

FY 2009 Explanatory Notes
Farm Service Agency

Table of Contents

	<u>Page</u>
Purpose Statement.....	19-1
Statement of Available Funds and Staff Years.....	19-7
Permanent Positions by Grade and Staff Year	19-8
Motor Vehicle Fleet Data	19-9
 FARM LOAN PROGRAMS	
Agricultural Credit Insurance Fund:	
Appropriations Language.....	19-10
Lead-off Tabular Statement	19-11
Project Statements.....	19-12
Justifications	19-14
Geographic Breakdown of Obligations.....	19-16
Classification by Objects	19-23
Status of Program.....	19g-1
 OTHER PROGRAMS	
State Mediation Grants:	
Appropriations Language.....	19-24
Lead-off Tabular Statement	19-25
Project Statements.....	19-25
Justifications	19-26
Geographic Breakdown of Obligations.....	19-27
Classification by Objects	19-28
Status of Program.....	19g-3
Dairy Indemnity Program:	
Appropriations Language.....	19-29
Lead-off Tabular Statement	19-30
Project Statements.....	19-30
Justifications	19-30
Geographic Breakdown of Obligations.....	19-31
Classification by Objects	19-32
Status of Program.....	19g-5
Emergency Conservation Program:	
Lead-off Tabular Statement	19-33
Project Statements.....	19-33
FY 2007 Outlays by Type of Disaster.....	19-34
Geographic Breakdown of Obligations.....	19-35
Classification by Objects	19-36
Status of Program.....	19g-7
Grassroots Source Water Protection Program:	
Appropriations Language.....	19-37
Lead-off Tabular Statement	19-38
Project Statement	19-38
Justifications	19-38
Classification by Objects	19-39
Status of Program.....	19g-10
Disaster Assistance	
Lead-off Tabular Statement	19-40
Project Statement	19-40
Justifications	19-41
Classification by Objects	19-42
Status of Program.....	19g-11

OTHER PROGRAMS, Continued

Reforestation Pilot Program
 Appropriations Language..... 19-43
 Lead-off Tabular Statement 19-44
 Project Statement 19-44
 Justifications 19-44
 Classification by Objects 19-45
Agricultural Conservation Program:
 Lead-off Tabular Statement 19-46
 Project Statement 19-46
 Status of Program..... 19g-12
Conservation Reserve Program:
 Lead-off Tabular Statement 19-47
 Project Statement 19-47
 Status of Program..... 19g-13
Tree Assistance Program:
 Status of Program..... 19g-14

SALARIES AND EXPENSES

 Appropriations Language..... 19-48
 Lead-off Tabular Statement 19-49
 Project Statements..... 19-50
 Justifications 19-52
 Geographic Breakdown of Obligations and Staff-Years..... 19-54
 Classification by Objects 19-55
 Status of Program..... 19g-15

SUMMARY OF BUDGET AND PERFORMANCE

 Statement of Goals and Objectives 19-56
 Key Performance Outcomes and Measures 19-61
 Full Cost by Strategic Objective 19-65

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, 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 Farm Security and Rural Investment Act of 2002, P.L. 107-171 (the 2002 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, Public Law 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, Public Law 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 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 \$200,000 and a guaranteed loan may not exceed \$949,000, 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. The interest rate for guaranteed loans is negotiated by the lender and borrower.

At least 25 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 70 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 \$200,000 for a direct loan and \$949,000, 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 35 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 farmers, ranchers, 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.
- **The 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.

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). ECP provides emergency cost-share assistance to farmers and ranchers to help rehabilitate farmland and ranchland 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 since that time. 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. It is anticipated that the P.L. 480 services will be provided on a reimbursable basis in FY 2009.

- **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.

AGENCY STRUCTURE: FSA delivers its programs through approximately 2,280 USDA Service Centers and 51 State offices, including 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. In order to ensure that this structure fulfills the commitment of FSA to efficiently administer responsibilities delegated to it, a comprehensive review is under way to identify potential improvements to this structure.

FSA's permanent, full-time, end-of-year Federal employment as of September 30, 2007, was 612 for Washington headquarters and 4,408 for field offices. FSA non-Federal permanent employment in USDA Service Centers was 8,693.

OIG Reports:

Number	Title	Report Date
064010021FM	Audit of CCC's FY 2006 Financial Statements	11/13/2006
030080001AT	FSA's Efforts to Identify and Recover Overpayments in the Counter-Cyclical Program	12/12/2006
036010021KC	Hurricane Relief Initiatives: Barge Movement and Transportation Differential Agreements	03/20/2007
036010022KC	Hurricane Relief Initiatives: Emergency and Alternative Grain Storage	03/20/2007

GAO Reports:

Number	Title	Report Date
GAO-07-35	USDA Conservation Programs: Stakeholder Views of Participation and Coordination to Benefit Threatened and Endangered Species and Their Habitats	11/15/06
GAO-07-818	Federal Farm Programs: USDA Needs to Strengthen Controls to Prevent Improper Payments to Estates and Deceased Individuals	07/09/07
GAO-07-1137T	Federal Farm Programs: USDA Needs to Strengthen Management Controls to Prevent Improper Payments to Estates and Deceased Individuals	07/24/07
GAO-07-1054	Agricultural Conservation: Farm Program Payments Are an Important Factor in Landowners' Decisions to Convert Grassland to Cropland	09/10/07
GAO-07-1130	Beginning Farmers: Additional Steps Needed to Demonstrate the Effectiveness of USDA Assistance	09/18/07

FARM SERVICE AGENCY

Available Funds and Staff Years
2007 Actual and Estimated 2008 and 2009

Item	Actual 2007		Estimated 2008		Estimated 2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries & Expenses:						
Direct Appropriation.....	\$1,030,193,000	2,112	\$1,134,045,000	2,128	\$1,188,580,000	2,064
Rescission, P.L. 110-161.....	0	--	-7,938,000	--	0	--
Transfer from Congressional Affairs.....	277,000	--	0	--	0	--
Transfer to Office of Ethics.....	0	--	-402,000	--	0	--
Credit Reform Transfers:						
P.L. 480 Program Account.....	3,207,000	24	2,680,000	24	2,761,000	24
CCC Export Loans Program Account.....	1,828,000	2	343,000	2	368,000	2
Transfer to FAS.....	-1,485,000	--	0	--	0	--
ACIF Program Account.....	303,309,000	2,784	303,309,000	2,935	325,093,000	2,935
Farm Storage Facility Loans Program Account.....	0	--	0	--	4,724,000	--
Rescission, P.L. 110-161.....	0	--	-2,145,000	--	0	--
Subtotal, Salaries and Expenses.....	1,337,329,000	4,922	1,429,892,000	5,089	1,521,526,000	5,025
Emergency Appropriation.....	0	--	20,000,000	--	0	--
Supplemental Appropriation.....	59,500,000	--	0	--	0	--
Unobligated balance brought forward.....	77,473,000	--	80,830,000	--	0	--
Prior Year Recoveries.....	464,000	--	0	--	0	--
Unobligated balance carried forward.....	-28,680,000	--	0	--	0	--
Unobligated balance carried forward - supplemental funding.....	-52,150,000	--	0	--	0	--
Unobligated balances lapsing.....	-15,197,000	--	0	--	0	--
Total, Salaries and Expenses.....	1,378,739,000	4,922	1,530,722,000	5,089	1,521,526,000	5,025
ACIF Program Account:						
Subsidy.....	147,508,000	0	155,714,000	0	154,031,000	0
Administrative Expenses:						
Non-Recoverable Loan Costs.....	7,920,000	0	7,865,000	0	7,920,000	0
State Mediation Grants.....	4,208,000	0	4,369,000	0	4,000,000	0
Emergency Conservation Program.....	18,000,000	0	0	0	0	0
Dairy Indemnity Program.....	100,000	0	100,000	0	100,000	0
Grassroots Source Water Conservation Program.....	3,712,000	0	3,687,000	0	0	0
Total, Above.....	1,560,187,000	0	1,702,457,000	0	1,687,577,000	0
Obligations under other USDA appropriations:						
Foreign Agricultural Service.....	5,133,000	56	5,133,000	56	5,800,000	56
Risk Management Agency.....	2,000,000	24	2,000,000	24	2,260,000	24
Office of the Chief Information Officer.....	8,300,000	56	0	0	0	0
Food & Nutrition Service.....	4,009,000	20	1,974,000	20	2,030,000	20
Agricultural Marketing Service.....	1,193,000	9	909,000	9	935,000	9
Flying Contracts.....	8,530,000	0	8,500,000	0	8,500,000	0
Service Centers.....	2,435,000	0	0	0	0	0
Food Safety & Inspection Service.....	2,146,000	0	0	0	0	0
P.L. 480 Title II Grants.....	0	0	0	0	6,500,000	64
Miscellaneous.....	55,776,000	0	50,323,000	0	50,732,000	0
Total, Other USDA Appropriations.....	89,522,000	165	68,839,000	109	76,757,000	173
Total, Agriculture Appropriations.....	1,649,709,000	5,087	1,771,296,000	5,198	1,764,334,000	5,198
Obligations under Other Federal Funds:						
Sales of Aerial Photographs.....	371,000	9	409,000	9	409,000	9
Miscellaneous.....	736,000	0	883,000	0	914,000	0
Total, Other Federal Funds.....	1,107,000	9	1,292,000	9	1,323,000	9
Obligations under Non-Federal Funds:						
Loan Service Fee Financing.....	7,500,000	0	7,500,000	0	7,500,000	0
Producer Measurement Service.....	2,622,000	0	2,700,000	0	2,700,000	0
Warehouse Examinations.....	2,944,000	33	3,192,000	33	3,354,000	33
Sales of Aerial Photographs.....	537,000	13	590,000	13	590,000	13
Total, Non-Federal Funds.....	13,603,000	46	13,982,000	46	14,144,000	46
Total, Farm Service Agency.....	1,664,419,000	5,142	1,786,570,000	5,253	1,779,801,000	5,253

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

	Direct	Reimbursable	Total S/Y
FY 2007	9,261	226	9,487
FY 2008	9,200	225	9,425
FY 2009	9,205	220	9,425

FARM SERVICE AGENCY
 Permanent Positions by Grade and Staff Year Summary
 2007 Actual and Estimated 2008 and 2009

Grade	2007			2008			2009		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	15	0	15	15	0	15	15	0	15
GS 15	52	54	106	58	55	113	58	55	113
GS 14	108	32	140	111	32	143	111	32	143
GS 13	240	587	827	248	590	838	248	590	838
GS 12	68	1,455	1,523	80	1,511	1,591	80	1,511	1,591
GS 11	23	750	773	20	739	759	20	739	759
GS 10	1	0	1	1	0	1	1	0	1
GS 9	25	235	260	23	244	267	23	244	267
GS 8	16	60	76	16	63	79	16	63	79
GS 7	35	1,062	1,097	40	1,056	1,096	40	1,056	1,096
GS 6	18	89	107	19	93	112	19	93	112
GS 5	5	55	60	5	60	65	5	60	65
GS 4	1	15	16	1	18	19	1	18	19
GS 3	2	2	4	2	3	5	2	3	5
GS 2	0	1	1	0	1	1	0	1	1
Other Graded Positions.....	3	11	14	0	0	0	0	0	0
Ungraded Positions.....	0	0	0	0	0	0	0	0	0
Total Permanent Positions.....	612	4,408	5,020	639	4,465	5,104	639	4,465	5,104
Unfilled Positions end-of-year	0	0	0	0	0	0	0	0	0
Total, Permanent Full-Time Employment, end-of-year.....	612	4,408	5,020	639	4,465	5,104	639	4,465	5,104
Staff-Year Estimate.....	627	4,515	5,142	658	4,595	5,253	658	4,595	5,253

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 2006	340	157	209	12	0	0	0	718	\$4,539
Change from 2006	-15	15	35	1	0	0	0	36	
FY 2007	325	172	244	13	0	0	0	754	\$5,022
Change from 2007	0	0	0	0	0	0	0	0	
FY 2008 1/	325	172	244	13	0	0	0	754	\$5,122
Change from 2008	0	0	0	0	0	0	0	0	
FY 2009 1/	325	172	244	13	0	0	0	754	\$5,225

1/ FY 2008 and FY 2009 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 Puerto Rico and Hawaii. Neither private contractors nor the GSA Interagency Fleet Management System provides or maintains these types of vehicles.

The change from FY 2006 includes agency owned and commercially leased vehicles that were not reported in FY 2006 and also includes vehicles acquired by Puerto Rico from NRCS. The increase in dollars represents increased gas prices nationwide.

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), to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, [~~\$1,471,257,000~~]\$1,476,538,000, of which [~~\$1,247,400,000~~]\$1,223,636,000 shall be for unsubsidized guaranteed loans and [~~\$223,857,000~~]\$252,902,000 shall be for direct loans; operating loans, [~~\$1,875,686,000~~]\$1,901,684,000, of which [~~\$1,024,650,000~~]\$1,012,369,000 shall be for unsubsidized guaranteed loans, [~~\$271,886,000~~]\$260,943,000 shall be for subsidized guaranteed loans and [~~\$579,150,000~~]\$628,372,000 shall be for direct loans; Indian tribe land acquisition loans, [~~\$3,960,000~~]\$3,975,000; and for boll weevil eradication program loans, [~~\$100,000,000~~]\$59,400,000: 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, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, [~~\$14,952,000~~]\$18,504,000, of which [~~\$4,990,000~~]\$4,038,000 shall be for unsubsidized guaranteed loans, and [~~\$9,962,000~~]\$14,466,000 shall be for direct loans; operating loans, [~~\$134,561,000~~]\$135,277,000, of which [~~\$24,797,000~~]\$25,208,000 shall be for unsubsidized guaranteed loans, [~~\$36,270,000~~]\$35,984,000 shall be for subsidized guaranteed loans, and [~~\$73,494,000~~]\$74,085,000 shall be for direct loans; and Indian tribe land acquisition loans, [~~\$125,000~~]\$250,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, [~~\$311,229,000~~]\$333,013,000, of which [~~\$303,309,000~~]\$325,093,000 shall be [transferred to and merged with] paid to the appropriation for "Farm Service Agency, Salaries and Expenses".
1

Funds appropriated by this Act to the Agricultural Credit Insurance Program Account for farm ownership and operating 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.

This change clarifies the appropriation language for the reimbursement of the FSA Salaries and Expenses account for work to administer farm loans.

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

	<u>Loan Level</u>	<u>Subsidy</u>	<u>Administrative Expenses</u>	<u>Total Budget Authority</u>
Appropriations Act, 2008.....	\$3,450,903,000	\$149,638,000	\$311,229,000	\$460,867,000
Budget Estimate, 2009.....	3,441,597,000	154,031,000	333,013,000	487,044,000
Change in Appropriation.....	<u>-9,306,000</u>	<u>4,393,000</u>	<u>21,784,000</u>	<u>26,177,000</u>
Adjustments in 2008:				
Appropriations Act, 2008	3,450,903,000	149,638,000	311,229,000	460,867,000
Rescission under P.L. 110-161 a/	-23,319,000	-1,047,000	-2,179,000	-3,226,000
Adjusted Base for 2008	<u>3,427,584,000</u>	<u>148,591,000</u>	<u>309,050,000</u>	<u>457,641,000</u>
Budget Estimate, 2009	3,441,597,000	154,031,000	333,013,000	487,044,000
Increase over adjusted 2008	<u>14,013,000</u>	<u>5,440,000</u>	<u>23,963,000</u>	<u>29,403,000</u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

Summary of Increases and Decreases
(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Loan Levels:			
Farm Ownership.....	222,298,000	30,604,000	252,902,000
Farm Operating.....	575,095,000	53,277,000	628,372,000
Indian Land.....	3,940,000	35,000	3,975,000
Boll Weevil.....	100,000,000	-40,600,000	59,400,000
Total Direct Loans.....	901,333,000	43,316,000	944,649,000
Farm Ownership - Unsubsidized.....	1,238,768,000	-15,132,000	1,223,636,000
Farm Operating - Unsubsidized.....	1,017,497,000	-5,128,000	1,012,369,000
Farm Operating - Subsidized.....	269,986,000	-9,043,000	260,943,000
Total Guaranteed Loans.....	2,526,251,000	-29,303,000	2,496,948,000
Total Loans.....	<u>3,427,584,000</u>	<u>14,013,000</u>	<u>3,441,597,000</u>
Budget Authority:			
Direct Loan Subsidy.....	82,996,000	5,805,000	88,801,000
Guaranteed Loan Subsidy.....	65,595,000	-365,000	65,230,000
Total Subsidy.....	<u>148,591,000</u>	<u>5,440,000</u>	<u>154,031,000</u>
Administrative Expenses.....	309,050,000	23,963,000	333,013,000
Total Budget Authority.....	<u>457,641,000</u>	<u>29,403,000</u>	<u>487,044,000</u>

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

Program:	2007 Actual		2008 Estimated		Increase or Decrease		2009 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct loans:								
Farm Ownership	\$207,643,000	\$8,700,000	\$222,298,000	\$9,892,000	\$30,604,000 (1a)	\$4,574,000 (2)	\$252,902,000	\$14,466,000
Farm Operating	643,500,000	75,225,000	575,095,000	72,980,000	53,277,000 (1b)	1,105,000 (2)	628,372,000	74,085,000
Indian Land Acquisition	2,000,000	423,000	3,940,000	124,000	35,000 (1c)	126,000 (2)	3,975,000	250,000
Boll Weevil Eradication	100,000,000	1,900,000	100,000,000	0	-40,600,000 (1d)	0	59,400,000	0
Total Direct Loans and Subsidies	953,143,000	86,248,000	901,333,000	82,996,000	43,316,000	5,805,000	944,649,000	88,801,000
Guaranteed Loans:								
Farm Ownership, Unsubsidized	1,386,000,000	8,039,000	1,238,768,000	4,955,000	-15,132,000 (1e)	-917,000 (2)	1,223,636,000	4,038,000
Farm Operating, Unsubsidized	1,138,500,000	28,121,000	1,017,497,000	24,624,000	-5,128,000 (1f)	584,000 (2)	1,012,369,000	25,208,000
Farm Operating, Subsidized	271,886,000	27,379,000	269,986,000	36,016,000	-9,043,000 (1g)	-32,000 (2)	260,943,000	35,984,000
Total Guaranteed Loans and Subsidies	2,796,386,000	63,539,000	2,526,251,000	65,595,000	-29,303,000	-365,000	2,496,948,000	65,230,000
Subtotal, Loans Regular Appropriation:	3,749,529,000	149,787,000	3,427,584,000	148,591,000	14,013,000	5,440,000	3,441,597,000	154,031,000
Administrative expenses	--	311,229,000	--	309,050,000	--	23,963,000 (3)	--	333,013,000
Total Available or Estimate	3,749,529,000	461,016,000	3,427,584,000	457,641,000	14,013,000	29,403,000	3,441,597,000	487,044,000
Rescission	--	--	23,319,000	3,226,000	-23,319,000	-3,226,000	--	--
TOTAL APPROPRIATION	3,749,529,000	461,016,000	3,450,903,000	460,867,000	-9,306,000	26,177,000	3,441,597,000	487,044,000

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

Program:	2007 Actual		2008 Estimated		Increase or Decrease		2009 Estimated	
	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy	Loan Level	Subsidy
Direct loans:								
Farm Ownership	\$303,395,000	\$12,712,000	\$222,298,000	\$9,892,000	\$30,604,000	\$4,574,000	\$252,902,000	\$14,466,000
Farm Ownership - Carryover	0	0	0	0	0	0	0	0
Subtotal	303,395,000	12,712,000	222,298,000	9,892,000	30,604,000	4,574,000	252,902,000	14,466,000
Farm Operating	600,062,000	70,147,000	575,095,000	72,980,000	53,277,000	1,105,000	628,372,000	74,085,000
Farm Operating - Carryover	0	0	788,000	100,000	-788,000	-100,000	0	0
Subtotal	600,062,000	70,147,000	575,883,000	73,080,000	52,489,000	1,005,000	628,372,000	74,085,000
Emergency Disaster	582,000	68,000	0	0	0	0	0	0
Emergency Disaster - Carryover	74,899,000	8,823,000	46,056,000	5,135,000	-46,056,000	-5,135,000	0	0
Subtotal	75,481,000	8,891,000	46,056,000	5,135,000	-46,056,000	-5,135,000	0	0
Indian Land Acquisition	0	0	3,940,000	124,000	35,000	126,000	3,975,000	250,000
Boll Weevil Eradication	6,000,000	114,000	100,000,000	0	-40,600,000	0	59,400,000	0
Total Direct Loans and Subsidies	984,938,000	91,864,000	948,177,000	88,231,000	-3,528,000	570,000	944,649,000	88,801,000
Guaranteed Loans:								
Farm Ownership, Unsubsidized	965,415,000	5,599,000	1,238,768,000	4,955,000	-15,132,000	-917,000	1,223,636,000	4,038,000
Farm Ownership, Unsubsidized - Carryover	0	0	28,778,000	115,000	-28,778,000	-115,000	0	0
Subtotal	965,415,000	5,599,000	1,267,546,000	5,070,000	-43,910,000	-1,032,000	1,223,636,000	4,038,000
Farm Operating, Unsubsidized	917,645,000	22,666,000	1,017,497,000	24,624,000	-5,128,000	584,000	1,012,369,000	25,208,000
Farm Operating, Unsubsidized - Carryover	0	0	73,283,000	1,773,000	-73,283,000	-1,773,000	0	0
Subtotal	917,645,000	22,666,000	1,090,780,000	26,397,000	-78,411,000	-1,189,000	1,012,369,000	25,208,000
Farm Operating, Subsidized	271,885,000	27,379,000	269,986,000	36,016,000	-9,043,000	-32,000	260,943,000	35,984,000
Farm Operating, Subsidized - Carryover	0	0	0	0	0	0	0	0
Subtotal	271,885,000	27,379,000	269,986,000	36,016,000	-9,043,000	-32,000	260,943,000	35,984,000
Total Guaranteed Loans and Subsidies	2,154,945,000	55,644,000	2,628,312,000	67,483,000	-131,364,000	-2,253,000	2,496,948,000	65,230,000
Subtotal, Loans Regular Appropriation:	3,064,984,000	138,685,000	3,427,584,000	148,591,000	14,013,000	5,440,000	3,441,597,000	154,031,000
Subtotal Carryover	74,899,000	8,823,000	148,905,000	7,123,000	-148,905,000	-7,123,000	0	0
Total, Loans and Subsidies Above	3,139,883,000	147,508,000	3,576,489,000	155,714,000	-134,892,000	-1,683,000	3,441,597,000	154,031,000
Administrative expenses	--	311,229,000	--	309,050,000	--	23,963,000	--	333,013,000
Rescission	--	--	23,319,000	3,226,000	-23,319,000	-3,226,000	--	--
GRAND TOTAL	3,139,883,000	458,737,000	3,599,808,000	467,990,000	-158,211,000	19,054,000	3,441,597,000	487,044,000

Justification of Increases and Decreases

- (1) An increase of \$14,013,000 for the Agricultural Credit Insurance Fund (ACIF) loan program levels (\$3,427,584,000 available in FY 2008) consisting of:

- (a) An increase of \$30,604,000 for direct ownership loans to encourage beginning farmers to establish more productive farming operations (\$222,298,000 available in FY 2008).

An increase for direct ownership loans is projected that will assist approximately 230 additional farmers to purchase a farm. Recent demand for this program has exceeded available funding and transfers have been required during the execution year in order to satisfy that demand. The requested increase is an attempt to satisfy demand within overall resource constraints. This program serves as credit source for minority and beginning farmers who are unable to obtain commercial financing.

- (b) An increase of \$53,277,000 for direct farm operating loans to assist family farmers in maintaining productive farming operations (\$575,095,000 available in FY 2008).

FSA has obligated an average of \$633 million for direct farm operating loans over the last five years. The requested level of \$628 million in FY 2009 is adequate to meet average annual obligations. Demand for this program is expected to exceed the FY 2008 appropriated level of \$575 million, creating a backlog as we enter 2009.

- (c) An increase of \$35,000 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 2008).

Appropriation limitations in prior fiscal years have prohibited tribes from being able to utilize available funding. As there is no loan limitation in this program, applications for these funds generally exceeds funds available. This increase will assist in meeting the requirements of tribes to utilize this program.

- (d) A decrease of \$40,600,000 for boll weevil eradication loans to eliminate the boll weevil and prevent reinfestation (\$100,000,000 available in FY 2008).

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) A decrease of \$15,132,000 for guaranteed farm ownership unsubsidized loans to reflect lower demand (\$1,238,768,000 available in FY 2008).

The decrease of \$15 million for guaranteed ownership loans reflects approximately 50 fewer loans in FY 2009 than in FY 2008. The requested loan level is anticipated to be adequate to meet the demand for this program.

- (f) A decrease of \$5,128,000 for guaranteed farm operating unsubsidized loans to reflect lower demand (\$1,017,497,000 available in FY 2008).

A decrease of \$5,128,000 for guaranteed farm operating unsubsidized loans is indicative of this program's demand. The FY 2009 loan level of \$1,012,369,000 will provide 5,650 loans, which is projected to be adequate to satisfy demand.

- (g) A decrease of \$9,043,000 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 2008).

For FY 2009, the combination of low interest rates from commercial lenders and strength in the agricultural economy supports a minor reduction in funding authority in this loan program. The \$261 million in program level requested will provide about 1,238 loan guarantees in FY 2009.

- (2) A net increase of \$5,440,000 for the Agricultural Credit Insurance Fund (ACIF) loan subsidy (\$148,591,000 available in FY 2008):

The increase in subsidy reflects the amounts necessary to support the FY 2009 proposed direct and guaranteed loan levels of \$3.442 billion. The net increase is comprised of the following increases and decreases:

For direct loans, there is an increase of \$5.805 million in subsidy to support proposed direct loan levels. The increase is comprised of an increase of \$4.574 million for direct ownership loan subsidy, an increase of \$1.105 million for direct operating loan subsidy, and an increase of \$126,000 for Indian land acquisition loans. These increases are mainly due to increases in associated loan levels.

For guaranteed loans, there is a net decrease of \$365,000 in subsidy that is comprised of an increase of \$584,000 in unsubsidized operating loans and decreases of \$32,000 in operating subsidized loans, and \$917,000 in ownership loans. These decreases are mainly due to decreased loan levels.

- (3) An increase of \$23,963,000 for Agricultural Credit Insurance Fund (ACIF) administrative expenses (\$309,050,000 available in FY 2008):

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
 2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated	2009 Estimated
Alabama	\$1,520,000	\$1,113,706	\$1,267,032
Alaska	220,000	161,194	183,386
Arizona	200,000	146540.3187	166714.6789
Arkansas	4,586,000	3,360,170	3,822,768
California	2,509,000	1,838,348	2,091,436
Colorado	3,200,000	2,344,645	2,667,435
Connecticut	0	0	0
Delaware	360,000	263,773	300,086
Florida	567,000	415,442	472,636
Georgia	2,536,000	1,858,131	2,113,942
Hawaii	218,000	159,729	181,719
Idaho	1,930,000	1,414,114	1,608,797
Illinois	14,377,000	10,534,051	11,984,285
Indiana	12,504,000	9,161,701	10,423,002
Iowa	39,972,000	29,287,548	33,319,596
Kansas	18,047,000	13,223,066	15,043,499
Kentucky	11,196,000	8,203,327	9,332,688
Louisiana	963,000	705,592	802,731
Maine	718,000	526,080	598,506
Maryland	0	0	0
Massachusetts	1,020,000	747,356	850,245
Michigan	9,271,000	6,792,876	7,728,059
Minnesota	21,744,000	15,931,863	18,125,220
Mississippi	765,000	560,517	637,684
Missouri	12,283,000	8,999,774	10,238,782
Montana	2,497,000	1,829,556	2,081,433
Nebraska	29,880,000	21,893,124	24,907,173
Nevada	0	0	0
New Hampshire	505,000	370,014	420,955
New Jersey	0	0	0
New Mexico	673,000	493,108	560,995
New York	4,039,000	2,959,382	3,366,803
North Carolina	1,468,000	1,075,606	1,223,686
North Dakota	7,076,000	5,184,596	5,898,365
Ohio	8,355,000	6,121,722	6,964,506
Oklahoma	19,451,000	14,251,779	16,213,836
Oregon	1,899,000	1,391,400	1,582,956
Pennsylvania	7,462,000	5,467,419	6,220,125
Rhode Island	0	0	0
South Carolina	2,684,000	1,966,571	2,237,311
South Dakota	14,541,000	10,654,214	12,120,991
Tennessee	3,784,000	2,772,543	3,154,242
Texas	7,660,000	5,612,494	6,385,172
Utah	4,554,000	3,336,723	3,796,093
Vermont	738,000	540,734	615,177
Virginia	1,497,000	1,096,854	1,247,859
Washington	2,173,000	1,592,161	1,811,355
West Virginia	2,019,000	1,479,325	1,682,985
Wisconsin	16,010,000	11,730,553	13,345,510
Wyoming	1,483,000	1,086,596	1,236,189
District of Columbia	0	0	0
Puerto Rico	1,897,000	1,389,935	1,581,289
Other Countries	344,000	252,049	286,749
Undistributed	0	0	0
Total, Available or Estimate	<u>303,395,000</u>	<u>222,298,000</u>	<u>252,902,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OWNERSHIP LOAN PROGRAM
 Geographic Breakdown of Obligations
 2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated	2009 Estimated
Alabama	\$44,222,000	\$58,060,193	\$56,050,125
Alaska	0	0	0
Arizona	1,925,000	2,527,382	2,439,883
Arkansas	50,881,000	66,802,964	64,490,217
California	22,140,000	29,068,171	28,061,819
Colorado	14,037,000	18,429,536	17,791,497
Connecticut	1,292,000	1,696,300	1,637,573
Delaware	3,140,000	4,122,586	3,979,861
Florida	6,343,000	8,327,887	8,039,572
Georgia	23,894,000	31,371,043	30,284,964
Hawaii	5,175,000	6,794,390	6,559,165
Idaho	12,604,000	16,548,113	15,975,211
Illinois	29,988,000	39,372,011	38,008,935
Indiana	46,864,000	61,528,942	59,398,784
Iowa	46,353,000	60,858,037	58,751,107
Kansas	17,513,000	22,993,265	22,197,228
Kentucky	28,755,000	37,753,174	36,446,143
Louisiana	9,637,000	12,652,663	12,214,623
Maine	1,694,000	2,224,096	2,147,097
Maryland	6,307,000	8,280,621	7,993,943
Massachusetts	2,439,000	3,202,225	3,091,363
Michigan	39,512,000	51,876,314	50,080,334
Minnesota	35,188,000	46,199,224	44,599,787
Mississippi	15,867,000	20,832,189	20,110,970
Missouri	40,443,000	53,098,647	51,260,350
Montana	12,433,000	16,323,603	15,758,473
Nebraska	36,397,000	47,786,550	46,132,160
Nevada	3,017,000	3,961,096	3,823,962
New Hampshire	322,000	422,762	408,126
New Jersey	2,200,000	2,888,436	2,788,437
New Mexico	6,890,000	9,046,057	8,732,879
New York	21,080,000	27,676,470	26,718,299
North Carolina	25,935,000	34,050,724	32,871,873
North Dakota	14,076,000	18,480,740	17,840,929
Ohio	71,900,000	94,399,346	91,131,201
Oklahoma	41,614,000	54,636,083	52,744,559
Oregon	9,475,000	12,439,969	12,009,292
Pennsylvania	15,651,000	20,548,597	19,837,196
Rhode Island	0	0	0
South Carolina	38,121,000	50,050,034	48,317,281
South Dakota	21,641,000	28,413,021	27,429,351
Tennessee	14,387,000	18,889,060	18,235,112
Texas	18,868,000	24,772,279	23,914,652
Utah	3,929,000	5,158,484	4,979,896
Vermont	5,067,000	6,652,594	6,422,278
Virginia	11,734,000	15,405,868	14,872,511
Washington	12,253,000	16,087,277	15,530,328
West Virginia	4,626,000	6,073,593	5,863,323
Wisconsin	61,699,000	81,034,192	78,201,724
Wyoming	3,848,000	5,052,137	4,877,230
District of Columbia	0	0	0
Puerto Rico	2,039,000	2,677,055	2,584,374
Other Countries	0	0	0
Undistributed	0	0	0
Total Available or Estimate	965,415,000	1,267,546,000	1,223,636,000

AGRICULTURAL CREDIT INSURANCE FUND
 DIRECT FARM OPERATING LOAN PROGRAM
 Geographic Breakdown of Obligations
 2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated	2009 Estimated
Alabama	\$4,429,000	\$4,250,537	\$4,637,953
Alaska	68,000	65,260	71,208
Arizona	2,298,000	2205403.998	2406416.097
Arkansas	25,120,000	24,107,810	26,305,123
California	15,757,000	15,122,085	16,500,391
Colorado	7,573,000	7,267,852	7,930,282
Connecticut	308,000	295,589	322,531
Delaware	1,000	960	1,047
Florida	3,099,000	2,974,128	3,245,206
Georgia	17,508,000	16,802,530	18,334,000
Hawaii	1,620,000	1,554,723	1,696,429
Idaho	10,063,000	9,657,520	10,537,757
Illinois	10,327,000	9,910,882	10,814,212
Indiana	5,507,000	5,285,100	5,766,812
Iowa	32,254,000	30,954,352	33,775,694
Kansas	22,229,000	21,333,301	23,277,730
Kentucky	24,005,000	23,037,738	25,137,519
Louisiana	11,038,000	10,593,233	11,558,756
Maine	3,002,000	2,881,037	3,143,630
Maryland	167,000	160,271	174,879
Massachusetts	1,344,000	1,289,845	1,407,408
Michigan	13,196,000	12,664,278	13,818,567
Minnesota	37,071,000	35,577,255	38,819,953
Mississippi	10,943,000	10,502,061	11,459,274
Missouri	14,246,000	13,671,969	14,918,104
Montana	6,113,000	5,866,682	6,401,402
Nebraska	40,489,000	38,857,529	42,399,209
Nevada	835,000	801,354	874,394
New Hampshire	809,000	776,402	847,167
New Jersey	1,344,000	1,289,845	1,407,408
New Mexico	2,006,000	1,925,170	2,100,640
New York	15,742,000	15,107,689	16,484,683
North Carolina	11,504,000	11,040,456	12,046,741
North Dakota	29,679,000	28,483,109	31,079,209
Ohio	3,992,000	3,831,146	4,180,336
Oklahoma	15,772,000	15,136,480	16,516,099
Oregon	10,191,000	9,780,362	10,671,796
Pennsylvania	22,989,000	22,062,677	24,073,586
Rhode Island	451,000	432,827	472,277
South Carolina	15,245,000	14,630,715	15,964,236
South Dakota	29,265,000	28,085,791	30,645,678
Tennessee	6,588,000	6,322,542	6,898,812
Texas	31,535,000	30,264,323	33,022,773
Utah	6,543,000	6,279,355	6,851,689
Vermont	8,272,000	7,938,687	8,662,260
Virginia	6,156,000	5,907,949	6,446,431
Washington	14,214,000	13,641,259	14,884,595
West Virginia	6,292,000	6,038,469	6,588,847
Wisconsin	37,480,000	35,969,775	39,248,249
Wyoming	1,302,000	1,249,537	1,363,426
District of Columbia	0	0	0
Puerto Rico	1,874,000	1,798,489	1,962,412
Other Countries	207,000	198,659	216,766
Undistributed	0	0	0
Total Available or Estimate	<u>600,062,000</u>	<u>575,883,000</u>	<u>628,372,000</u>

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING SUBSIDIZED LOAN PROGRAM
 Geographic Breakdown of Obligations
 2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated	2009 Estimated
Alabama	0	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	0	0	0
California	\$744,000	\$738,803	\$714,058
Colorado	628,000	623,614	602,726
Connecticut	0	0	0
Delaware	0	0	0
Florida	0	0	0
Georgia	0	0	0
Hawaii	0	0	0
Idaho	213,000	211,512	204,428
Illinois	23,651,000	23,485,808	22,699,167
Indiana	4,357,000	4,326,568	4,181,653
Iowa	21,348,000	21,198,893	20,488,851
Kansas	17,797,000	17,672,696	17,080,761
Kentucky	1,420,000	1,410,082	1,362,852
Louisiana	0	0	0
Maine	0	0	0
Maryland	0	0	0
Massachusetts	100,000	99,302	95,976
Michigan	3,681,000	3,655,290	3,532,858
Minnesota	25,056,000	24,880,995	24,047,622
Mississippi	0	0	0
Missouri	4,533,000	4,501,339	4,350,570
Montana	3,377,000	3,353,413	3,241,093
Nebraska	25,517,000	25,338,775	24,490,069
Nevada	0	0	0
New Hampshire	0	0	0
New Jersey	1,025,000	1,017,841	983,749
New Mexico	769,000	763,629	738,052
New York	40,000	39,721	38,390
North Carolina	0	0	0
North Dakota	34,241,000	34,001,841	32,862,972
Ohio	1,547,000	1,536,195	1,484,741
Oklahoma	27,279,000	27,088,468	26,181,158
Oregon	500,000	496,508	479,878
Pennsylvania	4,472,000	4,440,765	4,292,025
Rhode Island	0	0	0
South Carolina	0	0	0
South Dakota	18,093,000	17,966,628	17,364,848
Tennessee	2,341,000	2,324,649	2,246,787
Texas	734,000	728,873	704,460
Utah	1,679,000	1,667,273	1,611,429
Vermont	0	0	0
Virginia	0	0	0
Washington	0	0	0
West Virginia	679,000	674,257	651,674
Wisconsin	44,439,000	44,128,613	42,650,554
Wyoming	1,625,000	1,613,650	1,559,602
District of Columbia	0	0	0
Puerto Rico	0	0	0
Other Countries	0	0	0
Undistributed	0	0	0
Total Available or Estimate	271,885,000	269,986,000	260,943,000

AGRICULTURAL CREDIT INSURANCE FUND
 GUARANTEED FARM OPERATING UNSUBSIDIZED LOAN PROGRAM
 Geographic Breakdown of Obligations
 2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated	2009 Estimated
Alabama	\$1,735,729	\$2,063,178	\$1,914,899
Alaska	0	0	0
Arizona	4,502,094	5,351,426	4,966,823
Arkansas	46,363,240	55,109,780	51,149,090
California	34,649,000	41,185,620	38,225,647
Colorado	7,092,573	8,430,604	7,824,704
Connecticut	2,889,024	3,434,045	3,187,244
Delaware	125,744	149,466	138,724
Florida	4,835,354	5,747,556	5,334,484
Georgia	24,475,316	29,092,645	27,001,783
Hawaii	0	0	0
Idaho	14,537,691	17,280,263	16,038,346
Illinois	33,850,565	40,236,558	37,344,793
Indiana	22,572,186	26,830,485	24,902,203
Iowa	44,132,250	52,457,908	48,687,806
Kansas	30,940,712	36,777,754	34,134,571
Kentucky	11,039,234	13,121,813	12,178,760
Louisiana	51,881,314	61,668,852	57,236,768
Maine	2,095,217	2,490,485	2,311,496
Maryland	1,577,584	1,875,200	1,740,431
Massachusetts	1,213,467	1,442,391	1,338,727
Michigan	33,919,994	40,319,085	37,421,389
Minnesota	54,076,046	64,277,626	59,658,052
Mississippi	13,787,857	16,388,970	15,211,110
Missouri	16,954,597	20,153,124	18,704,737
Montana	13,018,736	15,474,753	14,362,596
Nebraska	43,496,587	51,702,326	47,986,527
Nevada	1,331,497	1,582,687	1,468,941
New Hampshire	786,864	935,307	868,088
New Jersey	1,555,984	1,849,525	1,716,601
New Mexico	5,169,386	6,144,603	5,702,996
New York	18,103,264	21,518,489	19,971,975
North Carolina	13,749,285	16,343,121	15,168,556
North Dakota	66,189,889	78,695,775	73,022,347
Ohio	19,008,157	22,594,093	20,970,276
Oklahoma	42,222,948	50,188,412	46,581,417
Oregon	16,336,678	19,418,632	18,023,033
Pennsylvania	10,637,316	12,644,072	11,735,354
Rhode Island	23,143	27,509	25,532
South Carolina	6,812,542	8,097,745	7,515,767
South Dakota	29,973,333	35,627,876	33,067,333
Tennessee	10,771,546	12,803,625	11,883,440
Texas	54,562,822	64,856,233	60,195,075
Utah	4,025,347	4,784,739	4,440,864
Vermont	5,444,016	6,471,044	6,005,975
Virginia	2,682,279	3,188,298	2,959,158
Washington	26,239,588	31,189,751	28,948,172
West Virginia	1,121,666	1,333,272	1,237,451
Wisconsin	62,763,946	74,604,520	69,242,761
Wyoming	2,294,248	2,727,063	2,531,071
District of Columbia	0	0	0
Puerto Rico	77,143	91,697	85,107
Other Countries	0	0	0
Undistributed	0	0	0
Total Available or Estimate	917,645,000	1,090,780,000	1,012,369,000

AGRICULTURAL CREDIT INSURANCE FUND
EMERGENCY LOAN PROGRAM
Geographic Breakdown of Obligations
2007 Actual and Estimated 2008 and 2009

	2007 Actual	2008 Estimated*	2009 Estimated*
Alabama	\$645,981	0	0
Alaska	0	0	0
Arizona	0	0	0
Arkansas	3,207,733	0	0
California	2,004,455	0	0
Colorado	1,243,589	0	0
Connecticut	7,054	0	0
Delaware	0	0	0
Florida	748,773	0	0
Georgia	1,840,189	0	0
Hawaii	173,337	0	0
Idaho	0	0	0
Illinois	0	0	0
Indiana	0	0	0
Iowa	374,891	0	0
Kansas ^{1/}	3,581,616	0	0
Kentucky	2,016	0	0
Louisiana	1,190,177	0	0
Maine	173,337	0	0
Maryland	0	0	0
Massachusetts	706,447	0	0
Michigan	1,462,275	0	0
Minnesota	799,162	0	0
Mississippi	1,908,717	0	0
Missouri	433,341	0	0
Montana	2,099,186	0	0
Nebraska	561,328	0	0
Nevada	0	0	0
New Hampshire	422,256	0	0
New Jersey	1,204,286	0	0
New Mexico	916,063	0	0
New York	3,533,243	0	0
North Carolina	503,885	0	0
North Dakota	6,619,036	0	0
Ohio	10,078	0	0
Oklahoma	2,275,546	0	0
Oregon	211,632	0	0
Pennsylvania	82,637	0	0
Rhode Island	0	0	0
South Carolina	62,482	0	0
South Dakota	6,478,956	0	0
Tennessee	654,043	0	0
Texas	6,783,303	0	0
Utah	151,166	0	0
Vermont	19,109,344	0	0
Virginia	462,567	0	0
Washington	1,390,723	0	0
West Virginia	0	0	0
Wisconsin	883,815	0	0
Wyoming	562,336	0	0
District of Columbia	0	0	0
Puerto Rico	0	0	0
Other Countries	0	0	0
Undistributed	0	46,056,000	0
Total Available or	<u>75,481,000</u>	<u>46,056,000</u>	<u>0</u>

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

1/ FY 2007 obligations include \$582,000 from the Emergency Supplemental, P.L. 110-28. The remaining \$2 million will be obligated in FY 2008.

AGRICULTURAL CREDIT INSURANCE FUND
 BOLL WEEVIL ERADICATION AND INDIAN LAND ACQUISITION LOAN PROGRAMS
 Geographic Breakdown of Obligations
 2007 Actual and Estimated 2008 and 2009

BOLL WEEVIL ERADICATION LOAN PROGRAM

	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>2009 Estimated</u>
Texas	\$6,000,000		
Undistributed	0	\$100,000,000	\$59,400,000
Total Available or Estimate	<u>6,000,000</u>	<u>100,000,000</u>	<u>59,400,000</u>

INDIAN LAND ACQUISITION LOAN PROGRAM

	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>2009 Estimated</u>
Undistributed	0	\$3,940,000	\$3,975,000
Total Available or Estimate	<u>0</u>	<u>3,940,000</u>	<u>3,975,000</u>

FARM SERVICE AGENCY
Agricultural Credit Insurance Fund

Classification by Objects
2007 Actual and Estimated 2008 and 2009

Object Class	<u>2007</u>	<u>2008</u>	<u>2009</u>
25.3 Purchases of goods and services	\$311,229,000	\$309,050,000	\$333,013,000
41.0 Grants, subsidies and contributions	147,508,000	155,714,000	154,031,000
99.0 Total Obligations	<u>458,737,000</u>	<u>464,764,000</u>	<u>487,044,000</u>

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 35 percent of direct farm operating loan funding must be reserved for qualified beginning farmers and ranchers during the first 9 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.

FSA implemented a web based system for the tracking of applications and obligation of loans. The Direct Loan System (DLS) replaces the loan making components of other automated systems. A loan servicing DLS module is currently under development.

FSA successfully completed its comprehensive project to streamline all farm loan program regulations, handbooks, and information collections. This undertaking was one of the most aggressive efforts to enhance both the direct and guaranteed programs in the farm loan programs' 60-year history. This initiative will reduce the burden for both applicants and the Agency, resulting in an improvement in loan processing efficiencies.

The following table reflects FY 2007 ACIF program activity:

FY 2007 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	17,566	\$984,356
Guaranteed Loans	<u>9,347</u>	<u>2,154,945</u>
Totals	<u>26,913</u>	<u>3,139,301</u>

Selected Examples of Recent Progress: Direct and guaranteed loan programs provided assistance totaling \$918 million to beginning farmers during FY 2007. Loans for socially disadvantaged farmers totaled \$297 million, of which \$156 million was in the farm ownership program, and \$141 million in the farm operating program.

Lending to beginning farmers was well above target during FY 2007, especially in the direct farm ownership program, which demonstrated a 9 percent increase compared to FY 2006. Lending to beginning farmers in the guaranteed ownership program also increased dramatically, an increase of 7 percent as compared to FY 2006. Overall, lending to beginning farmers was 3 percent above the FY 2006 levels.

PART Program Assessments

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.

Agricultural Credit Insurance Fund – Guaranteed Loans. The 2003 PART review determined that the program is moderately effective as the program earned an overall score of 80%, and 100% for program purpose, design, and management. The assessment concluded that the program serves a clear need. The agency has improved administrative efficiencies, is comparatively cost-effective with low subsidy rates, and the delivery mechanism is consistent with program objectives. However, improvements to performance measures are still needed to demonstrate how the program is improving the economic viability of farmers and ranchers. Even though the assessment agreed in principle that a low loss rate on guaranteed loans is a substitute indicator for the financial viability of borrowers, it also stated there is no measure that indicates whether the program is providing adequate coverage of the intended market or whether there are any unmet needs. Additionally there is no method to assess the effectiveness of outreach or targeting efforts. In response to the 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 – minorities, women, and beginning farmers. FSA is currently evaluating the feasibility of obtaining a similar independent review of the guaranteed loan program as was done with the direct loan program. FSA continues to address PART recommendations and associated milestones. FSA will complete an updated PART for guaranteed farm loans during FY 2008.

FARM SERVICE AGENCY

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

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), [~~\$4,400,000~~] \$4,000,000.

STATE MEDIATION GRANTS

Appropriations Act, 2008.....	\$4,400,000
Budget Estimate, 2009	<u>4,000,000</u>
Decrease in Appropriations.....	<u>-400,000</u>
Adjustments in 2008:	
Appropriations Act, 2008	4,400,000
Rescission under P.L. 110-161 a/	<u>-31,000</u>
Adjusted base for 2008.....	4,369,000
Budget Estimate, 2009	<u>4,000,000</u>
Decrease from adjusted 2008	<u>-369,000</u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
State Mediation Grants.....	<u>\$4,369,000</u>	<u>-369,000</u>	<u>\$4,000,000</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

<u>Project</u>	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>Decrease</u>	<u>2009 Estimated</u>
State mediation grants	\$4,207,500	\$4,369,000	-369,000 (1)	\$4,000,000
Rescission	--	31,000		
Total Appropriation.....	4,207,500	4,400,000		

PROJECT STATEMENT

(On basis of available funds)

<u>Project</u>	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>Increase or Decrease</u>	<u>2009 Estimated</u>
State mediation grants	\$4,574,423	\$4,482,039	-\$482,039	\$4,000,000
Unobligated balance brought forward from prior years.....	-479,962	-113,039	113,039	--
Unobligated balance carried forward to next year.....	113,039	--	--	--
Total Available or Estimate.....	4,207,500	4,369,000	-369,000	4,000,000
Rescission	--	31,000		
Total Appropriation.....	4,207,500	4,400,000		

Justification of Decrease

- (1) A decrease of \$369,000 for State Mediation Grants (\$4,369,000 available for in 2008):

The proposed decrease will not significantly impact the activities of the program.

In FY 2007, 34 States received grants pro rated at 71 percent of their initial request. States budgeted over \$2.4 million in matching funds for the program. In fiscal year 2008, 34 to 36 States are expected to receive grants. In fiscal year 2007, grants to States ranged from \$6,000 to \$491,416, and in fiscal year 2008 grants are expected to range from about \$5,828 to \$336,680.

The following table shows the geographic breakdown of obligations for fiscal years 2007 – 2009.

State Mediation Program
 Geographic Breakdown of Obligations
 2007 Actual and Estimated 2008 and 2009

State	2007 Actual	2008 Estimated	2009 Estimated
Alabama	\$184,678	\$135,355	\$135,355
Arizona	170,513	98,597	98,597
Arkansas	101,500	62,752	62,752
California	83,898	60,340	60,340
Colorado	48,423	41,723	41,723
Florida	73,874	48,358	48,358
Illinois	84,470	66,372	66,372
Indiana	172,377	98,159	98,159
Iowa	315,419	265,020	265,020
Kansas	420,903	336,680	336,680
Louisiana	198,000	146,485	146,485
Maine	62,205	31,175	31,175
Maryland	75,355	82,139	82,139
Massachusetts	138,767	115,282	115,282
Michigan	134,375	85,408	85,408
Minnesota	491,416	334,676	334,676
Missouri	40,162	31,225	31,225
Nebraska	123,406	121,492	121,492
Nevada	34,468	15,421	15,421
New Jersey	17,545	5,828	5,828
New Mexico	28,978	40,706	40,706
New York	287,934	255,234	255,234
North Carolina	6,000	52,780	52,780
North Dakota	213,249	218,450	218,450
Oklahoma	83,947	219,451	219,451
Rhode Island	77,668	65,305	65,305
South Dakota	71,152	88,663	88,663
Texas	261,743	231,846	231,846
Utah	8,000	10,032	10,032
Vermont	100,000	100,000	100,000
Virginia	35,581	139,828	139,828
Washington	83,650	50,451	50,451
Wisconsin	237,844	175,550	175,550
Wyoming	106,923	69,217	69,217
Undistributed	0	582,039	100,000
Total, Available or Estimate	4,574,423 1/	4,482,039 1/	4,000,000

1/ Includes unobligated balance from FY 1990 and FY 1991.

FARM SERVICE AGENCY
State Mediation Grants

Classification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>Object Class</u>	<u>2007</u> <u>1/</u>	<u>2008</u> <u>1/</u>	<u>2009</u>
41.0	Grants, subsidies, and contributions	\$4,574,423	\$4,482,039	\$4,000,000
	Total direct obligations	<u>4,574,423</u>	<u>4,482,039</u>	<u>4,000,000</u>

1/ Includes unobligated balance from FY 1990 and FY 1991.

STATE MEDIATION GRANTS**STATUS OF PROGRAM**

Current Activities: During FY 2007:

- Grants were made to 34 States. Two additional States are expected to become certified in FY 2008. Idaho had been certified but withdrew from the program and is now interested in participating again.
- States contributed over \$2.4 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 2006</u>	<u>FY 2007</u>
Number of cases mediated	7,093	6,404
Number of cases resolved	5,249	2938
Percentage of cases resolved*	74%	61%
Average cost per case	\$718	\$750

*Target was 75 percent.

Selected Example of Recent Progress:

The Vermont Agricultural Mediation Program (VTAMP) is a new participant in the State Mediation Program, as of April 2007. Since then, VTAMP has created an effective outreach campaign, provided mediation training to all the Federal and State agricultural agencies and many agricultural organizations, and resolved several agricultural disputes in the State. VTAMP has developed promotional brochures and a website to ensure that the agricultural community in Vermont can easily access information about the program's services. VTAMP has distributed nearly 3,000 brochures to Federal and State agricultural agency personnel, non-governmental agricultural organizations, lending institutions, dairy farm cooperatives, and farmers in Vermont.

The following table shows allocations and outlays by State for FY 2007.

State Mediation Grants
Grants and Outlays by State
Fiscal Year 2007

State	Grants <u>a/</u>	Outlays <u>b/</u>
Alabama	\$184,678	\$159,484
Arizona	170,513	29,125
Arkansas	101,500	66,645
California	83,898	84,918
Colorado	48,423	48,423
Florida	73,874	46,887
Illinois	84,470	45,522
Indiana	172,377	172,377
Iowa	315,419	312,000
Kansas	420,903	462,838
Louisiana	198,000	43,020
Maine	62,205	62,205
Maryland	75,355	77,434
Massachusetts	138,767	147,637
Michigan	134,375	68,885
Minnesota	491,416	605,959
Missouri	40,162	40,162
Nebraska	123,406	136,769
Nevada	34,468	21,400
New Jersey	17,545	31,709
New Mexico	28,978	59,188
New York	287,934	287,934
North Carolina	6,000	59,436
North Dakota	213,249	149,022
Okalahoma	83,947	176,899
Rhode Island	77,668	86,277
South Dakota	71,152	55,360
Texas	261,743	188,574
Utah	8,000	25,195
Vermont	100,000	70,000
Virginia	35,581	94,430
Washington	83,650	83,650
Wisconsin	237,844	213,899
Wyoming	106,923	57,094
Total	\$4,574,423	\$4,270,357

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

b/ Includes outlays from prior year obligations.

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, \$100,000, 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, 2008.....	\$100,000
Budget Estimate, 2009	<u>100,000</u>
Change in Appropriation.....	<u>-----</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Indemnity payments to dairy farmers and manufacturers	<u>\$100,000</u>	<u>--</u>	<u>\$100,000</u>

PROJECT STATEMENT
(On basis of appropriation)

Project	2007 Actual	2008 Estimated	Increase or Decrease	2009 Estimated
Indemnity payments to dairy farmers and manufacturers	\$100,000	\$100,000	--	\$100,000
Total appropriation.....	100,000	100,000	--	100,000

PROJECT STATEMENT
(On basis of available funds)

Project	2007 Actual	2008 Estimated	Increase or Decrease	2009 Estimated
Indemnity payments to dairy farmers and manufacturers	\$181,329	\$151,776	-\$51,776	\$100,000
Unobligated balance brought forward from prior years	-233,105	-151,776	+51,776	-100,000
Unobligated balance carried forward to next year	151,776	100,000	--	100,000
Total appropriation.....	100,000	100,000	--	100,000

Justification

The amount of claims varies considerably from year to year, depending upon the nature and extent of problems encountered. It is therefore impossible to predict with any degree of accuracy what program needs will be in a given year. The FY 2009 requested level of \$100,000 together with any carryover from FY 2008 would provide sufficient funding for emergency indemnification during a year when no major contamination problems occur.

The carryover balances have gradually been drawn down over the years to \$151,776 at the end of FY 2007, making the annual appropriation essential to continuing this program. Based on the history of the last 5

years, when annual claims averaged \$331,496, this carryover would no longer provide a sizable operating margin in the event of a serious contamination incident. Claims related to a single contamination incident have run as high as \$9 million, when pesticide-contaminated feed reached dairy herds in several States during 1986-87.

The following table shows the geographic breakdown of obligations for fiscal years 2007-2009

Dairy Indemnity Program
Geographic Breakdown of Obligations
2007 Actual and Estimated 2008 and 2009

State	2007 Actual	2008 Estimated	2009 Estimated
Arkansas	\$4,140	--	--
Illinois	6,474	--	--
Iowa	2,504	--	--
Kansas	1,226	--	--
Mississippi	--	\$29,293	--
Missouri	561	10,656	--
Texas	166,424	71,731	--
Undistributed	--	40,096	\$100,000
TOTAL	\$181,329	\$151,776	\$100,000

FARM SERVICE AGENCY
Dairy Indemnity ProgramClassification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>Object Class</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
41.0	Grants, subsidies, and contributions	\$181,329	\$151,776	\$100,000
	Total direct obligations	<u>181,329</u>	<u>151,776</u>	<u>100,000</u>

DAIRY INDEMNITY PROGRAM**STATUS OF PROGRAM**

Current Activities: During FY 2007, 21 dairy farmers in 6 States filed claims totaling \$200,469 under the Dairy Indemnity Program. The claims resulted from losses incurred mostly from aflatoxin discovered in their cattle's milk. A total of \$181,329 was paid in FY 2007. Texas received an allocation of \$19,140 at the end of September, which will be paid during FY 2008.

Payments to dairy farmers since the program's inception in FY 1965 total \$19.8 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) allocations and outlays by State during FY 2007 and (b) payments and number of payees during fiscal years 1965 through 2007.

Dairy Indemnity Program
Allocations and Outlays by State
Fiscal Year 2007

State	Allocations	Outlays
Arkansas	\$4,140	\$4,140
Illinois	6,474	6,474
Iowa	2,504	2,504
Kansas	1,226	1,226
Missouri	561	561
Texas	185,564	166,424
TOTAL	\$200,469	\$181,329

Dairy Indemnity Program
Payments and Number of Payees
Fiscal Years 1965-2007

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
Total	\$19,796,158	\$3,911,439	\$23,707,597	1,413

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.

EMERGENCY CONSERVATION PROGRAM

Appropriations Act, 2008.....	--
Budget Estimate, 2009	--
Change in Appropriation.....	--

SUMMARY OF INCREASES AND DECREASES

(On basis of appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Emergency cost-sharing to farmers	==	==	==

PROJECT STATEMENT

(On basis of appropriation)

Project	2007 Actual	2008 Estimated	Change	2009 Estimated
Emergency cost-sharing to farmers	\$16,200,000	--	--	--
Technical assistance.....	1,800,000	--	--	--
Total appropriation	18,000,000	--	--	--

PROJECT STATEMENT

(On basis of available funds)

Project	2007 Actual	2008 Estimated	Increase or Decrease	2009 Estimated
Emergency cost-sharing to farmers	\$37,406,001	\$74,700,000	-\$51,300,000	\$23,400,000
Technical assistance	1,252,023	8,300,000	-5,700,000	2,600,000
Total available or estimate	38,658,024	83,000,000	-57,000,000	26,000,000
Unobligated balance brought forward from prior years.....	-149,726,915	-129,068,891	+83,000,000	-46,068,891
Unobligated balance carried forward to next year.....	129,068,891	46,068,891	-26,000,000	20,068,891
Total appropriation.....	18,000,000	--	--	--

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, provided \$16 million in supplemental funding to repair damage for the cleanup and restoration of farm and agricultural production throughout the States. An additional \$2 million was provided by Title V for the State of Kansas to assist eligible agricultural producers to repair land damaged by tornados during the spring of 2007. Funding will remain available until expended.

The following tables show (a) outlays by type of disaster for fiscal year 2007 and (b) geographic breakdown of obligations for fiscal years 2007-2009.

Emergency Conservation Program
Outlays by Type of Disaster
Fiscal Year 2007

STATE	Drought	Flood	Hurricane	Tornado	All Other	Technical Assistance	Total
Alabama			\$2,558,597	\$96,322		\$21,478	\$2,676,397
Arizona	\$35,069	\$72,490					107,559
Arkansas	490,208			299,848	\$65,202	\$62,245	917,503
California		1,667,449			970,188	24,108	2,661,745
Colorado	170,697	46,530			209,582		426,809
Connecticut		5,502					5,502
Florida			17,595,872			5,170	17,601,042
Georgia	177,170	14,138	-35,739	150,251	5,692	92,882	404,394
Hawaii		489,801			46,150		535,951
Illinois	40,099	10,896					50,995
Indiana		1,622		76,195			77,817
Iowa		-1,096		-9			-1,105
Kansas		44,486					44,486
Kentucky	5,057			228,085			233,142
Louisiana			5,453,384				5,453,384
Maine		137,994					137,994
Maryland				595			595
Massachusetts		36,696					36,696
Michigan					76,699		76,699
Minnesota		23,679		6,206			29,885
Mississippi	152,863		14,691,363				14,844,226
Missouri	1,669,151	29,820		707,307	1,071,540	82,660	3,560,478
Montana	490,005	15,609			249,775	1,180	756,569
Nebraska	121,795				32,889	4,960	159,644
Nevada		305,965			42,166	6,710	354,841
New Hampshire		153,329				3,611	156,940
New Jersey		232,372				26,584	258,956
New Mexico	72,029	360,517			98,915		531,461
New York		1,233,611					1,233,611
North Carolina		10,160	3,626				13,786
North Dakota	143,843						143,843
Ohio	8,437	13,803				34,016	56,256
Oklahoma	1,688,376	1,854		217,463	647,819	386,183	2,941,695
Oregon	-882	95,379			3,520		98,017
Pennsylvania	1,303	1,074,235				30,932	1,106,470
Puerto rico			-22,869				-22,869
Rhode Island		6,000					6,000
South Dakota	3,859,199			19,207		346,190	4,224,596
Tennessee	246,938			1,806,844		77,426	2,131,208
Texas	6,554		4,125,561		2,485,670		6,617,785
Utah	115,473	88,861				33,450	237,784
Vermont		46,087			900	2,888	49,875
Virginia	2,042	3,300					5,342
Washington		41,873			233,116	6,238	281,227
West Virginia		12,690	24,342				37,032
Wyoming	611,676	2,852			67,786	3,112	685,426
Prompt Payment	-5,094		-3,658		3,658		-5,094
Undistributed							223,223
Total	10,102,008	6,278,504	44,390,479	3,608,314	6,311,267	1,252,023	72,165,818

The "All Other" column includes disasters such as hail, ice, severe storms, high winds, landslides, typhoon, and wildfires.

Emergency Conservation Program
Geographic Breakdown of Obligations
2007 Actual and Estimated 2008 and 2009

STATE	2007 Actual	2008 Estimated	2009 Estimated
Alabama	\$1,000,266	\$8,842,225	0
Arizona	186,611	1,050,340	0
Arkansas	145,466	1,443,906	0
California	296,488	9,680,993	0
Colorado	462,576	52,288	0
Connecticut	79,283	50,043	0
Florida	17,756,465	18,447,925	0
Georgia	1,655,530	2,461,929	0
Guam	0	-7,699	0
Hawaii	-6,092	474,837	0
Idaho	0	343,607	0
Illinois	-11,997	-190,862	0
Indiana	70,402	202,492	0
Iowa	-1,096	2,706,156	0
Kansas	-16,890	1,298,674	0
Kentucky	-77,687	256,678	0
Louisiana	387,123	15,750,444	0
Maine	60,704	429,901	0
Maryland	595	134,668	0
Massachusetts	11,898	135,022	0
Michigan	79,372	208,172	0
Minnesota	-60,847	206,373	0
Mississippi	3,512,013	29,509,083	0
Missouri	2,858,874	4,868,280	0
Montana	1,530,103	1,062,880	0
Nebraska	345,938	778,418	0
Nevada	305,772	670,388	0
New Hampshire	-14,060	255,183	0
New Jersey	-14,836	517,645	0
New Mexico	599,081	1,754,712	0
New York	1,541,734	1,685,052	0
North Carolina	-249,410	2,923,288	0
North Dakota	100,458	187,647	0
Ohio	43,965	820,292	0
Oklahoma	2,629,958	3,290,189	0
Oregon	166,267	349,450	0
Pennsylvania	1,160,344	849,893	0
Puerto Rico	6,820	93,180	0
Rhode Island	6,000	-9,382	0
South Dakota	1,253,706	1,317,248	0
Tennessee	1,162,091	1,710,651	0
Texas	-2,014,464	13,460,390	0
Utah	186,907	398,922	0
Vermont	67,677	66,296	0
Virginia	123	742,406	0
Washington	1,033,924	403,449	0
West Virginia	-53,308	439,126	0
Wyoming	1,077,634	893,260	0
Undistributed	-1,855,480	-58,316,058	\$23,400,000
FSA, Subtotal	37,406,001	74,700,000	23,400,000
NRCS, Technical Assistance	1,252,023	8,300,000	2,600,000
Total, Available or Estimate	38,658,024	83,000,000	26,000,000

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

FARM SERVICE AGENCY
Emergency Conservation Program

Classification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>Object Class</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
25.1	Advisory and assistance services	\$1,252,023	\$8,300,000	\$2,600,000
41.0	Grants, subsidies, and contributions	37,406,001	74,700,000	23,400,000
99.0	Total direct obligations	<u>38,658,024</u>	<u>83,000,000</u>	<u>26,000,000</u>

EMERGENCY CONSERVATION PROGRAM**STATUS OF PROGRAM**

Current Activities: During FY 2007, 41 States participated in the program, involving an estimated 11,963,692 acres and approximately \$72,165,818 in cost-share and technical assistance outlays.

Selected Examples of Recent Activity: ECP funds totaling \$45,400,948 were allocated for the following activities in FY 2007:

Disaster	Number of States	Allocation
Drought	19	\$11,362,700
Flood	23	11,917,800
Hurricane	1	17,500
Tornado	9	4,001,900
All other (includes earthquakes, freeze, ice storms, severe storms, high winds, landslides, and wildfires)	17	17,863,814
Payment for an environmental impact statement		200,000
Adjustments for errors, appeals, and application omissions	2	37,234
TOTAL		\$45,400,948

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 2007 and (b) FY 2007 allocations by State.

Emergency Conservation Program
Appropriations and Outlays
Fiscal Years 1981-2007

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
TOTAL	\$927,447,070	\$751,225,872

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.

**EMERGENCY CONSERVATION PROGRAM
FY 2007 Allocations by State**

State	Disaster	Total Allocations
Alabama	Drought/Hurricanes/Tornado	\$2,503,800
Arizona	Drought/Flood	1,075,000
Arkansas	Drought/Ice Storm	780,000
California	Freeze/High Winds	5,150,000
Colorado	Drought/ Flood/Ice Storm/Landslide/Wildfire	544,118
Connecticut	Flood	11,000
Georgia	Drought/High Winds/Tornado	3,932,800
Hawaii	Earthquake/Flood	1,948,000
Idaho	High Winds	694,000
Illinois	Adjustment	12,892
Iowa	Flood	1,413,300
Kentucky	Tornado	4,300
Louisiana	Adjustment	20,500
Maine	Flood/High Winds	344,000
Maryland	Flood	156,000
Massachusetts	Flood	24,000
Michigan	High Winds	82,800
Minnesota	Tornado	56,000
Mississippi	Drought/Tornado	1,702,100
Missouri	Drought/Flood/Ice Storm/Tornado	6,922,813
Montana	Drought/Flood/Tornado/Wildfire	905,200
Nebraska	Flood	643,800
Nevada	Flood/Wildfire	352,000
New Hampshire	Flood/High Winds	77,000
New Jersey	Flood	450,000
New Mexico	Flood	1,633,400
New York	Flood	819,600
North Dakota	Drought	100,000
Ohio	Drouhgt/Flood	703,000
Oklahoma	Drought/Flood/Ice Storm/Tornado	4,251,500
Oregon	Drought/Flood/Wildfire	419,000
Pennsylvania	Flood	32,800
South Dakota	Drought/Flood/Tornado	1,547,000
Tennessee	Drought/High Winds/Tornado	1,922,083
Texas	Drouhgt/Flood	1,581,800
Utah	Drouhgt/Flood	506,900
Vermont	High Winds	16,600
Virginia	Drought	176,500
Washington	Flood/Landslide/Wildfire	1,406,500
West Virginia	Adjustment	24,342
Wyoming	Drought/Flood	254,500
Env. Impact Statement		200,000
Total		\$45,400,948

FARM SERVICE AGENCY

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

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), \$3,713,000, to remain available until expended.]

The change deletes the appropriation language for the Grassroots Source Water Protection Program since no funds are requested for fiscal year 2009.

GRASSROOTS SOURCE WATER PROTECTION PROGRAM

Appropriations Act, 2008.....	\$3,713,000
Budget Estimate, 2009	<u> --</u>
Decrease in Appropriations.....	<u><u>-\$3,713,000</u></u>
Adjustments in 2008:	
Appropriations Act, 2008	3,713,000
Rescission under P.L. 110-161 a/	<u> -26,000</u>
Adjusted base for 2008.....	3,687,000
Budget Estimate, 2009	<u> --</u>
Decrease from adjusted 2008	<u><u>-3,687,000</u></u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	2008 <u>Estimated</u>	Program <u>Changes</u>	2009 <u>Estimated</u>
Payments to State Rural Water Associations.....	<u>\$3,687,000</u>	<u>-\$3,687,000</u>	<u> --</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	2007 Actual	2008 Estimated	Change	2009 Estimated
Payments to State Rural Water Associations.....	\$3,712,500	\$3,687,000	-\$3,687,000 (1)	--
Rescission	--	26,000		
Total appropriation.....	3,712,500	3,713,000		

Justification of Decrease

(1) A decrease of \$3,687,000 for Grassroots Source Water Protection Program (\$3,687,000 available in 2008):

The FY 2009 budget proposes no funding for this program.

FARM SERVICE AGENCY
Grassroots Source Water Protection Program

Classification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>Object Class</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
41.0	Grants, subsidies, and contributions	\$3,712,500	\$3,687,000	0
	Total direct obligations	<u>3,712,500</u>	<u>3,687,000</u>	<u>0</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 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 2007, \$3.7 million was provided by P.L. 110-5, the Revised Continuing Appropriations Resolution, 2007. The 37 States participating in the GSWPP were chosen based on objective technical criteria relating to water quality and population. Thirty-three States received \$91,837 each, two States received \$45,919 each, and one State received \$48,018 to operate the program; \$37,125 was transferred to the FSA Salaries and Expense account for administrative expenses associated with the implementation of the program. The remaining \$321,217 was used for administrative costs to operate the program.

The program was implemented in the following States: Alabama, Alaska, Arizona, Arkansas, Colorado, 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, Rhode Island, South Carolina, Texas, Utah, Vermont, Washington, and Wisconsin.

USDA DISASTER ASSISTANCE

Appropriations Act, 2008.....	\$602,000,000
Budget Estimate, 2009	==
Decrease in Appropriation	<u>-602,000,000</u>

SUMMARY OF INCREASES AND DECREASES
(On basis of appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Payments to farmers and ranchers for losses because of natural disasters.....	<u>602,000,000</u>	<u>-602,000,000</u>	==

PROJECT STATEMENT
(On basis of appropriation)

Project	2007 Actual	2008 Estimated	Decrease	2009 Estimated
Payments to farmers and ranchers for losses because of natural disasters.....	\$2,800,000,000	\$602,000,000	-\$602,000,000 (1)	--
Total appropriation	2,800,000,000	602,000,000	-602,000,000	--

PROJECT STATEMENT
(On basis of available funds)

Project	2007 Actual	2008 Estimated	Increase or Decrease	2009 Estimated
Payments to farmers and ranchers for losses because of natural disasters.....	--	\$3,402,000,000	-\$3,402,000,000	--
Unobligated balance brought forward from prior years.....	--	-2,800,000,000	+2,800,000,000	--
Unobligated balance carried forward to next year	\$2,800,000,000	--	--	--
Total appropriation.....	2,800,000,000	602,000,000	-602,000,000	--

Justification of Decrease

- (1) A decrease of \$602,000,000 for USDA Disaster Assistance (\$602,000,000 available in 2008):

The budget does not propose funding for disaster assistance.

FY 2007 funding of \$2.8 billion was provided through Title IX – Agricultural Assistance, of Public Law (P.L.) 110-28, the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, which was signed May 25, 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. Funding is available until expended and is provided in response to natural disasters after they occur, with no forecast of budget year estimated needs.

For losses incurred during the period January 1, 2005, through December 31, 2007, assistance includes:

- Crop Disaster Assistance under Sec. 9001 for quantity and quality losses from natural disasters for producers who were covered for the years of loss by either crop insurance or the Non-insured Crop Disaster Assistance Program;
- Livestock Assistance under Sec. 9002 for compensation of feed losses and indemnity from livestock losses; and
- Dairy Assistance under Sec. 9007 for dairy production losses.

The proposed decrease will not adversely impact the program's capacity for responding to natural disasters.

FARM SERVICE AGENCY
USDA Disaster AssistanceClassification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>Object Class</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
41.0	Grants, subsidies, and contributions	0	\$3,402,000,000	0
	Total direct obligations	<u>0</u>	<u>3,402,000,000</u>	<u>0</u>

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 CCC. Funding will remain available until expended.

No outlays occurred during FY 2007.

Selected Examples of Recent Activity: The following table shows initial funding by program.

USDA Disaster Assistance Program
Funding by Programs
Fiscal Year 2007

Programs	Allocations
Crop Disaster Assistance - 2007	\$1,552,000,000
Livestock Compensation Program - 2007	1,203,000,000
Livestock Indemnity Payments - 2007	29,000,000
Dairy Assistance	16,000,000
TOTAL	\$2,800,000,000

FARM SERVICE AGENCY

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

Reforestation Pilot Program

[Sec. 742. There is hereby appropriated \$800,000 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 2009 Budget proposes no funding for this program.

REFORESTATION PILOT PROGRAM

Appropriations Act, 2008	\$800,000
Budget Estimate, 2009	--
Decrease in Appropriation	<u>-800,000</u>

Adjustments in 2008:

Appropriations Act, 2008	\$800,000
Rescission under P.L. 110-161 a/	<u>-5,600</u>
Adjusted base for 2008	794,400
Budget Estimate, 2009	--
Decrease from adjusted 2008	<u>-794,400</u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752 of P.L. 110-161.

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2008 Estimated</u>	<u>Program Changes</u>	<u>2009 Estimated</u>
Reforestation of lands on the coast of the Gulf of Mexico damaged by Hurricane Katrina.....	<u>\$794,400</u>	<u>-\$794,400</u>	<u>--</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

<u>Project</u>	<u>2007 Actual</u>	<u>2008 Estimated</u>	<u>Change</u>	<u>2009 Estimated</u>
Reforestation of lands on the coast of the Gulf of Mexico damaged by Hurricane Katrina.....	--	\$794,400	-\$794,400 (1)	--
Total Available or Estimate.....	--	794,400	-794,400	--
Rescission.....	--	5,600		
Total Appropriation.....	--	800,000		

Justification of Decrease

(1) A decrease of \$794,400 for the Reforestation Pilot Program (\$794,400 available in 2008):

The 2009 Budget proposes no funding for this 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. Those 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.

FARM SERVICE AGENCY
Reforestation Pilot ProgramClassification by Objects
2007 Actual and Estimated 2008 and 2009

	<u>Object Class</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
41.0	Grants, subsidies, and contributions	0	\$794,400	0
	Total direct obligations	<u>0</u>	<u>794,400</u>	<u>0</u>

AGRICULTURAL CONSERVATION PROGRAM

Appropriations Act, 2008.....	-
Budget Estimate, 2009	-
Change	-

PROJECT STATEMENT

(On basis of available funds)

Project	2007 Actual	2008 Estimated	Increase or Decrease	2009 Estimated
Unobligated balance brought forward from prior years	-\$98,496	-\$22,739	-	-\$22,739
Recoveries of prior year obligations	-6,779	-	-	-
Unobligated balance transferred to other accounts.....	25,000	-	-	-
Direct obligations incurred.....	57,536	-	-	-
Unobligated balance carried forward to next year	22,739	22,739	-	22,739
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 remaining funds of \$22,739 are available only for valid prior years' obligation adjustments. No additional obligations will be made for the program.

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 2007, \$25,000 in unobligated funds were transferred to the USDA Working Capital Fund as authorized by section 705 of P.L. 109-97, and P.L. 110-5, the Revised Continuing Appropriations Resolution, 2007. Outlays to States in 2007 totaled \$50,756.65.

CONSERVATION RESERVE PROGRAM

Appropriations Act, 2008	-
Budget Estimate, 2009	-
Change.....	-

PROJECT STATEMENT
(On basis of available funds)

Project	2007 Actual	2008 Estimated	Increase or Decrease	2009 Estimated
Unobligated balance brought forward from prior years	-\$293,322	-\$295,946	-	-\$295,946
Recoveries of prior year obligations	-2,624	-	-	-
Unobligated balance carried forward to next year	295,946	295,946	-	295,946
Total available or estimate	-	-	-	-

This program information is associated with the appropriated Conservation Reserve Program and depicts the use of unobligated balances of CRP appropriated funds. Program information for the CCC-financed CRP is shown under the Commodity Credit Corporation elsewhere in these 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 2007 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 2007.

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 for carrying out the administration and implementation of programs administered by the Farm Service Agency, [~~\$1,134,045,000~~] \$1,188,580,000: 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[: Provided further, That none of the funds made available by this Act may be used to pay the salary or expenses of any officer or employee of the Department of Agriculture to close or relocate any county or field office of the Farm Service Agency (other than a county or field office that had zero employees as of February 7, 2007), or to develop, submit, consider, or approve any plan for any such closure or relocation before enactment of an omnibus authorization law to provide for the continuation of agricultural programs for fiscal years after 2007].

This change deletes language that is no longer needed.

FARM SERVICE AGENCY

Lead-Off Tabular Statement

SALARIES AND EXPENSES

Appropriations Act, 2008.....	\$1,440,377,000
Budget Estimate, 2009.....	<u>1,521,526,000</u>
Increase in Appropriation.....	+ <u>81,149,000</u>

Adjustments in 2008:

Appropriations Act, 2008.....	\$1,440,377,000
Rescission under P.L. 110-161 a/.....	-10,083,000
Activities transferred to the Office of Ethics (OE) b/.....	<u>-402,000</u>

Adjusted base for 2008.....	1,429,892,000
Budget Estimate, 2009.....	<u>1,521,526,000</u>
Increase over adjusted 2008.....	+ <u>91,634,000</u>

a/ The amount is rescinded pursuant to Division A, Title VII, Section 752, of P.L. 110-161.

b/ Pursuant to the incidental transfer agreement, effective November 1, 2007, and the authority granted in the Reorganization Plan No. 2 of 1953, as amended, and set out as a note at 7 U.S.C. 2201, FSA transferred \$402,000 of the funds provided by the Direct Appropriation Account administrative expenses, and 3 full-time positions to OE.

FARM SERVICE AGENCY

SUMMARY OF INCREASES AND DECREASES

Item of Change	2008		Program Changes	2009		
	Estimated	Pay Costs		Estimated		
Farm Loans.....	\$301,185,000	+	\$8,218,000	+	\$15,690,000	\$325,093,000
Income Support and Disaster Assistance.....	865,199,000	+	17,224,000	+	40,416,000	922,839,000
Conservation.....	232,968,000	+	4,679,000	+	11,379,000	249,026,000
Commodity Operations.....	30,540,000	+	739,000	+	-6,711,000	24,568,000
Total Available	<u>1,429,892,000</u>	+	<u>30,860,000</u>	+	<u>60,774,000</u>	<u>1,521,526,000</u>

FARM SERVICE AGENCY

Project Statement By Program
(On basis of adjusted appropriation)

	2007 Actual		2008 Estimated		Increase or Decrease	2009 Estimated	
	Amount	Staff Years	Amount	Staff Years		Amount	Staff Years
Total S&E:							
Farm Loan Programs.....	\$303,309,000	2,809	\$301,185,000	3,173	+	\$23,908,000	\$325,093,000 3,173
Income Support and Disaster Assistance.....	840,083,000	8,713	865,199,000	8,468	+	57,640,000	922,839,000 8,494
Conservation Programs.....	218,487,000	2,265	232,968,000	2,280	+	16,058,000	249,026,000 2,294
Commodity Operations.....	18,345,000	396	30,540,000	368	+	-5,972,000	24,568,000 269
Unobligated Balance.....	96,027,000	--	0	--		0	0 --
Total Available or Estimate.....	1,476,251,000	14,183	1,429,892,000	14,289	+	\$91,634,000 (1)	1,521,526,000 14,230
Transfer from the Office of Congressional Affairs.....	-277,000	--	0	--			
Transfer to FAS.....	-1,485,000	--	0	--			
Transfer to the Office of Ethics.....	0	--	402,000	--			
Rescission.....	0	--	10,083,000	--			
Total, Appropriation.....	1,474,489,000	14,183	1,440,377,000	14,289			

Project Statement
(On basis of available funds)

	2007 Actual		2008 Estimated		Increase or Decrease	2009 Estimated
	Amount	Staff Years	Amount	Staff Years		
Farm Loan Programs.....	\$303,309,000		\$301,185,000		+	\$23,908,000 \$325,093,000
Income Support and Disaster Assistance..... ^{a/}	840,083,000		865,199,000		+	57,640,000 922,839,000
Includes transfers from:						
P.L. 480 Program Account	(3,207,000)		(2,661,000)			(100,000) (2,761,000)
CCC Export Guarantee Account	(1,828,000)		(341,000)			(27,000) (368,000)
Farm Storage Facility Loans	0		0			(4,724,000) (4,724,000)
Conservation Programs.....	218,487,000		232,968,000		+	16,058,000 249,026,000
Commodity Operations.....	18,345,000		30,540,000		+	-5,972,000 24,568,000
Total Available or Estimate.....^{a/}	\$1,380,224,000		\$1,429,892,000		+	\$91,634,000 \$1,521,526,000
Advances and Reimbursements (A&R):						
Loan Service Fees Transferred..... ^{b/}	7,500,000		7,500,000			0 7,500,000
Service Centers.....	2,435,000		0			0 0
All Other Advances and Reimbursements.....	94,297,000		76,613,000		+	8,111,000 84,724,000
Subtotal, A&R.....	104,232,000		84,113,000			8,111,000 92,224,000
Total Net Obligations.....	1,484,456,000		1,514,005,000		+	99,745,000 1,613,750,000
Emergency Supplemental.....	0		20,000,000			-20,000,000 0
Funds Forwarded From Prior Year..... ^{a/,c/}	77,937,000		38,000			-38,000 0
Funds Carried Forward to Next Year..... ^{d/}	-28,680,000		28,642,000			-28,642,000 0
Funds Carried Forward to Next Year (Disaster Supplemental)..... ^{e/}	-52,150,000		52,150,000			-52,150,000 0
Change in Funds Carried Forward.....	-2,893,000		100,830,000			-100,830,000 0
Rescission.....	0		10,083,000			-10,083,000 0
Total, Available Funds Basis.....	\$1,481,563,000		\$1,624,918,000		+	-\$11,168,000 \$1,613,750,000

^{a/} FY 2001 Military Construction Appropriations (P.L. 106-246) provided \$77.560 million to remain available until expended. An unobligated balance of \$21,000 was carried forward into FY 2007, and due to unliquidated obligations of \$17,000, \$38,000 was carried forward into FY 2008.

^{b/} 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.

^{c/} Sections 704 of Title VII - General Provisions of the 2006 Appropriations Act provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b). An unobligated balance of \$77.452m plus \$464,000 in prior year recoveries.

^{d/} Section 704 of Title VII - General Provisions of the 2007 Continuing Appropriations Act provide that any funds made available to County Committees shall remain available until expended (7 U.S.C. 2209b).

^{e/} Supplemental of \$59.5 million, U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriation Act, 2007, Public Law 110-28, which is available through Sept. 30, 2008.

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

Item	Direct Appropriation	Program Accounts				Total
		ACIF	P.L. 480	CCC Export Credit	Farm Storage Facility Loans	
FY 2008 Appropriations Act.....	\$1,126,107	\$301,185	\$2,661	\$341	0	\$1,430,294
Transfer of ethics activities from FSA to the Office of Ethics.....	-402	0	0	0	0	-402
Adjusted Appropriation for FY 2008.....	1,125,705	301,185	2,661	341	0	1,429,892
FY 2009 Budget Estimate:						
Pay costs.....	22,560	8,218	75	7	0	30,860
Within grades and promotions.....	16,639	1,399	25	2	0	18,065
Increase in operating expenses.....	20,297	12,976	0	18	0	33,291
Inflation.....	7,818	0	0	0	0	7,818
Increase in IT operating costs.....	6,785	1,315	0	0	0	8,100
Transfer funding for the cost of FSA to provide services in support of P.L. 480 Title II Grants from the FSA Salaries and Expenses Account to the P.L. 480 Title II Grants Account.....	-6,500	0	0	0	0	-6,500
Transfer funding to administer Farm and Sugar Storage Facility Loans from the FSA Salaries and Expenses Account to the Farm Storage Facility Loans Program Account.....	-4,724	0	0	0	\$4,724	0
Change from FY 2008 Adjusted Appropriation.....	62,875	23,908	100	27	4,724	91,634
Total, FY 2009 Budget Estimate.....	\$1,188,580	\$325,093	\$2,761	\$368	\$4,724	\$1,521,526

Justification of Increases and Decreases

- (1) An increase of \$91,634,000 for Farm Service Agency Salaries and Expenses (\$1,429,892,000 available in FY 2008) consisting of:

- (a) A total increase of \$43,414,000 for Federal Offices:

- (1) An increase of \$12,967,000 for the proposed pay costs for 5,025 direct Federal staff years.

The FY 2009 proposed pay cost is for 5,025 direct Federal staff years. This includes \$3.118 million for annualization of the FY 2008 pay raise and \$9.849 million for the anticipated FY 2009 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) A decrease of \$6,500,000 for 64 direct Federal permanent staff years.

FSA expenses for commodity procurement, budget, and financial management services in support of P.L. 480 Title II Grants have been funded through the FSA Salaries and Expenses Account. This change proposes to move funding for certain of the services FSA is providing to support P.L. 480 Title II from the FSA Salaries and Expenses Account to the P.L. 480 Title II Grants Account. This change will reduce the FTEs funded by direct appropriation by 64 and increase the FTEs funded through reimbursement by 64.

- (3) An increase of \$5,916,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades and promotions for 5,025 direct Federal staff years. This increase is necessary to fully support the staff required to administer income support, conservation, farm loan, and commodity operation programs.

- (4) An increase of \$8,100,000 for IT operational expenses.

An increase of \$8.1 million for IT operational costs funds core IT infrastructure services that provide for ongoing mission-critical network and help desk support. This includes mission-critical operations and maintenance support of legacy systems and web-based applications. Specifically, the \$8.1 million increase includes: \$374,000 for telecommunications; \$3.689 million for consolidated Enterprise Architecture and Common Infrastructure projects; \$2.530 million for FSA Data and Database Administration; and \$1.507 million for ITS infrastructure Operations and Services. Without this additional funding there will be a direct impact on mission-critical operations and services and USDA's customer base of farmers, ranchers, and land owners.

- (5) An increase of \$22,931,000 for operating expenses and inflation.

An increase of \$17.612 million for operating expenses to ensure that FSA's critical mission areas are accomplished, high-level services toward America's farmers are consistently received, and incremental progresses are achieved towards the President's Management Agenda. An additional \$5.319 million for normal inflationary impacts on operating expenses such as rent, utilities, postage, travel, etc. These increases are also necessary to accommodate significant rise in fuel costs.

(b) A total increase of \$48,220,000 for non-Federal county offices includes:

- (1) An increase of \$17,893,000 for the proposed pay costs for 9,205 direct non-Federal staff years.

The FY 2009 proposed pay cost is for 9,205 direct non-Federal staff years. This includes \$4.444 million for annualization of the FY 2008 pay raise and \$13.449 million for the anticipated FY 2009 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.

- (2) An increase of \$12,149,000 for other personnel compensation.

The increase reflects other pay related costs for normal within grades and promotions for 9,205 direct non-Federal staff years. This increase is necessary to fully support the staff required to administer income support, conservation, and farm loan programs.

- (3) An increase of \$18,178,000 for operating expenses and inflation.

An increase of \$15.679 million for operating expenses to ensure that FSA's critical mission areas are accomplished, high-level services toward America's farmers are consistently received, and incremental progresses are achieved towards the President's Management Agenda. An additional \$2.499 million for normal inflationary impacts on operating expenses such as rent, utilities, postage, travel, etc. These increases are also necessary to accommodate significant rise in fuel costs.

- (4) A decrease of \$4,724,000 in the direct appropriation for FSA Salaries and Expenses offset by an increase of \$4,724,000 for the Farm Storage Facility Loans Program Account.

Expenses associated with administering Farm and Sugar Storage Facility Loans have been funded through the FSA Salaries and Expenses Account. This change proposes to move funding to administer these loans from the FSA Salaries and Expenses Account to the Farm Storage Facility Loans Program Account in line with the requirements of the Federal Credit Reform Act.

FARM SERVICE AGENCY
Salaries and Expenses
Geographic Breakdown of Obligations and Staff Years
2007 Actual and Estimated 2008 and 2009

State	FY 2007		FY 2008		FY 2009	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	\$18,934,315	54	\$18,324,186	60	\$20,268,603	60
Alaska	1,211,008	5	\$1,099,583	7	1,204,087	7
Arizona	4,855,776	21	\$4,540,170	23	4,993,714	23
Arkansas	24,737,491	113	\$24,925,624	117	27,446,025	117
California	16,553,998	67	\$16,376,049	71	18,053,597	71
Caribbean	5,226,784	58	\$5,444,003	60	5,871,603	60
Colorado	15,089,451	43	\$14,614,753	46	16,173,429	46
Connecticut	2,046,233	7	\$1,840,920	8	2,028,814	8
Delaware	1,686,575	8	\$1,567,051	9	1,720,540	9
District of Columbia	341,399,000	1,232	\$411,691,538	1,259	405,186,000	1,259
Florida	13,090,367	49	\$11,532,292	50	12,713,336	50
Georgia	26,252,012	70	\$25,587,035	75	28,336,503	75
Hawaii	2,923,761	16	\$2,489,269	17	2,722,354	17
Idaho	13,506,503	56	\$13,341,764	60	14,699,603	60
Illinois	46,459,761	107	\$45,881,131	117	50,875,025	117
Indiana	31,719,339	75	\$30,730,813	76	34,084,230	76
Iowa	57,738,637	151	\$56,713,137	154	62,850,914	154
Kansas	45,400,473	120	\$44,398,877	122	49,200,659	122
Kentucky	32,329,707	117	\$32,131,091	120	35,492,206	120
Louisiana	20,153,722	98	\$19,750,468	94	21,743,311	94
Maine	6,180,376	32	\$5,761,940	33	6,322,982	33
Maryland	6,459,074	20	\$6,241,310	22	6,897,988	22
Massachusetts	3,446,083	22	\$3,150,138	21	3,446,261	21
Michigan	24,486,365	78	\$22,965,656	78	25,394,684	78
Minnesota	40,650,313	128	\$40,284,658	135	44,553,106	135
Mississippi	28,712,476	106	\$28,480,749	112	31,439,392	112
Missouri	61,041,258	335	\$61,278,000	321	61,745,839	257
Montana	21,943,936	68	\$21,328,975	78	23,565,684	78
Nebraska	39,711,097	126	\$38,524,205	124	42,623,112	124
Nevada	2,533,424	9	\$2,356,071	12	2,591,721	12
New Hampshire	2,066,975	7	\$2,006,336	10	2,208,267	10
New Jersey	3,892,616	18	\$3,466,072	18	3,810,081	18
New Mexico	7,756,276	34	\$7,536,818	34	8,304,708	34
New York	17,957,304	82	\$18,306,940	85	20,161,771	85
North Carolina	30,448,439	91	\$29,413,060	93	32,549,584	93
North Dakota	31,792,296	120	\$31,468,144	125	34,732,839	125
Ohio	29,458,073	69	\$28,489,407	68	31,606,417	68
Oklahoma	29,658,703	138	\$29,812,039	139	32,830,013	139
Oregon	10,858,632	46	\$10,289,514	46	11,338,429	46
Pennsylvania	17,537,897	61	\$18,377,534	76	20,273,230	76
Rhode Island	999,994	5	\$796,368	6	868,360	6
South Carolina	14,176,894	53	\$13,704,588	55	15,123,969	55
South Dakota	32,660,349	126	\$32,216,831	129	35,554,746	129
Tennessee	26,577,135	84	\$26,306,622	88	29,094,951	88
Texas	73,265,691	225	\$72,478,375	235	80,185,778	235
Utah	12,620,334	73	\$13,282,040	93	11,881,708	93
Vermont	4,557,933	28	\$3,985,281	23	4,372,714	23
Virginia	18,250,695	56	\$17,897,446	59	19,796,876	59
Washington	11,998,514	43	\$11,159,199	47	12,307,156	47
West Virginia	8,685,108	39	\$9,249,985	45	10,179,702	45
Wisconsin	30,208,222	106	\$29,951,224	106	33,105,032	106
Wyoming	6,831,605	27	\$6,346,721	28	6,994,348	28
Subtotal, Available or Estimate	1,378,739,000	4,922	1,429,892,000	5,089	1,521,526,000	5,025
Unobligated balance	96,027,000					
Total, Available or Estimate	1,474,766,000	4,922	1,429,892,000	5,089	1,521,526,000	5,025

FARM SERVICE AGENCY
 CLASSIFICATION BY OBJECTS
 Salaries and Expenses

2007 Actual and Estimated 2008 and 2009

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Personnel Compensation:			
Washington D.C.	\$117,840,000	\$113,399,000	\$117,493,000
Field	218,431,000	232,320,000	243,401,000
11 Total personnel compensation.....	334,355,000	358,076,000	365,544,000
12 Personnel benefits.....	92,138,000	96,593,000	101,626,000
13 Benefits for former personnel.....	1,192,000	1,201,000	1,237,000
	<hr/>	<hr/>	<hr/>
Total pers. comp. & benefits.....	427,685,000	455,870,000	468,407,000
Other Objects:			
21 Travel.....	16,313,000	16,993,000	17,450,000
22 Transportation of things.....	3,392,000	3,344,000	3,470,000
23 Rent, communications, and utilities.....	9,729,000	10,158,000	10,329,000
23.1 Rental Payments to GSA.....	782,000	798,000	814,000
24 Printing and reproduction.....	780,000	1,276,000	1,412,000
25 Other services.....	195,992,000	212,146,000	240,209,000
26 Supplies and materials.....	5,798,000	5,934,000	6,994,000
31 Equipment.....	13,184,000	2,227,000	3,064,000
41 Grants, subsidies, and contributions....	704,729,000	720,714,000	768,934,000
42 Insurance claims and indemnities.....	276,000	353,000	362,000
43 Interest and dividends.....	79,000	79,000	81,000
44 Refunds.....	0	0	0
	<hr/>	<hr/>	<hr/>
Total other objects.....	951,054,000	974,022,000	1,053,119,000
	<hr/>	<hr/>	<hr/>
Total direct obligations	1,378,739,000	1,429,892,000	1,521,526,000

Position Data:

Average Salary, ES positions	\$162,220	\$168,304	\$174,022
Average Salary, GS positions	\$69,111	\$72,110	\$74,726
Average Grade, GS positions	12.1	12.2	12.2

**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 2007 are outlined in the following pages.

Farm Loans

Farm Loan Programs. In FY 2007, activity under the Agricultural Credit Insurance Fund included:

Number of direct loans	17,566
Dollar value of direct loans	\$984,356,000
Number of guaranteed loans	9,347
Dollar value of guaranteed loans	\$2,154,945,000

State Mediation Grants (SMG). In FY 2007, SMG activity included:

Number of State Mediation Grants	34
Dollar value of grants	\$4,574,423
Amount of SMG payments issued	\$4,270,356

Income Support and Disaster Assistance

Direct and Counter-cyclical Program (DCP). FY 2007 activity consisted of participant annual enrollment, contract maintenance, and payment processing.

Total number of FY 2007 DCP contracts 1,897,162
 Dollar value of direct payments made in FY 2007 \$3,957,175,000
 Dollar value of counter-cyclical payments made in FY 2007 \$3,158,554,000

Marketing Assistance Loans and Loan Deficiency Payments. Marketing assistance loans, loan deficiency payments, and other price support program activities in FY 2007 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	35,093	\$2,166,526		\$2,684
Grain Sorghum	160	4,909		490
Barley	362	11,280		2,507
Oats	181	1,518		
Wheat	3,523	147,492		-11
Rice	5,941	559,720		-93
Cotton b/	28,512	4,752,495		105,677
Soybeans	40,930	1,969,482		45,798
Minor Oilseeds	641	27,541		-21
Sugar c/	604	1,051,171		
Peanuts	12,520	576,842		15
Tobacco c/ d/				
Honey	421	12,371		
Pulse Crops	141	4,663		9,468
Wool & Mohair	6	90		7,237
Total	129,035	\$11,286,100	137,036	\$173,751

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 at this time.

Re-inspections of farm-stored loans	108,455
Number of farm-stored loans taken over	549
Number of warehouse loans acquired (except cotton)	463

Farm Storage Facility Loans (FSFL). FSFL program activities in 2007 included:

Farm Storage Facility Loans closed.....	2,415
Amount of Farm-Storage Facility Loans	\$174,335,000

Quota Buyout for Peanuts. FY 2007 activity included:

Number of quota buyout payments issued	12
Amount of quota buyout payments issued	\$160,212

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.

Number of MILC payments.....	318,918
Amount of MILC payments	\$156,598,294

Non-Insured Crop Disaster Assistance Program (NAP). NAP activity in FY 2007 included:

Number of actual production history records completed for NAP	82,948
Number of NAP applications for payment.....	104,488
Amount of NAP payments issued.....	\$126,950,653

FCIC Program Integrity. FY 2007 FSA activity to assist RMA included:

Possible violations referred and spot-checks completed.....	2,875
Producer claims audited.....	1,002

Livestock Assistance Program (LAP) including Feed Indemnity Program (FIP). LAP & FIP activity in FY 2007:

Number of LAP contracts	3,603
Amount of LAP payments	\$663,679
Number of FIP contracts.....	0
Amount of FIP payments.....	\$710,691

Livestock Indemnity Program (LIP). LIP activity in FY 2007:

Number of LIP applications and disapproved applications	3,317
Amount of LIP payments- CCC	\$198,369
Amount of LIP payments- Sec. 32.....	\$5,100,139

Crop Disaster Program (CDP) and Hurricane Indemnity Program (HIP). CDP and HIP activity in FY 2007 included:

Number of CDP applications	3,808
Amount of CDP payments issued	\$58,591,147
Number of HIP applications	0
Amount of HIP payments issued- Sec. 32	\$11,723,777

Ewe Lamb Replacement and Retention Payment Program (ELRRPP). Activity for FY 2007 included:

Number of ELRRPP applications 0
 Amount of ELRRPP payments issued-\$8,857
 Minus dollar amount represents a prior period credit adjustment.

Tree Indemnity Program (TIP) Activity for FY 2007 included:

Number of TIP applications..... 0
 Amount of TIP payments issued..... \$10,065,593

Tree Assistance Program (TAP). Activity for FY 2007 included:

Number of TAP applications 0
 Amount of TAP payments \$1,972,598

Commodity Operations

Commercial Warehouse Activities. During FY 2007, 971 U.S. Warehouse Act licenses were in effect at 2,873 locations. 82 Federal examiners performed onsite examinations at 1,117 grain, 352 cotton, and 81 miscellaneous commodity warehouses. In addition, CCC contract onsite examinations were performed at 854 grain, 244 cotton, 86 miscellaneous, and 93 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 2.313 million metric tons (85.0 million bushels) of Canadian wheat entered the U.S. in FY 2007.

Upland Cotton Marketing Certificate Program. Although the statutory authority for this program expired August 1, 2006, CCC made payments of \$0.121 million to domestic users and \$9.35 million to exporters during FY 2007.

Extra-Long Staple Cotton Competitiveness Program. In FY 2007, CCC payments of \$0.053 million to domestic users and \$1.57 million to exporters were obligated.

Domestic Nutrition and Feeding Programs. In FY 2007, FSA purchased and donated over 400.4 million pounds of commodities valued at approximately \$373.7 million for the National School Lunch Program, Emergency Feeding Programs, Commodity Supplement Feeding Program and other domestic feeding programs.

Foreign Food-Aid Humanitarian and Developmental Assistance Programs. In FY 2007, FSA procured more than 2.4 million metric tons of grains, processed grain products, vegetable oil, pulses (such as dried beans, peas, lentils), and other products valued at approximately \$784.5 million for food relief programs throughout the world.

Conservation

Emergency Conservation Program (ECP). FY 2007 activity included:

Number of ECP applications 23,761
 Number of ECP payment applications..... 19,020
 Amount of ECP payments issued..... \$72,165,818

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 60 former CCC grain storage facilities. 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 2007 activity included:

Number of active CRP contracts.....	768,021
Number of CRP cost-share payments.	113,424
Amount of CRP cost-share and incentive payments.....	\$152,022,104
Number of CRP rental payments.....	935,660
Amount of CRP annual rental payments.....	\$1,727,297,261
Number of CRP acres approved for enrollment in FY 2007 (signup 32, 34, & 35)	9,078,000
Amount of EFCRP cost-share payments	\$5,818,204
Amount of EFCRP technical payments	\$242,120

Grasslands Reserve Program (GRP). FY 2007 activity included:

Number of GRP applications and contracts submitted	516
Number of GRP cost-share requests	2,648
Number of GRP active contracts	2,859

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 three strategic goals and seven strategic objectives that contribute to two of the Department’s strategic goals and three of the Department’s strategic objectives.

USDA Strategic Goal / Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>USDA Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies</p> <p>USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers</p>	<p>Agency Goal 1: Supporting Productive Farms and Ranches</p>	<p><u>Objective 1.1:</u> Improving Access to Capital</p> <p><u>Objective 1.2:</u> Mitigating Market Losses</p> <p><u>Objective 1.3:</u> Mitigating Losses from Natural Disasters</p>	<p><u>Farm Loan Programs</u> All Programs</p> <p><u>Income Support and Disaster Assistance Programs</u> All Income Support Programs</p> <p>Noninsured Crop Disaster Assistance Program</p> <p>All Ad Hoc Disaster Assistance Programs</p> <p>Emergency Conservation Program</p> <p><u>Commodity Operations</u> Milk Price Support Purchases</p> <p>CCC Inventory Management Operations</p> <p>ELS Cotton Competitiveness Program</p> <p>Canadian End Use Wheat Program</p> <p>Domestic and Foreign Food Assistance Purchases</p>	<p><u>Key Outcome 1:</u> Successful Farms and Ranches</p> <p><u>Key Outcome 2:</u> Market-Based Agricultural</p> <p><u>Key Outcome 3:</u> Thriving Agricultural Communities</p>

USDA Strategic Goal / Objective	Agency Strategic Goal	Agency Objectives	Programs that Contribute	Key Outcome
<p>Continued – USDA Strategic Goal 2: Enhance the Competitiveness and Sustainability of Rural and Farm Economies</p> <p>USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers</p>	<p>Agency Goal 2: Supporting Secure and Affordable Food and Fiber</p>	<p><u>Objective 2.1:</u> Providing Adequate, Secure Storage Capacity that Maintains Quality</p>	<p><u>Income Support and Disaster Assistance Programs</u> Farm Storage Facility Loan Program</p> <p>Sugar Storage Facility Loan Program</p> <p><u>Commodity Operations</u> U.S. Warehouse Act - Licensing and Enforcement</p>	<p><u>Key Outcome 1:</u> Affordable Food and Fiber</p> <p><u>Key Outcome 2:</u> Secure Supply of Quality Food and Fiber</p> <p><u>Key Outcome 3:</u> Effective Food Aid</p>
<p>USDA Strategic Goal 6: Protect and Enhance the Nation's Natural Resource Base and Environment</p> <p>USDA Strategic Objective 6.1: Protect Watershed Health to Ensure Clean and Abundant Water</p> <p>USDA Strategic Objective 6.2: Enhance Soil Quality to Maintain Productive Working Cropland</p>	<p>Agency Goal 3: Conserving Natural Resources and Enhancing the Environment</p>	<p><u>Objective 3.1:</u> Improving Conservation Practices</p> <p><u>Objective 3.2:</u> Targeting Lands to Maximize Conservation Benefits</p> <p><u>Objective 3.3:</u> Mitigating Adverse Impacts from Agricultural Production</p>	<p><u>Conservation Programs</u> Conservation Reserve Program</p> <p>Grassroots Source Water Protection Program</p>	<p><u>Key Outcome 1:</u> Quality Soil</p> <p><u>Key Outcome 2:</u> Quality Water</p> <p><u>Key Outcome 3:</u> Quality Wildlife Habitat</p> <p><u>Key Outcome 4:</u> Quality Air</p>

Strategic Objective and Funding Matrix**FARM SERVICE AGENCY****USDA Strategic Goal 2:** Enhance the Competitiveness and Sustainability of Rural and Farm Economies**USDA Strategic Objective 2.3:** Provide Risk Management and Financial Tools to Farmers and Ranchers**USDA Strategic Goal 6:** Protect and Enhance the Nation's Natural Resource Base and Environment**USDA Strategic Objective 6.1:** Protect Watershed Health to Ensure Clean and Abundant Water**USDA Strategic Objective 6.2:** Enhance Soil Quality to Maintain Productive Working Cropland**Strategic Objective and Funding Matrix**

(On basis of appropriation)

(\$000)

FSA Programs or Major Program Areas that Contribute	<u>2007 Actual</u>		<u>2008 Estimated</u>		<u>Increase or Decrease</u>		<u>2009 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>
<u>Strategic Objective 2.3</u>								
Farm Loan Programs	461,893	2,809	468,041	3,173	22,003	0	490,044	3,173
Income Support and Disaster Assistance Programs	3,658,183	8,713	1,468,093	8,468	-545,154	26	922,939	8,494
Commodity Operations	18,345	396	30,540	368	-5,972	-99	24,568	269
Total - Objective 2.3	4,138,421	11,918	1,966,674	12,009	-529,123	-73	1,437,551	11,936
<u>Strategic Objective 6.1</u>								
Conservation Programs	111,626	1,133	118,874	1,140	6,139	7	125,013	1,147
Total - Objective 6.1	111,626	1,133	118,874	1,140	6,139	7	125,013	1,147
<u>Strategic Objective 6.2</u>								
Conservation Programs	111,626	1,132	118,874	1,140	6,139	7	125,013	1,147
Total - Objective 6.2	111,626	1,132	118,874	1,140	6,139	7	125,013	1,147
Total Available	4,361,673	14,183	2,204,422	14,289	516,845	-59	1,687,577	14,230

Selected Accomplishments Expected at the FY 2009 Proposed Resource Level:

Major Program Areas:

Farm Loans: FSA's farm loan programs assist farmers and ranchers who have limited resources or who 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 successful farms and ranches, thriving agricultural communities, and market-based agriculture.

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 plans to use FY 2009 funds in the following ways:

- Farm Loan Programs will continue to provide agricultural credit to farmers temporarily unable to obtain credit at reasonable rates and terms. FSA expects to meet its FY 2009 goals for increased lending to women, minority, and beginning farmers, and to further reduce the amount of time needed to process loan applications.
- FSA is extensively revising the direct loan making and loan servicing requirements and procedures through the direct loan streamlining initiative, which will improve program management and overall effectiveness. FSA is continuing to improve the capabilities of its farm loan program information systems.
 - Additional reporting and analytical capabilities are being developed for the Farm Business Plan management information system in FY 2009.
 - All direct loan servicing information technology applications, currently in the System 36, will be transitioned into a single, web-based application in FY 2009. This will move direct loan servicing to a modern platform and expand on existing capabilities to include all special servicing options.
 - Guaranteed Loan System (GLS) enhancements include allowing lenders to submit loss claims and pay guarantee fees electronically and web enabling all GLS interest assistance program screens.
- 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 2009 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 \$7.46 billion in FY 2009.
- FSA provides receipts through the U.S. Warehouse Act. These receipts act as low-cost negotiable documents that can be used as security to obtain interim financing and improve marketing opportunities so producers can earn the best prices for stored commodities.
- The Farm Storage Facility Loan (FSFL) Program expects growing program interest in FY 2009, as a result of increased grain prices paid to farmers and new ethanol plants in the Midwest. Increased plant construction in the South is also taking place. Producers are being paid a premium to hold their grain and deliver in the spring. FSFL’s are being used to construct much of this on-farm storage.

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 2009 funding level are:

- Advance the goals set in the President’s Wetland Initiative -- Conservation Reserve Program (CRP) seeks new contracts covering over 50,000 acres in FY 2009. The cumulative number of restored wetland acres managed under CRP contracts is anticipated to decline from 2.08 million acres in FY 2007 to 1.91 million acres by FY 2009. These acres aid in attaining the Department’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 more than 500,000 acres of expiring CRP wetland contracts.
- Water quality buffers will increase with new contracts covering over 40,000 acres in FY 2009. The cumulative number of riparian and grass buffer acres in CRP is expected to increase from 1.92 million acres in FY 2007 to approximately 1.94 million acres of buffers by FY 2009.
- Enhance wildlife populations – The 250,000-acre upland bird buffer and the 100,000-acre Duck Nesting Habitat Initiative will help target additional enrollment to enhance wildlife populations. Under the Duck Habitat Initiative, producers in the Prairie Pothole Region (Iowa, Minnesota, Montana, North Dakota, and South Dakota) will be 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.
- Continue the 250,000-acre initiative to restore longleaf pine. In the early 1700’s, over 90 million acres of longleaf pine ecosystem existed. Today, fewer than 4 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.
- Actively negotiate with State governments and conservation partner teams to develop new or expanded Conservation Reserve Enhancement Program agreements.
- 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.

FARM SERVICE AGENCY

Summary of Budget and Performance Key Performance Outcomes and Measures

The broad nature of FSA's goals requires FSA's 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 the others to achieve FSA's 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

FSA's farm loan programs provide agricultural credit to family farmers who are temporarily unable to obtain commercial credit at reasonable rates and terms. Farm loan programs play an important role in increasing the amount of credit available to beginning, racial and ethnic minority, and women farmers, groups that have been traditionally underserved by commercial lenders.

Key Performance Measures:

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

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. FSA's commodity operations include management of the U.S. Warehouse Act (USWA) and acquisition, procurement, storage and distribution of commodities. FSA's helps ensure

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 USDA 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 increase from 1.92 million acres in FY 2007 to at least 1.94 million acres by FY 2009. The slight increase in cumulative buffer acres masks larger changes. FSA will enter into new contracts for over 40,000 acres of CRP buffers in 2008 and 2009. However, it is expected that some of the owners of 131,000 acres with expiring CRP buffer contracts will choose not to reenroll in 2008 and 2009.

The number of CRP acres of restored wetland to is expected to decrease from 2.08 million acres in FY 2007 to about 1.91 million acres by FY 2009. The estimated reduction assumes that FSA will enter into new contracts totaling over 50,000 acres of CRP wetlands in 2008 and 2009 but that some of the owners of 553,000 acres with expiring CRP wetlands contracts will choose not to reenroll in 2008 and 2009.

Key Outcome 3: Quality Wildlife Habitat

FSA programs provide more than 2 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 37 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	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Target	2009 Target
Successful Farms and Ranches	Maintain or reduce average processing time for direct loans.	38.4 days (FY 2003-2005 avg.)	37	35	31	27 ¹	34	33.5
	Maintain or reduce average processing time for guaranteed loans.	14.6 days (FY 2003-2005 avg.)	14	14.5	12.63	12.6	13.75	13.5
	Maintain or increase percentage of program benefits delivered through a Web environment.	22% (FY 2005 actual)	N/A ²	22%	33%	33% ³	33%	33%
	Increase percentage of eligible crops with NAP coverage.	12.82% (FY 2005 actual)	11.12%	12.82%	12.70%	11.76%	11.76% ⁴	12.00%
	Increase percent of beginning, racial, ethnic minority, and women farmers financed by FSA.	14.6% (FY 2003-2005 avg.)	14.5%	15.0%	15.5%	15.9%	16.5%	17%
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)	399	365	395	392	390	413 ⁵
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)	1.65	1.75	1.86	1.92	1.92 ⁶	1.94 ⁶
	Increase CRP restored wetland acres	1.65 million acres (FY 2001 actual)	1.89	1.96	2.03	2.08	1.90 ⁷	1.91 ⁷

¹ Performance goals for direct loan processing, established in FY 2006, cover FY 2007 through 2011. Over this 5-year timeframe, direct loan processing was targeted to decrease from 35 days (baseline: FY 2003-05 average) to 32 days. Actual results for FY 2007 were well below the targeted level. Based on this performance, FLP management considered revising the FY 2008 target. However, two major factors influenced the decision to leave the FY 2008 target unchanged at this time. First, a major revision of the policies, procedures, and processes for the direct loan program takes effect on January 1, 2008. This streamlining effort is the largest reform ever undertaken for the direct loan program. While the long-term result will be increased program efficiencies and effectiveness, implementation could have a negative short-term effect on loan processing efficiency as employees and customers adapt to the new program requirements. The second factor is implementation of the next Farm Bill, likely to occur during FY 2008, which could result in further program changes. FLP management will reevaluate the performance targets in the fourth quarter of FY 2008. If loan processing timeliness continues to exceed the target performance level, goals for subsequent years will be revised.

² Measure initiated in 2005; no prior data available.

³ Flat performance targets due to level funding.

⁴ External factors affecting NAP targets include legislated linkage requirements for program benefits, the variability of disasters, and methodological differences in measuring data from external sources (RMA and NASS). The lack of linkage requirements for FY 2007 will likely result in flat enrollments for FY 2008. This should rise by FY 2009 when producers respond to recent ad hoc disaster legislation limiting eligibility to producers who participate in NAP and crop insurance.

⁵ FY 2009 target is based on anticipated staff losses of 6.78 percent during FY 2008. Five fewer warehouse examiners are projected in FY 2009 which will result in increased time between warehouse examinations.

⁶ 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 FY 2008 and 2009, the agency also anticipates that a portion of the 131,000 acres that expire in FY 2008 and 2009 will not be re-enrolled. Therefore, only a modest increase in cumulative buffer acres is expected.

⁷ 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 FY 2008 and 2009, the agency also anticipates a portion of the 553,000 acres that expire in FY 2008 and 2009 will not be re-enrolled. Therefore, a modest decrease in cumulative wetland acres is expected.

19-65
FARM SERVICE AGENCY
Summary of Budget and Performance
Full Cost by Strategic Objective

USDA Strategic Objective 2.3: Provide Risk Management and Financial Tools to Farmers and Ranchers

PROGRAM	PROGRAM ITEMS	FY 2007 Amount (\$000)	FY 2008 Amount (\$000)	FY 2009 Amount (\$000)
Farm Loans				
	Direct Farm Ownership Loans	12,712	9,892	14,466
	Direct Farm Operating Loans	70,147	73,080	74,085
	Guaranteed Farm Ownership Loans	5,599	5,070	4,038
	Guaranteed Farm Operating Loans, subsidized	27,379	36,016	35,984
	Guaranteed Farm Operating Loans, unsub.	22,666	26,397	25,208
	Emergency Disaster Loans	8,891	5,135	0
	Indian Tribe Land Acquisition	0	124	250
	Boll Weevil Eradication	114	0	0
	Program Loan Cost Expenses	7,920	7,865	7,920
	State Mediation Grants	3,156	3,277	3,000
	Administrative costs (direct)	243,993	279,446	289,068
	Indirect costs	<u>146,791</u>	<u>108,008</u>	<u>97,460</u>
	Total Costs¹	549,368	554,310	551,479
	<i>FTEs</i>	2,809	3,173	3,173

Performance Measure: Maintain or reduce average processing time for direct and guaranteed loans

Direct Loans (# of days):	27.00	34.00	33.50
Guaranteed Loans (# of days):	12.60	13.75	13.50

Performance Measure: Increase % of beginning farmers, racial and ethnic minority farmers, and women farmers financed by FSA

Percent:	15.90%	16.50%	17%
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¹ Reflects subsidy budget authority to support loan levels

Income Support and Disaster Assistance

Price Support and Marketing Assistance Loans	11,286,100	9,338,742	8,785,688
Loan Deficiency Payments	173,751	7,646	8,154
Direct Payments	3,957,175	5,233,090	5,182,041
Countercyclical Payments	3,158,554	483,260	529,097
Milk Income Loss Contract Payments	157,850	0	0
Tobacco Payments	955,495	960,000	960,000
Other Direct Payments	25,695	43,724	0
NAP Payments	126,951	325,000	325,000
Crop Disaster Assistance	58,591	2,021,391	0
Livestock Indemnity Program	198	41,006	0
Emergency Livestock Assistance	664	1,343,011	0
Tree Assistance Program	1,973	403	0
CCC Interest Expenditures	648,627	154,924	204,527
Dairy Indemnity Program	181	152	100
Emergency Conservation Program	149,727	129,069	0
Emergency Forestry Conservation Program	6,302	26,623	26,868
Farm Storage Facility Loans	548	1,515	9,375
Sugar Storage Facility Loans	0	25	0
FSA Disaster Assistance, appropriated	0	3,402,000	0
Reforestation Pilot Program	0	794	0
Administrative costs (direct)	776,465	773,381	807,245
Indirect costs	<u>47,548</u>	<u>148,458</u>	<u>119,197</u>
Total Costs	21,532,395	24,434,214	16,957,292
<i>FTEs</i>	8,905	8,632	8,660

Performance Measure: Increase percentage of eligible crops with NAP coverage

Percent:	11.76%	11.76%	12.00%
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Commodity Operations

Cotton User Marketing Payments	9,518	0	0
ELS Cotton Competitiveness Program	1,103	43,400	0
Commodity Purchases and Sales	726,938	634,633	802,178
Storage, Handling, Transportation, Processing, and Packaging	133,213	79,087	71,017
CCC Interest Expenditures	70,070	17,214	22,726
Dairy Price Support	101	0	0
Administrative costs (direct)	33,724	31,618	33,741
Indirect costs	<u>2,153</u>	<u>7,513</u>	<u>5,861</u>
Total Costs	976,820	813,465	935,523
<i>FTEs</i>	458	430	386

Total Costs for Objective 2.3 (program, direct, indirect)

Total Costs	23,058,583	25,801,989	18,444,294
<i>FTEs</i>	12,172	12,235	12,219

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

Percent:	33%	33%	33%
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USDA Strategic Objective 6.1: Enhance Soil Quality to Maintain Productive Working Cropland

<u>PROGRAM</u>	<u>PROGRAM ITEMS</u>	<u>FY 2007 Amount (\$000)</u>	<u>FY 2008 Amount (\$000)</u>	<u>FY 2009 Amount (\$000)</u>
Conservation	Conservation Reserve Program	974,124	997,523	974,786
	Grassroots Source Water Protection Program	1,856	1,844	0
	State Mediation Grants	526	546	500
	Other Conservation Payments	4,599	3,308	0
	Administrative costs (direct)	107,118	109,440	114,608
	Indirect costs	<u>9,774</u>	<u>23,805</u>	<u>15,982</u>
	Total Costs	1,097,997	1,136,466	1,105,876
	<i>FTEs</i>	1,229	1,222	1,230
	<u>Performance Measure:</u> Increase CRP acres of riparian and grass buffers			
	# of acres in millions:	1.92 million acres	1.92 million acres	1.94 million acres
	<u>Performance Measure:</u> Increase CRP restored wetlands			
	# of acres in millions:	2.08 million acres	1.90 million acres	1.91 million acres
Total Costs for Objective 6.1 (program, direct, indirect)		1,097,997	1,136,466	1,105,876
	<i>FTEs</i>	1,229	1,222	1,230

USDA Strategic Objective 6.2: Protect Watershed Health to Ensure Clean and Abundant Water

<u>PROGRAM</u>	<u>PROGRAM ITEMS</u>	<u>FY 2007 Amount (\$000)</u>	<u>FY 2008 Amount (\$000)</u>	<u>FY 2009 Amount (\$000)</u>
Conservation	Conservation Reserve Program	974,124	997,523	974,786
	Grassroots Source Water Protection Program	1,856	1,844	0
	State Mediation Grants	526	546	500
	Other Conservation Payments	4,600	3,308	0
	Administrative costs (direct)	107,118	109,440	114,608
	Indirect costs	<u>9,773</u>	<u>23,804</u>	<u>15,981</u>
	Total Costs	1,097,997	1,136,465	1,105,875
	<i>FTEs</i>	1,228	1,221	1,229
	<u>Performance Measure:</u> Increase CRP acres of riparian and grass buffers			
	# of acres in millions:	1.92 million acres	1.92 million acres	1.94 million acres
	<u>Performance Measure:</u> Increase CRP restored wetlands			
	# of acres in millions:	2.08 million acres	1.90 million acres	1.91 million acres
Total Costs for Objective 6.2 (program, direct, indirect)		1,097,997	1,136,465	1,105,875
	<i>FTEs</i>	1,228	1,221	1,229
Total Costs for All Objectives (program, direct, indirect)		25,254,577	28,074,920	20,656,045
	<i>FTEs</i>	14,629	14,678	14,678