Strategic Goal 2: To achieve the desired key outcomes of "Affordable Food and Fiber," "Secure Supply of Quality Food and Fiber," and "Effective Food Aid," FSA works with its partners to provide adequate, secure storage capacity to maintain quality and improve the purchase and delivery of food aid. Food assistance purchases support domestic programs such as the National School Lunch Program and The Emergency Food Assistance Program, as well as international food aid through the U.S. Agency for International Development and the World Food Program. At the proposed FY 2010 resource level, FSA expects to support secure and affordable food and fiber by the following activities:

- Commodity operations will facilitate and encourage electronic commerce to reduce costs and delays associated with marketing and delivering commodities and to increase sales of targeted agricultural commodities to \$7.50 billion in FY 2010.

- Warehouse operators issue negotiable warehouse receipts to producers under the provisions of the U.S. Warehouse Act. Producers who desire to use the stored commodity as collateral for a Marketing Assistance Loan may deliver the warehouse receipts to FSA. FSA will accept the warehouse receipts as security for a nine-month Marketing Assistance Loan. Producers use the Marketing Assistance Loan Program as interim financing on the eligible stored commodities. This interim financing improves producers' marketing opportunities by allowing producers to store the commodity, repay the Marketing Assistance Loan and hopefully sell the commodity at a later date at a higher price.
- The Farm Storage Facility Loan (FSFL) Program expects growing program interest in FY 2010 due to the addition of hay and renewable biomass as eligible commodities (under Food, Conservation and Energy Act of 2008). Producers, who must harvest and store their grain contracted to ethanol and bio-fuel plants for delivery after the first of any given year, are using FSFLs to construct much of the on-farm storage they need.

Strategic Goal 3: To achieve the desired key outcomes of Quality Soil, Water, Air and Wildlife Habitat, FSA works with its partners to improve conservation practices and target lands to maximize conservation benefits. Among the specific actions FSA will carry out at the proposed FY 2010 funding level are:

- FSA will advance FSA goals set in Conservation Reserve Program (CRP) by seeking new contracts covering over 50,000 acres in FY 2010. The cumulative number of restored wetland acres managed under CRP contracts is anticipated to decrease from 1.99 million acres in FY 2008 to 1.93 million acres by FY 2010. These acres aid in attaining the USDA's conservation and global change objectives. However, CRP is a voluntary program, and the dramatic rise in commodity prices over the past year will likely affect landowner willingness to re-enroll expiring CRP wetland contracts.
- Riparian buffers and grass filters provide cleaner water by intercepting sediment and nutrients before they reach surface waters. This conservation method works in harmony with other programs such as the Environmental Quality Incentives Program, to improve water quality. The number of CRP acres of riparian buffers and grass filter strips is expected to decrease from 2.02 million acres in FY 2008 to at least 1.95 million acres by FY 2010. The decrease in cumulative buffer acres masks larger changes. FSA will enter into new contracts for over 40,000 acres of CRP buffers in 2010. However, some of the owners of acres with expiring CRP buffer contracts chose not to re-enroll in 2009. It is also expected that others, due to relatively high commodity prices, will choose not to re-enroll in 2010.
- Enhance wildlife populations: The 250,000-acre upland bird buffer and the 100,000-acre Duck Nesting Habitat Initiative help target additional enrollment to enhance wildlife populations. Under the Duck Nesting Habitat Initiative, producers in the Prairie Pothole Region (Iowa, Minnesota, Montana, North Dakota, and South Dakota) are permitted to use expanded buffer widths to restore high quality duck nesting habitat (areas with the potential to produce more than 25 nesting pair per square mile). This effort will increase both the amount of wetland acres restored and duck and ground nesting bird production. The U.S. Fish & Wildlife Service estimates this effort could increase duck production by 60,000 per year.
- FSA will continue the 250,000-acre initiative to restore longleaf pine. In the early 1700s, over 90 million acres of longleaf pine ecosystem existed. Today, fewer than four million acres exist. Producers with cropland that is suitable for longleaf pine can submit an offer for enrollment into the CRP under continuous signup provisions. Cumulative enrollment in FY 2008 was over 60,000 acres.
- FSA will actively negotiate with State governments and conservation partner teams to develop new or expanded Conservation Reserve Enhancement Program agreements.
- FSA will utilize the Conservation Reserve Program to deliver the State Areas for Wildlife Enhancement (SAFE) initiative, a 500,000-acre initiative announced in FY 2007 to improve habitat for endangered, threatened, or high-priority fish and wildlife species.
- FSA is implementing the Conservation Loan and Loan Guarantee Program in FY 2010. The program provides direct and guaranteed loans to cover the costs of qualified conservation projects for eligible borrowers. Projects must be part of a USDA approved conservation plan, which can include projects for construction or establishment of conservation structures, forest and permanent cover, water conservation and waste management systems, improved pasture, as well as other projects that comply with the Food Security Act of 1985. Priority is given to minorities, women, and beginning farmers and ranchers.

FARM SERVICE AGENCY

Summary of Budget and Performance Key Performance Outcomes and Measures

The broad nature of FSA's goals requires Agency programs and offices to complement one another to provide the most efficient support of America's farmers and ranchers. Although specific programs may align more closely with specific FSA key outcomes, in reality each program works in concert with others to achieve Agency goals.

Agency Goal 1: Supporting Productive Farms and Ranches

Key Outcome 1: Successful Farms and Ranches

In times of natural disaster, FSA's emergency loan and disaster relief programs help return farms and ranches to their pre-disaster state as quickly as possible. These programs include the Non-Insured Crop Disaster Assistance Program (NAP) and are essential to the economic safety net that helps American farmers and ranchers maintain their operations during challenging times.

Key Outcome 2: A Market-based Agricultural Sector

FSA helps American farmers and ranchers remain leaders in the sale of agricultural products, domestically and abroad. To sustain and increase market share, FSA assists the agricultural industry to minimize market volatility by mitigating losses from natural disasters and market fluctuations. The Agency's income support programs provide financial assistance to agricultural producers when market prices fall below certain levels, and disaster assistance programs help farmers and ranchers offset production losses and recover financially after natural disasters.

Key Outcome 3: Thriving Agricultural Communities

Access to agricultural credit is essential to family farmers and ranchers, enabling them to purchase land, livestock, equipment, feed, seed, and supplies. This is especially true in these financially troubled times. FSA's farm loan programs meet a critical need by providing agricultural credit to family farmers who are temporarily unable to obtain commercial credit at reasonable rates and terms. Additionally, by targeting credit assistance to beginning, racial, and ethnic minority, and women farmers, FSA increases the amount of credit available to these groups, which have been underserved by commercial lenders.

Key Performance Measures:

- Increase the percentage of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA
- Maintain or reduce average processing time for direct loans
- Maintain or reduce average processing time for guaranteed loans
- Maintain or increase percentage of program benefits delivered through a Web environment
- Increase the percentage of eligible crops with NAP coverage

Agency Goal 2: Supporting Secure and Affordable Food and Fiber

Key Outcome 1: Affordable Food and Fiber

The Nation's farmers and ranchers must continually adapt to market fluctuations and changing consumer demands to remain competitive. FSA programs help ensure that American farmers and ranchers have the capacity and ability to meet consumer demand, adapt to global economic conditions, and stabilize farm incomes. FSA's commodity operations include management of the U.S. Warehouse Act and acquisition, procurement, storage and distribution of commodities. The programs expand market opportunities for farmers and thus contribute to the economic success of agricultural producers.

Key Outcome 2: Secure Supply of Food and Fiber

FSA plays a vital role in providing a secure supply of quality food and fiber with its stewardship of Agency-administered programs. Agency commodity operations include management of the U.S. Warehouse Act (USWA) and acquisition, procurement, storage and distribution of commodities. FSA ensures that there is an adequate capacity of approved and licensed storage facilities that reduce the amount of stored products that go out of condition.

FSA is focused on maintaining or reducing the average time between warehouse examinations and to having warehouse examiners visit commercial warehouses as frequently as possible (i.e., annually) in order to improve the security of the Nation's stored food supply and improve compliance with USWA regulations.

Key Performance Measure:

- Reduce the average time between warehouse examinations.

Agency Strategic Goal 3: Conserving Natural Resources and Enhancing the Environment

Key Outcome 1: Quality Soil

The Conservation Reserve Program (CRP) protects millions of acres of topsoil from erosion and safeguards America's natural resources. FSA requires agricultural producers to comply with highly erodible land/wetlands conservation provisions, known as "sodbuster" and "swampbuster" regulations, as a condition for receiving Agency benefits. With conservation compliance through approved conservation plans, erodible land and wetlands are protected. Conservation programs typically have positive effects in more than one domain. For example, reducing erosion also keeps water cleaner, maintains wildlife habitat, and reduces air pollution.

Key Outcome 2: Quality Water

Riparian buffers and grass filters provide cleaner water by intercepting sediment and nutrients before they reach surface waters. This conservation method works in harmony with other programs such as the Environmental Quality Incentives Program, to improve water quality. The number of CRP acres of riparian buffers and grass filter strips is expected to decrease from 2.02 million acres in FY 2008 to at least 1.95 million acres by FY 2010. The decrease in cumulative buffer acres masks larger changes. FSA will enter into new contracts for over 40,000 acres of CRP buffers in 2010. However, some of the owners of acres with expiring CRP buffer contracts chose not to re-enroll in 2009. It is also expected that others, due to relatively high commodity prices, will choose not to re-enroll in 2010.

The number of CRP acres of restored wetlands is expected to decrease from 1.99 million acres in FY 2008 to about 1.93 million acres by FY 2010. The estimate assumes that FSA will enter into new contracts totaling over 50,000 acres of CRP wetlands in both 2009 and 2010, and that some of the owners of tens of thousands of acres with expiring CRP wetlands contracts will choose not to re-enroll in 2010.

Key Outcome 3: Quality Wildlife Habitat

FSA programs provide more than two million acres of wetlands and wetland buffers that increase prime wildlife habitat and water storage capacity, leading to a net increase in wetland acres on agriculture land.

Key Outcome 4: Quality Air

CRP is the largest governmental conservation program for private lands. Current enrollment is approximately 33.6 million acres, with CRP lands in all 50 States and Puerto Rico. The CRP continues to be acknowledged for its environmental benefits generated by long-term conservation contracts that benefit air, soil, water, and wildlife resources. By establishing conservation covers on cropland for 10 to 15 years, CRP assures Americans receive an environmental annuity.

Key Performance Measures:

- Increase CRP acres of riparian and grass buffers.
- Increase CRP restored wetland acres

FSA Goal 1: Supporting Productive Farms and Ranches								
Priority Activity (Key Outcome)	Performance Measure	Baseline	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Target	2010 Target
Successful Farms and Ranches	Increase percentage of beginning farmers; racial and ethnic minority farmers; and women farmers financed by FSA.	14.6% (FY 2003-2005 avg.)	15.0%	15.5%	15.9%	16.22%	17%	17.5%
	Reduce average processing time for direct loans.	38.4 days (FY 2003-2005 avg.)	35	31	27 ¹	27.80 ¹	33.5	33
	Reduce average processing time for guaranteed loans.	14.6 days (FY 2003-2005 avg.)	14.5	12.63	12.6	8.55 ¹	13.5	13.25
	Maintain or increase percentage of program benefits delivered through a Web environment	22% (FY 2005 actual)	22%	33%	33%	33%	33% ²	33% ²
	Increase percentage of eligible crops with NAP coverage	12.82% (FY 2005 actual)	12.82%	12.70%	11.76%	7.21%	23.52% ³	24.69% ³
FSA Goal 2: Supporting Secure and Affordable Food and Fiber								
Secure Supply of Quality Food and Fiber	Reduce average time between warehouse examinations.	399 days (FY 2004 actual)	365	384	381	387	400 ⁴	400 ⁴
FSA Goal 3: Conserving Natural Resources and Enhancing the Environment								
Quality Soil, Quality Water, Quality Wildlife, & Quality Air	Increase CRP acres of riparian and grass buffers	.95 million acres (FY 2001 actual)	1.75	1.86	1.92	2.02 ^{5,8}	1.94 ^{5,7}	1.95 ⁷
	Increase CRP restored wetland acres	1.65 million acres (FY 2001 actual)	1.96	2.03	2.08	1.99 ⁶	1.91 ^{5,7}	1.93 ⁷

¹ Performance goals for direct loan processing, established in FY 2006, cover FY 2007 through 2011. Over this five-year timeframe, direct loan processing is targeted to decrease from 35 days (baseline: FY 2003-05 average) to 32.5 days in FY 2011. In FY 2008, the average time needed to process direct and guaranteed loans was well below the targeted performance levels. However, FSA does not anticipate sustaining that level of performance. Continued disruptions in U.S financial markets could reduce the amount of commercial credit available to farmers and ranchers, resulting in increased demand for FSA loans. In addition, the dairy, hog, and poultry industries are facing significant problems, which increase servicing demands on existing FSA loans to producers in those sectors. The combination of increased loan demand and additional staff resources needed for loan servicing will likely have a negative impact on the timeliness of loan processing.

² Flat performance targets due to level funding.

³ A substantial increase is expected for FY 2009 and 2010 due to the requirement in the 2008 Farm Bill that a producer must have obtained a policy or plan of insurance or NAP coverage to maintain eligibility for four of the five standing disaster programs.

⁴ FY 2009 and FY 2010 targets are based on anticipated staff losses and the continuance of lower CCC-owned inventory levels.

⁵ Recent commodity price increases will likely reduce landowner willingness to retire cropland into CRP. While FSA expects to enroll 40,000 acres of buffers in both FY 2009 and 2010, the Agency also anticipates that a portion of the buffer acres that expire in FY 2009 and 2010 will not be re-enrolled. Therefore, cumulative buffer acres is expected to decrease slightly.

⁶ Recent commodity price increases will likely reduce landowner willingness to retire cropland into CRP. While FSA expects to enroll 50,000 acres of wetlands in both FY 2009 and 2010, the Agency also anticipates a portion of the wetland acres that expire in FY 2009 and 2010 will not be re-enrolled. Therefore, cumulative wetland acres is expected to decrease slightly.

⁷ Potential impact of the Food, Energy and Conservation Act of 2008 was considered in these targets. Further impact analyses continue as the Act is fully implemented, and targets are subject to change.

⁸ On April 2, 2009, FSA discovered and corrected a slight error in the calculation of Riparian Buffer cumulative acres for FY 2008. The number was originally reported as 2.17 million acres. This number will also be corrected on the FSA site in the Conservation Reserve Monthly Summary. The new total is 2.02 million acres for FY 2008.

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FARM SERVICE AGENCY
Summary of Budget and Performance
Full Cost by Agency Strategic Goal

Agency Strategic Goal 1: Supporting Productive Farms and Ranches

PROGRAM	PROGRAM ITEMS	FY 2008 Amount (\$000)	FY 2009 Amount (\$000)	FY 2010 Amount (\$000)
Farm Loans				
	Direct Farm Ownership Loans	16,990	12,715	16,034
	Direct Farm Operating Loans	79,959	67,904	33,180
	Guaranteed Farm Ownership Loans	4,955	4,203	5,550
	Guaranteed Farm Operating Loans, subsidized	23,341	37,231	20,312
	Guaranteed Farm Operating Loans, unsub	22,908	25,967	26,910
	Emergency Disaster Loans	5,135	12,279	0
	Indian Tribe Land Acquisition Loans	0	248	0
	Boll Weevil Eradication Loans	0	0	0
	Indian Fractionated Land Loans	0	0	793
	Direct Conservation Loans	0	0	1,065
	Guaranteed Conservation Loans	0	0	278
	Program Loan Cost Expenses	7,920	7,920	7,920
	Individual Development Account Grants	0	0	5,000
	State Mediation Grants	3,277	3,277	3,277
	Administrative costs (direct)	277,206	288,912	297,682
	Indirect costs	23,979	20,491	20,491
	Total Costs¹	465,670	481,147	438,492
	<i>FTEs</i>	2,752	2,960	2,960
	Performance Measure: Maintain or reduce average processing time for direct and guaranteed loans			
	Direct Loans (# of days)	27.80	33.50	33.00
	Guaranteed Loans (# of days)	8.50	13.5	13.25
	Performance Measure: Increase % of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA			
	Percent	16.22%	17.00%	17.50%
	¹ For loan programs reflects subsidy budget authority to support loan levels			
Income Support and Disaster Assistance				
	Price Support and Marketing Assistance Loans	9,509,047	9,014,623	8,824,444
	Loan Deficiency Payments	6,036	150,307	142,555
	Direct Payments	4,821,206	5,436,537	4,822,065
	Countercyclical Payments	359,064	803,792	1,163,397
	Milk Income Loss Contract Payments	2,153	600,000	82,000
	Tobacco Payments	954,817	960,000	960,000
	Other Direct Payments	29,768	98,600	82,700
	NAP Payments	73,989	275,000	275,000
	Crop Disaster Assistance	1,281	41	0
	Livestock Indemnity Program	2	0	0
	Emergency Livestock Assistance	25	0	0
	Tree Assistance Program	1,010	60	0
	CCC Interest Expenditures	140,936	56,479	76,172
	Dairy Indemnity Program	144	876	930
	Emergency Conservation Program	128,456	285,235	185,232
	Emergency Forestry Conservation Program	12,717	23,713	16,268
	FSA Disaster Assistance, appropriated	2,541,733	860,267	0
	Reforestation Pilot Program	794	794	0
	Agricultural Disaster Relief Trust Fund	0	266,000	2,107,000
	Aquaculture Grants	0	50,000	0
	Administrative costs (direct)	683,795	689,954	701,246
	Indirect costs	234,633	274,478	247,742
	Total Costs	19,501,606	19,846,756	19,686,751
	<i>FTEs</i>	8,620	8,458	8,458
	Performance Measure: Increase percentage of eligible crops with NAP coverage			
	Percent	7.21%	23.52%	24.69%
Commodity Operations				
	ELS Cotton User Marketing Payments	29,839	0	0
	Upland Cotton Econ Adjustment Asst	0	83,600	82,700
	Commodity Purchases and Sales	1,116,157	851,357	589,618
	Storage, Handling, Transportation, Processing, and Packaging	36,329	117,256	91,702
	CCC Interest Expenditures	15,660	6,275	8,464
	Dairy Price Support	319	0	0
	Administrative costs (direct)	21,340	23,340	24,154
	Indirect costs	49,458	50,958	51,116
	Total Costs	1,269,102	1,132,786	847,754
	<i>FTEs</i>	254	254	254
Total Costs for Agency Goal I (program, direct, indirect)		21,236,378	21,460,689	20,972,997
	<i>FTEs</i>	11,626	11,672	11,672

Performance Measure: Maintain or increase percentage of program benefits delivered through a Web environment
 Percent: 33% 33% 33%

Agency Strategic Goal 2: Supporting Secure and Affordable Food and Fiber

<u>PROGRAM</u>	<u>PROGRAM ITEMS</u>	<u>FY 2008 Amount</u> <u>(\$000)</u>	<u>FY 2009 Amount</u> <u>(\$000)</u>	<u>FY 2010 Amount</u> <u>(\$000)</u>
Income Support and Disaster Assistance				
	Farm Storage Facility Loans	1,495	9,375	0
	Sugar Storage Facility Loans	0	0	0
	Administrative costs (direct)	3,615	3,756	3,865
	Indirect costs	<u>1,654</u>	<u>1,409</u>	<u>1,473</u>
	Total Costs	6,764	14,540	5,338
	<i>FTEs</i>	50	50	50
Total Costs for Agency Strategic Goal 2 (program, direct, indirect)				
	<i>FTEs</i>	50	50	50

Agency Strategic Goal 3: Conserving Natural Resources and Protecting the Environment

<u>PROGRAM</u>	<u>PROGRAM ITEMS</u>	<u>FY 2008 Amount</u> <u>(\$000)</u>	<u>FY 2009 Amount</u> <u>(\$000)</u>	<u>FY 2010 Amount</u> <u>(\$000)</u>
Conservation				
	Conservation Reserve Program	1,990,178	1,946,229	1,936,043
	Grassroots Source Water Protection Program	3,687	5,000	5,000
	State Mediation Grants	1,092	1,092	1,092
	Other Conservation Payments	3,247	3,074	0
	Administrative costs (direct)	240,070	241,820	245,892
	Indirect costs	<u>82,642</u>	<u>105,400</u>	<u>87,661</u>
	Total Costs	2,320,916	2,302,615	2,275,688
	<i>FTEs</i>	3,023	2,962	2,962
	<u>Performance Measure:</u> Increase CRP acres of riparian and grass buffers			
	# of acres in millions:	2.02	1.94	1.95
	<u>Performance Measure:</u> Increase CRP restored wetlands			
	# of acres in millions:	1.99	1.91	1.93
Total Costs for Agency Strategic Goal 3 (program, direct, indirect)				
	<i>FTEs</i>	3,023	2,962	2,962
Total Costs for All Strategic Goals (program, direct, indirect)				
	<i>FTEs</i>	14,699	14,684	14,684