Testimony of Robert Bonnie
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U.S. Department of Agriculture
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Subcommittee on General Farm Commodities and Risk Management
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Chairwoman Bustos, Ranking Member Scott, and members of the Subcommittee, it is a pleasure to meet with you today in my new capacity as Under Secretary for Farm Production and Conservation (FPAC).

My name is Robert Bonnie, and I was honored to serve during the Obama Administration as Under Secretary for Natural Resources and Environment and as a senior advisor to Secretary Vilsack. With that experience I have had the opportunity to see both the possibilities and the challenges that define American agriculture. As I focus on my new role within the FPAC Mission Area and survey the breadth of what we have accomplished in partnership with Congress, I am pleased to report that we continue to meet the evolving challenges our producers face through implementation of the 2018 Farm Bill provisions, the establishment of pandemic response programs, and administration of disaster programs.

2018 Farm Bill Update

First, I want to thank this Committee for working tirelessly to improve the farm economy through the 2018 Farm Bill and subsequent provisions. Strengthening the farm safety net has been even more critical during this pandemic, and the improvements from the 2018 Farm Bill that FPAC agencies have implemented set the foundation for new programs and changes to meet the toll that the pandemic has taken on our producers.

Crop Insurance

The tools Congress provided in the 2018 Farm Bill further strengthened crop insurance programs, and I'm glad to report that producers have already benefited from these improvements to this strong public-private partnership. I am pleased to share a few of these improvements that are helping support the crop insurance safety net for farmers, who face increasingly severe weather patterns due to climate change. For instance, the Risk Management Agency (RMA) now provides coverage for rice growers who use innovative irrigation practices such as alternative wet-dry and furrow irrigation. Producers now have the ability to insure land in multiple counties through Multi-County Enterprise Units – recognizing the practical realities that farms often cross county lines and insurance should accommodate that. We implemented the Quality Loss Option to reduce the impact quality losses have on a producer's future crop insurance coverage. We developed a new nursery policy that is easier for producers to access and for insurance companies to sell and service, a new policy for strawberries in Florida and California, and a new Micro Farm Policy targeted at providing a crop insurance policy for smaller producers who sell locally, such as for farmer's markets. We also introduced Hurricane Insurance Protection – Wind Index (HIP-WI) for the Gulf Coast, Eastern Seaboard, and Hawaii that provides prompt payment to producers when a hurricane hits. Lastly, the Pasture, Rangeland, and

Forage insurance program now has over 200 million acres insured compared to under 100 million in 2018.

RMA continues to work with stakeholders, private insurance providers, and the Federal Crop Insurance Corporation Board of Directors to develop new, innovative, and financially-sound policies and plans of insurance to adapt to the changing risk management needs of farmers and ranchers that have thus far resulted in 40 new insurance products to further strengthen the crop insurance program. Recent examples include Dairy Revenue Protection (DRP) that has only been offered for a few years but now already covers 30 percent of the milk production in the U.S., the Enhanced Coverage option that allows producers to purchase up to 95 percent levels of coverage, and key policy changes and subsidy increases to the Livestock Risk Protection (LRP) plan to bring those policies in line with row crops. The changes made to LRP have resulted in a remarkable increase of over 1,000 percent program participation.

In addition to the increased participation in DRP, RMA is also seeing growing participation in the Livestock Gross Margin for Dairy Cattle and producers who purchase crop insurance for their specialty and organic crops. This is a testament to our work with producers and interest groups to strengthen the farm safety net and the public-private partnerships that enable us to deliver crop insurance.

Farm Programs

The 2018 Farm Bill reauthorized the Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs with some modifications for the 2019 through 2023 crop years. The ARC program is an income support program that provides payments when actual crop revenue declines below a specified guarantee level. The PLC program provides income support payments when the effective price for a covered commodity falls below its effective reference price. Payments, if triggered, are issued after October 1 of the year following the program year. When comparing ARC/PLC participation from its authorization in the 2014 Farm Bill and inaugural program year 2014 to program year 2019, enrollment increased by 8.7% and a total $6,281,422,160 was issued in payments for 2019, making it the largest amount since the 2016 program year. For program year 2020, enrollment increased by 10.6% and payments were issued in the amount of $2,162,805,971.

On March 2, 2020, the Farm Service Agency (FSA) published changes to the Noninsured Crop Disaster Assistance Program (NAP) as required by the 2018 Farm Bill. The 2018 Farm Bill made the buy-up coverage option for NAP permanent, with the payout limit for buy-up coverage increased to $300,000. It also codified that NAP coverage must include local, organic, contract, or other premium prices, and maintained the fee waiver and 50 percent premium discount for beginning, socially disadvantaged (SDA), and veteran farmers.

The Farm Bill also made NAP available to producers when limited insurance coverage or only Whole-Farm Revenue Protection is available and directed FSA and RMA to collaborate to collect and share data so that RMA can develop policies that address gaps in coverage for NAP users so both agencies can help transition crops and counties from NAP to crop insurance. This includes helping beginning farmers use NAP as an on-ramp to Federal crop insurance. Since program year 2019, nearly $400 million has been paid to producers enrolled in

NAP, who otherwise would have been left without risk management coverage through RMA for crop losses due to low yields, loss of inventory, or prevented planting due to natural disasters.

On February 26, 2020, FSA published a rule making changes in its supplemental disaster programs as directed by the 2018 Farm Bill. These changes include removing the payment limitation for the Emergency Assistance for Livestock, Honey Bees, and Farm-raised Fish Program (ELAP), and increasing the payment rate for beginning and veteran farmers and ranchers in both ELAP and the Tree Assistance Program (TAP). Under changes made by the Bipartisan Budget Act of 2018 there is also no longer a program year per person and legal entity payment limitation for TAP and growers are eligible to be partly reimbursed for losses on up to 1,000 acres per grower. This is double the initial acreage cap of 500 acres that was first set for the program in 2014. ELAP has paid out over $170 million to producers since program year 2019, while TAP has provided over $8 million in much-needed relief.

Dairy Programs
The 2018 Farm Bill replaced the Margin Protection Program with Dairy Margin Coverage (DMC) to ensure that dairy farmers can protect themselves against financial catastrophe and market fluctuations. DMC is a voluntary program that provides dairy operations with risk management coverage that offers protection against low milk prices, high feed costs, or some combination of both and pays participating producers when the difference (the margin) between the national price of milk and the average cost of feed when it falls below a certain level selected by the producer. As of January 18, 2022, DMC indemnity payments since the 2018 Farm Bill total over $1.64 billion, of which $1.19 billion was from 2021 alone when the program provided vital support to dairy farms, particularly for small and mid-sized operations, navigating low milk prices and high feed prices in 2021.

As part of a subsequent effort by Congress to help the dairy industry respond to the pandemic and other challenges, the Consolidated Appropriations Act established Supplemental Dairy Margin Coverage Payments for calendar years 2021-2023. These payments are limited to farms enrolled in DMC with a production history of less than 5,000,000 pounds, reflect increases in their production since 2014. In a December 2021 rule, FSA implemented those changes that expanded DMC allowing producers to enroll supplemental production that will provide an estimated $644.52 million to better help small and mid-sized dairy operations. In line with 2022 DMC sign-up, enrollment for this Supplemental Dairy Margin Coverage Payment opened on December 13, 20201, and will remain open through February 25, 2022. As of January 18, 2022, approximately $20.6 million was disbursed for 2,369 operations with established supplemental production history.

Additionally, the 2018 Farm Bill directed USDA's National Agricultural Statistics Service (NASS) to begin collecting data on premium alfalfa prices for the first time. Using that new NASS data, in the December 2021 rule USDA changed the DMC feed cost formula to better reflect the actual cost dairy farmers pay for high-quality alfalfa hay. FSA is now calculating payments using 100% premium alfalfa hay rather than 50%. Approximately $100 million in DMC payments have been disbursed due to changes in feed cost formula to better reflect the actual cost fairy farmers pay for high-quality alfalfa hay. In that same December 2021 rule, USDA also amended Dairy Indemnity Payment Program regulations to compensate dairy producers for the loss of cows due to contamination, including from per- and polyfluoroalkyl substances.

Farm Loan Programs

The 2018 Farm Bill doubled the Direct Farm Ownership (FO) loan limit from $300,000 to $600,000 and Guaranteed FO loan limit increased from $700,000 to $1,750,000, which then increased to $1,825,000 on October 1, 2021. The Direct Operating Loan (OL) limit was raised from $300,000 to $400,000 and the Guaranteed OL limit from $700,000 to $1,750,000, which, again, was increased to $1,825,000 on October 1, 2021. FSA has seen a significant increase in the average loan amount since the enactment of the increased loan limits. Providing much needed financial assistance to our borrowers.

While this authority has been helpful to farm loan borrowers, the increased loan limits put demand on the total loan levels provided. USDA continues to monitor this situation and uses the annual appropriation's authority to increase negative subsidy rate loan levels by 25 percent when needed. This has been beneficial to meet borrowers' needs, especially during CRs and within the constraints of our targeting requirements.

Through an amendment to the Consolidated Farm and Rural Development Act (CONACT), the 2018 Farm Bill increased the percent of the FSA guarantee for Guaranteed FO and OL from 90 to 95 percent for a qualified Beginning or Socially Disadvantaged (SDA) farmer.

Previously, lenders could only receive a 95 percent guarantee under limited circumstances such as refinancing FSA direct loan debt or participating in the Direct FO Down Payment Loan Program. The increase in the guaranteed loan percentage provides lenders more incentive to extend credit to these farmers, a traditionally underserved group.

Guaranteed operating loan activity has varied since this change was implemented. Guaranteed FO activity has increased in the last several years but declined in fiscal year (FY) 2019.

Prior to the 2018 Farm Bill, borrowers who received debt forgiveness were ineligible for emergency loans; however, a 2018 Farm Bill amendment to CONACT allows borrowers who have received debt restructuring with a write down to maintain eligibility for emergency loans. This change addresses the concern that borrowers who have experienced a disaster, through no fault of their own, are suddenly unable to receive financial assistance and continue their operations.

Borrowers who have received prior debt forgiveness through restructuring with a write down still have viable operations and FSA can now extend assistance in the form of emergency loans to those current and past borrowers who have suffered from a disaster. While there are other ways debt forgiveness can be obtained through FSA, the 2018 Farm Bill expanded emergency loan eligibility only to those whose debt forgiveness was in conjunction with an approved debt restructuring plan. FSA has made 213 emergency loans to 96 borrowers who previously received a debt write down as a component of loan restructuring.

On August 9, 2021, the final rule of the Heirs' Property Relending Program (HPRP) was published in the Federal Register outlining the availability of competitive loan funds to help agricultural producers and landowners resolve heirs' property land ownership and succession issues. Intermediary lenders – cooperatives, credit unions, and nonprofit organizations certified as a community development financial institution – can receive up to $5 million at 1 percent interest for relending to heirs to resolve property issues. This includes the costs of remedying clouded title issues or buying out partial property interests of other heirs.

The first application period closed on October 29, 2021, and FSA received 3 loan applications totaling $12,000,000. Selection of successful eligible intermediary lenders is expected to be announced in early 2022. As part of its efforts to expand intermediary lender participation and assist heirs, prior to the next application period FSA will undertake an assessment of potential barriers to participation and identify what outreach and technical assistance it can provide to increase program interest. The program has a positive subsidy rate and unused funds carryover to the next fiscal year. Currently, FSA has approximately $128 million available.

Beginning Farmers and Ranchers
Beginning farmers and ranchers represent more than a quarter of the farming population and our work in this space builds on previous successes and lessons learned while looking ahead to emerging issues in agriculture. The 2018 Farm Bill contained several key provisions that USDA has leveraged in support of the next generation of farmers and ranchers.

In implementing the provisions of the 2018 Farm Bill, the Beginning Farmer and Rancher Coordinator responsibilities were delegated to FSA who has since hired a full time National Coordinator to lead efforts across the department and support agencies with new farmer-focused program delivery at the local level. For example, the National Coordinator partnered with FSA's Farm Loan Program staff to increase and improve lending through the Direct and Guaranteed lending programs. We hosted a Beginning Farmer and Rancher Lending Summit that resulted in an ongoing collaboration between FSA and our commercial lending partners. FSA is also working with a variety of commercial lending stakeholders to identify process and policy enhancements that will improve guaranteed lending to beginning farmers.

The Beginning Farmer State Coordinator implementation began in 2019 and was fully implemented in 2020. As outlined in the 2018 Farm Bill, each State has a collateral duty coordinator from one of the FPAC agencies or through USDA Rural Development. Each State has an annual Beginning Farmer plan and reports quarterly on the goals and metrics they identified for prioritization based on the needs of new farmers in their State. State coordinators have been instrumental in helping beginning farmers access and navigate USDA programs.

USDA hosted a listening session in May 2021 for beginning farmers to share how the pandemic has disrupted and impacted their operations as well as provide general feedback on how our programs could better serve them. The participants made recommendations on how our programs could be improved and communicated the value of having local staff who can work with them directly. We are using this feedback to continue to improve the delivery of programs during this difficult time.

The Farm Bill of 2018 laid a firm foundation for success, and FPAC utilized the tools provided by Congress to meet the unique needs of producers since its passage. While no one wrote the Farm Bill with an upcoming pandemic in mind, we were well positioned to meet the challenges of this once in a generation challenge.

Pandemic Assistance

As the Committee well knows, agriculture is an inherently risky business, complicated further by the impacts of the ongoing COVID-19 pandemic. In response, USDA initially rolled out the Coronavirus Food Assistance Program (CFAP) to provide financial assistance to producers of agricultural commodities who suffered certain price declines or who had losses due to market supply chain disruptions due to COVID-19.

To address gaps and disparities in previous rounds of aid, this Administration provided $6 billion in funds through the Pandemic Assistance for Producers Initiative, a suite of pandemic and disaster assistance programs designed to help producers absorb increased marketing costs, with greater emphasis on outreach to small and socially disadvantaged producers, specialty crop and organic producers, and timber harvesters.

Pandemic Assistance for Producers provided approximately $280 million in payments to contract producers of eligible livestock and poultry. This is in addition to financial assistance provided through the Pandemic Livestock Indemnity Program to support producers of eligible swine, chickens, and turkeys as a result of insufficient access to processing facilities, and up to $50 million in Spot Market Hog Pandemic Program funds to support producers who sold hogs through a spot market sale.

Timber harvesters and haulers, who experienced losses of at least 10 percent gross revenue in 2020 in comparison to 2019, received $200 million in relief as part of the Pandemic Assistance for Timber Harvester and Haulers program.

Organic and transitioning organic producers are receiving up to $20 million in assistance under the Organic and Transitional Education and Certification Program to cover eligible certification and education expenses.

Through the Pandemic Cover Crop Program, RMA distributed almost $60 million in crop insurance premium support, covering over 12 million acres, to producers who insured their spring crop with most insurance policies and planted a qualifying cover crop during the 2021 crop year.

Since January 2021, we also suspended past-due debt collections and foreclosures for distressed borrowers under the Farm Storage Facility Loan and the Direct Farm Loan programs until further notice due to the pandemic. FSA also extended deadlines for producers to respond to loan servicing actions, including loan deferral consideration for financially distressed and delinquent borrowers. Where possible, we made flexibilities available to lenders through our Guaranteed Loan program to assist in servicing their customers. Additionally, the Department suspended non-judicial foreclosures, debt offsets or wage garnishments, referring foreclosures to the

Department of Justice (DOJ); and is working with the U.S. Attorney's Office to stop judicial foreclosures and evictions on accounts that were previously referred to the DOJ.

Disaster Assistance
On top of the monumental effort of supporting America's producers during this historic pandemic, this Administration has, time and again, responded to the immediate needs of producers in the wake of natural disasters.

FSA made important changes to the ELAP. First, in response to the winter storms that hit States along the Gulf Coast in early 2021, we made food fish and other aquatic species eligible for assistance. Second, in response to the severe drought in the West and Great Plains, we lowered the drought intensity threshold to trigger assistance for water hauling expenses and began accepting applications to cover the cost of transporting feed for livestock that rely on grazing. FSA also made available an online tool to help ranchers document and estimate payments to cover feed transportation costs resulting from the drought.

To further mitigate the impact of the drought in the West, FSA invested $15 million in a block grant in August 2021 to provide payments to producers in the Klamath Basin to reduce irrigation demand in parts of California and Oregon.

FSA is also issuing $1.8 billion in payments to producers who enrolled in the ARC and PLC programs, distributed more than $292 million through the Quality Loss Adjustment Program, and $3.1 billion under the Wildfire and Hurricane Indemnity Program Plus as appropriated through the Additional Supplemental Appropriations for Disaster Relief Act, 2019.

In addition, Congress called upon our Mission Area again to deliver $10 billion in disaster assistance for 2020 and 2021 losses funded through the Extending Government Funding and Delivering Emergency Assistance Act, 2021. Internally we are moving quickly to put programs in place to support farmers and ranchers and we understand the importance of this assistance.

RMA worked with crop insurance companies to streamline and accelerate the adjustment of losses and issuance of indemnity payments to crop insurance policyholders in areas impacted by the 2021 drought as well as authorizing Approved Insurance Providers to extend deadlines for premium and administrative fee payments and defer and waive the resulting interest accrual as well as providing flexibilities under LRP for producers who had to sell livestock earlier than expected. Over $7 billion in indemnities have been paid to date for the 2021 crop year with over $5 billion resulting from drought.

Through RMA's HIP-WI, producers have received more than $270 million in indemnity payments in addition to coverage provided through underlying policies.

I would like to recognize our staff for all the great work they accomplished to provide this much-needed disaster assistance, as well as pandemic assistance. I recognize that it is critical to have our offices staffed to administer programs and get dollars out the door during difficult times like these, so expanding our staffing capacity remains a top priority for this Administration.

Climate-Smart Agriculture & Forestry

Farmers, ranchers, forest landowners, and land managers are on the front lines of climate change. Now more than ever we need to ensure they have access to the tools, incentives, and support to build and enhance resilient operations and continue to play a critical role in addressing the climate crisis.

While USDA has not historically been at the center of the public conversation on Federal climate policy, it has enormous and underappreciated discretionary financial resources and agency expertise. This Administration seeks to harness these resources and expertise to partner with farmers, ranchers, and forest owners to reduce atmospheric greenhouse gases through carbon sequestration and emissions reductions and bolster the resilience of private working lands and public forests and grasslands to the effects of climate change.

To that end, USDA has developed an ambitious department-wide plan for climate action, focused on partnering with agriculture, forestry, tribes, businesses and communities. Our efforts are based on voluntary, incentive-based approaches. Our plan centers on leveraging our existing programs, on creating new opportunities and markets for climate smart agriculture and forestry, on ensuring rural America plays a key role in our transition to cleaner sources of energy, and helping producers and communities adapt to the impacts of climate change – adverse weather, increasingly severe drought, storms, and flooding. We've developed an Action Plan for Climate Adaptation and Resilience that identifies the most significant risks that climate change poses to the agriculture and forestry sectors and lays out Department-scale actions to best prepare our stakeholders to address these current and future climate change threats. We're also investing in research and development to make sure that we have the innovative technologies, data and quantification tools required to best position producers in this effort.

As an important component of this comprehensive climate strategy, USDA has been working to prepare Partnerships for Climate Smart Commodities to finance the deployment of climate-smart farming and forestry practices to aid in the marketing of climate-smart agricultural commodities. In response to public and stakeholder feedback, this opportunity will finance the production of climate-smart commodities through a series of partner-led large-scale pilots. Project partners will support producers to grow agricultural commodities using climate-smart practices, implement a plan to market these commodities, and measure and validate the resulting climate benefits. It is critical that a wide cross-section of agriculture is involved in this effort, including small, medium, and historically underserved producers.

In FY2020 and 2021 NRCS provided the following:

- $330 million through the Regional Conservation Partnership Program (RCPP) and an additional $75 million in RCPP Alternative Funding Arrangements, with 75% of these investments supporting activities that advance the Department's Climate Smart Agriculture and Forestry priorities;
- $41.8 million through the Environmental Quality Incentive Program to help agricultural producers in the West mitigating impacts from climate change by implementing practices to alleviate the immediate impacts of drought and other natural resource challenges on working lands;

- $21 million as part of a collaboration with the Department of Interior's WaterSMART Initiative to improve our water conservation and drought resilience;
- More than $46 million through the Joint Chiefs' Landscape Restoration Partnership for projects that mitigate wildfire risk, improve water quality, and restore healthy forest ecosystems on public and private lands;
- $15 million through the Conservation Innovation Grants program to support the development of new tools, approaches, practices, and technologies to further natural resource conservation with a focus on climate-smart strategies and $25 million for On-Farm Conservation Innovation Trials.

To target climate impacts, FSA has made several improvements to the Conservation Reserve Program (CRP), including providing higher rental rates to increase producer interest and enrollment; establishing a new Climate-Smart Practice Incentive for CRP general and continuous signups to increase carbon sequestration and reduce greenhouse gas emissions; and rolling out a CRP Climate Change Mitigation Assessment Initiative to measure program climate impacts and increase climate outcomes over time.

These changes paid off. In 2021, producers enrolled more than 5.3 million acres in CRP through the General, Continuous, and Grassland signups, surpassing USDA's 4-million-acre goal.

One of the most important strategies for farmers to increase climate resilience is improving soil health, and this Administration has made critical investments to support that goal. Earlier this year, NRCS announced a new partnership with Farmers for Soil Health to advance the use of soil health practices – especially cover crops – on corn and soybean farms. To complement the new partnership, NRCS is investing $38 million through a new targeted Cover Crop Initiative to help agricultural producers mitigate climate change through the widespread adoption of cover crops.

Additionally, NRCS' Soil Health Demonstration Trial, part of the Conservation Innovation Grants On-Farm Conservation Innovation Trials, focuses extensively on implementation of conservation practices and systems that improve soil health.

Early this year, RMA implemented the Post Application Coverage Endorsement that provides coverage to producers in select counties in the Midwest who "split apply" nitrogen, added flexibility for producers to hay, graze, or chop cover crops and still receive 100% of the prevented planting payment, and provided a $5 per acre premium benefit for producers who planted cover crops.

Equity

Equity is a vital consideration in all we do at USDA. We must ensure that the programs we support and the investments we make are available to everyone and that we take special steps to ensure that historically underserved and small and medium-sized farmers are able to participate and prosper from our work.

President Biden issued an Executive Order On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government and committed to creating an

Equity Commission as part of his rural agenda and commitment to closing the racial wealth gap and addressing longstanding inequities in agriculture. USDA is in the process of standing up an independent Equity Commission to reduce barriers to access, in which FPAC will be highly involved with the subcommittee on Agriculture. The Commission will provide recommendations to the Secretary on policies, programs, and actions needed to address racial equity issues within the Department of Agriculture and its programs, including strengthening accountability at USDA and to provide recommendations to the Secretary on broader more systematic equity issues at USDA.

FPAC was also active in USDA's first-ever Racial Justice and Equity Internal Working Group to identify gaps and inadequacies in the Department's systems and processes.

With the over $1 billion provided from the American Rescue Plan Act, the Department will focus on creating opportunities for historically underserved producers through technical assistance and capacity building, access to land and credit, and access to markets and market development and FPAC will be crucial for that work.

We currently provide approximately $75 million to 20 organizations to provide technical assistance to connect underserved producers with USDA programs and services, $50 million in cooperative agreements to support historically underserved farmers and ranchers with climate-smart agriculture, $4.7 million in cooperative agreements for FSA outreach and education, $6.6 million in urban agriculture grants and cooperative agreements, and $2 million in cooperative agreements for risk management education and training programs that support historically underserved producers and small-scale farmers.

Conclusion

It is clear that when Congress, FPAC, and producers work together, we can accomplish great things. The 2018 Farm Bill created a foundation that allowed us to strengthen and adapt our programs to meet the dynamic needs of our producers. The FPAC workforce took the tools provided by Congress, listened to producers, and implemented and adapted our programs to meet their needs. We have overcome significant challenges and will continue to do so.

I look forward to working with this Subcommittee, the Committee, and Congress at large to ensure America's producers can weather any challenges they face – whether it be a once-in-a-lifetime global pandemic, or the annual challenges faced as the result of a changing climate – to build back a better food system.