

**Statement of
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Before the

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Mr. Chairman and members of the committee, on behalf of United States Department of Agriculture (USDA) Farm Service Agency (FSA) and the Forest Service (FS), thank you for the opportunity to talk about the drought situation in California. We will present a high-level summary of the programs FSA offers to help farmers and ranchers mitigate the effects of the drought and the efforts of the FS to assure healthier forests.

Many of you are aware that California is the nation's leading producer of agricultural goods. California's farmers and ranchers generate nearly \$36 billion in market value. While the state has only four percent of the nation's farms, it produces 13 percent of the national gross cash receipts. Furthermore, nine of the top 10 revenue-producing counties in the nation are in California, including the top three counties Fresno, Tulare and Kern which averaged more than \$3 billion each in sales of agricultural commodities. Fresno, the leader, would rank higher than half the States in the U.S. California is also the nation's leader in agricultural exports, annually shipping more than \$11 billion in food and commodities around the world. The State's top exports are tree nuts, fruits, vegetables and dairy products. There are 350 different crops grown commercially in the state.

California is rich in natural resources with ideal growing conditions. However, the one resource that adversely affects all of the State's agricultural production when it is in short supply is water.

All of the State's producers are at the mercy of this 3-year drought. Since agriculture is such a potent economic influence on California, when water becomes a commodity itself rather than a natural resource, the overall state economy suffers greatly. Farmers and ranchers especially are hurt. Financial challenges threaten their businesses and put their families and communities at serious economic risk.

A critical part of USDA's FS mission remains sustaining the health of our forests to protect the quality of our nation's water supply. Drought will affect the quantity, quality, and timing of water coming from the National Forests in California. Long-term effects of drought include diminished health of forest lands and may increase the potential for catastrophic wildfires in the coming fire season.

The 18 National Forests and Grasslands in California that encompass 20 million acres which equates to 20 percent of the total land area in the State. These Forests provide recreational opportunities to 30 million visitors every year. In addition, these National Forests are home to 75 percent of wildlife and fish found in California.

National Forests in California are the source of fifty percent of the State's water supply and encompass 2,400 of the State's reservoirs. In addition, National Forest System lands provide a vast reservoir of ground water storage, drinking water and stream flow throughout the year.

Our Goal Today

Today, our goal is to explain how USDA assists producers when they experience prolonged drought conditions. As an adjunct to the adversities faced by the farming and ranching industries, we will also address the impact the drought is having on our forests.

The FSA has many of the responsibilities for handling agriculture's disaster recovery. However, USDA's Risk Management Agency (RMA) also provides agricultural producers help in managing their business risks through effective, market-based risk management solutions, namely, insurance contracts.

General Background

Drought is the most frequent disaster addressed by USDA. In 2008, 903 of the 1,488 counties designated by the Secretary of Agriculture as disaster areas were named for drought and drought-related causes. Those 903 counties represented 27 States. The national situation was even worse the prior two years. In 2007, the Secretary declared 1,900 counties as primary disaster areas and of those, 1,500 were because of drought. In 2006, about 90 percent of the requests were for disaster assistance, affecting 47 States. Drought designations so far in 2009 represent two-thirds of all Secretarial primary disaster counties.

While many States, especially in the Midwest, recovered from drought in more recent years, California's severe drought conditions in 2008 and 2009 will likely create higher than normal demand for USDA's mandatory disaster assistance programs, particularly the Livestock Forage Program (LFP).

The State's farms require extraordinary irrigation usage, assuming that water is available. Indeed, irrigation has put a wedge between agriculture and all other water consumers, and created conflicts within the industry. As an example, cotton producers in the Westlands Water District of California have lost water supplies to tree crops. Environmental rulings and drought are reportedly causing many cotton growers west and southwest of the Fresno area to abort planting entirely this year. That area normally is a large base for upland and pima cotton production.

Forest Health

The second year of drought conditions in the region in 2008 had an impact on the health of a variety of forested ecosystems. All forests in central, northeastern, and southern California experienced severe to extreme drought last year leading to above normal levels of conifer and hardwood tree mortality.

Native bark beetles continue to be a major cause of tree mortality in California. The most notable recent event was the catastrophic tree die-off during 2003 and 2004 where thousands of trees were killed in an area over one-half million acres. At-risk areas span all ownerships. When, where, and the extent to which mortality occurs is influenced by forest stand conditions and weather patterns. Due to drought conditions, tree mortality is expected to increase. Based on current precipitation levels, this year's bark beetle-caused mortality will likely be similar to 2008.

Wildfire

It is too early to assess the coming fire season in California with a high degree of confidence in any predictions. Typically, the FS will get a detailed and final assessment of potential fire risks in June. The nature and magnitude of lightning events also play a significant role in how active a California fire season may become, regardless of drought conditions. The worst of these events usually occur in late July or August, but can come as early as June, as evidenced by the devastating dry lightning storm last year.

California's National Forests are exhibiting signs of stress resulting from the current drought including increased mortality resulting from insect and disease outbreaks, increased fuel loading, and increased wildfire severity. The general health of the National Forests and Grasslands in California in turn affect multiple other resource values, including wildlife and fish habitat, recreational opportunities, grazing levels, and water availability.

Other Drought Impacts on Forests

Long-term drought leads to a cascade of effects on many other resources including loss of habitat for wildlife and fish, decreased opportunities for grazing, and potentially increased conflicts surrounding water entitlements. As stated earlier, these Forests provide recreational opportunities to 30 million visitors every year and are home to 75 percent of wildlife and fish found in California.

Of approximately 200,000 acres of meadows on National Forest System lands in the Sierra Nevada, about 40 percent are already affected by erosion and decreased water storage. Prolonged dry conditions would threaten the 120,000 acres of meadows not already degraded, and would hinder restoration of degraded meadows. Meadows are also expected to have a greater importance in the future as a lower cost way to store water that is released during the year into the streams and rivers to meet the ever-increasing demand for water.

Forest Service Drought-Related Actions

With the help of Congress, the FS is taking immediate action to address the many effects of the current drought, including one of the biggest immediate threats to California's residents, stands of dead and dying trees and the threats posed by catastrophic wildfires.

Fuels Reduction

The FS plans to spend \$162 million on fuels reduction projects in California this fiscal year, treating over 267,000 acres. These projects include activities such as prescribed burning, vegetation treatments, and biomass utilization. The FS will also continue to develop cooperative projects between agencies and all forest land owners. The American Recovery and Reinvestment Act will provide additional support for these mitigation activities. The FS and USDA are currently in the process of approving projects for these funds.

Fire Preparedness and Suppression

California will continue to use the Predictive Services group to forecast potential fire activity in preparation for critical fire situations and conditions. These determinations provide the necessary support for the authorization of firefighting augmentation plans, extended staffing actions, and movement of aerial and ground resources.

Forest Health Treatments

Vegetation management (thinning) is the most effective tool the FS has for reducing bark beetle-caused tree mortality. Thinning improves tree vigor, reduces susceptibility to bark beetle attack, and lowers the potential for catastrophic wildfire. The Agency will spend \$3.6 million on forest thinning projects on national forest system and state and private lands in California during 2009. Over 8,000 acres on national forest system lands and 1,000 acres on state and private lands are planned to be treated.

Rehabilitation & Restoration

The FS is focusing on habitat rehabilitation and restoration in areas impacted by previous wildfires. The Agency is spending \$13 million this year to stabilize soil, restore watersheds and habitat, and reforest areas burned by wildfire in California. Over 2,300 acres of water or soil resources will be treated to improve watershed conditions and 137 miles of stream habitat will be restored or enhanced. Over 12,000 acres of burned forests from the fires of 2007 and 2008 will be reforested this year.

Farm and Ranch Issues: What FSA Is Able to Do

The Agency offers programs established through legislation to help producers recover from financial losses. The American Recovery and Reinvestment Act of 2009 (Recovery Act) increased the level of assistance for 2008 crop losses and the number of producers eligible under the Supplemental Revenue Assistance Program (SURE), provided for in the 2008 Farm Bill. California producers will benefit from a Recovery Act provision announced by Secretary Vilsack two-weeks ago that permits farmers to pay a "buy-in" fee to become eligible for disaster programs. Many farmers were not eligible for mandatory disaster assistance, because they lacked insurance coverage or were not participating in FSA's Non-insured Crop Disaster Assistance Program (NAP). The buy-in waiver gives them an opportunity to pay the fee through May 18, 2009, which provides them eligibility for several disaster programs.

Last month, USDA Secretary Tom Vilsack and Secretary of the Interior Ken Salazar announced the creation of an Interagency Federal Drought Action Team. The team's mission is to work cooperatively in response to communities facing significant drought. The team's plans call for joining forces with Governor Schwarzenegger and his State's response team to minimize the social, economic and environmental effects of the current drought. A standing group made up of several USDA agencies, called the National Food and Agriculture Council, is providing the coordinating mechanism to assist in this endeavor, beginning with a listing of current programs that can be implemented quickly this summer as the drought situation unfolds.

Disaster Designations

There are four types of disaster designations that immediately trigger the availability of low-interest FSA Emergency (EM) loans to eligible producers in all primary and contiguous counties: a Presidential major disaster declaration; USDA Secretarial disaster designation; an FSA Administrator's Physical Loss Notification; and a quarantine designation.

Counties can qualify for EM loans if a producer has suffered at least a 30 percent loss in crop production. If the county is declared a disaster area, producers with crop losses or a physical loss to livestock or real estate become eligible for the loans; they must be U.S. citizens, have an acceptable credit history and be unable to receive credit from commercial sources. Later, I will go into more detail about EM loans.

In 2007, 56 of California's 58 counties were declared primary or contiguous disaster areas because of drought, and in 2008, 57 counties were similarly designated (*see Exhibit 1; California Drought Designation by County*).

In response to these disasters, USDA has distributed more than \$400 million to California producers over the past three crop years through crop insurance payments and FSA's disaster assistance programs.

A Change from the 2002 Farm Bill

The 2002 Farm Bill provided disaster assistance programs through congressional appropriations that were funded after the disasters had occurred. In contrast, the 2008 Farm Bill provides a continuous funding mechanism for disaster programs and offers some additional recovery options for producers who take some extra steps to manage their risks.

2008 Farm Bill

Title XII of the 2008 Farm Bill provided farmers a number of mandatory supplemental disaster assistance programs. These programs created an extra incentive for risk management by requiring producers to purchase crop insurance or Non-Insured Crop Assistance Program (NAP) coverage to participate in the programs. FSA staff in California and elsewhere in the U.S. have worked diligently to inform producers, their industry associations and agricultural media about the new features, programs and provisions in this new law.

National and State FSA training for Disaster Assistance Programs, the Livestock Forage Program (LFP) and other Farm Bill programs and provisions has been provided to all the county FSA offices in California. In addition to the repeated news releases and newsletter stories on the various program's availability, informational meetings have been held with the California Farm Bureau, the Association of California County Ag Commissioners, the California Cattlemen's Association and ranchers across the State.

We anticipate announcing a sign-up over the next couple of months when the regulations are published.

The new Farm Bill disaster assistance programs that are applicable to drought recovery include:

- Supplemental Revenue Assistance Payments (SURE) Program,
- Livestock Forage Disaster Program (LFP), and the
- Tree Assistance Program (TAP)

The maximum disaster payment available to a producer under these programs is limited to a combined \$100,000, excluding the Tree Assistance Program. An additional \$100,000 per producer is available under TAP.

Supplemental Revenue Assistance (SURE) Program

As the successor to the ad hoc crop disaster programs previously available, SURE is available to eligible crop producers in counties where a qualifying natural disaster declaration is made by the Secretary of Agriculture. Producers can also qualify if they experience a greater than 50 percent loss in production because of weather. To qualify for SURE payments, either NAP coverage or crop insurance is required for all crops the producer grows.

Payments under SURE are equal to 60 percent of the difference between the Disaster Program Guarantee for all crops and the total farm revenue for all crops. The Disaster Program Guarantee cannot exceed 90 percent of the expected revenue for the farm. Note also that SURE payments will not be made for more than a year after the crop is harvested because the 2008 Farm Bill requires calculations for the entire operation, including national average market price and program data that become available in the following year.

For the purpose of drought loss, “prevented planting” for annual crops is considered a loss under SURE. Crop damage to trees, orchards and vines also qualifies as a loss.

Livestock Forage Disaster Program (LFP)

The LFP is the new successor to the previous Livestock Compensation Program and provides assistance for forage losses due to drought and fire on public managed land. This program will benefit a number of California’s livestock producers. (*See Exhibits 2 and 3, 2008 and 2009 Drought Monitor Severity Maps - California.*)

Producers qualify for this program if the Drought Monitor designates their county as severe (D2), extreme (D3) or exceptional (D4). The Drought Monitor is a national service provided through the cooperation of USDA, the National Drought Mitigation Center, the Department of Commerce and the National Oceanic and Atmospheric Administration.

To qualify for the first level of assistance, a county has to be at least at a D2 severity level on the US Drought Monitor for eight consecutive weeks. If the severity level on the Drought Monitor increases to extreme levels of D3 or exceptional levels of D4, additional payments are provided.

A disaster declaration is not required for LFP, but eligible producers are required to have purchased NAP or crop insurance for their grazed land.

In California, for 2008, 33 counties qualify for payments at the severe level (D2) and 18 counties qualify for larger payments at the extreme level (D3).

So far in 2009, 24 counties qualify for payments at the severe level (D2) and 23 counties qualify for larger payments at the extreme level (D3).

Tree Assistance Program (TAP)

Orchardists and nursery tree growers may receive cost-share benefits under the TAP if their tree losses due to a natural disaster exceed 15 percent. In addition, bushes, vines and nursery trees for commercial sale are eligible. Once again, NAP or crop insurance is required for program eligibility. The program provides for partial reimbursement of costs for replanting, pruning, debris removal and salvage efforts. The severity of the multi-year drought in California may prompt TAP payments in California for 2009.

Other programs included in the 2008 Farm Bill that are important to California's farmers and ranchers faced with drought prospects include the Noninsured Crop Disaster Assistance Program (NAP), the Emergency Loan Program (EM) and Emergency Conservation Program (ECP).

Noninsured Crop Disaster Assistance Program

As mentioned earlier, NAP is important in California where so many crops are produced that are ineligible under the RMA guidelines for crop insurance. NAP goes into effect when disasters create low yields, loss of inventory or prevented planting occurs. Crops eligible for NAP coverage include crops grown for food, including food for livestock; rangeland forage; crops grown for fiber, such as cotton and flax; crops grown under a controlled environment, such as mushrooms and floriculture; specialty crops, such as honey and maple sap; value-loss crops, such as aquaculture; Christmas trees; ginseng; ornamental nursery and turf grass sod; and seed crops where the propagation stock is produced for sale as seed stock for other eligible NAP crop production.

Eligible producers must apply for NAP coverage of crops in a specific timeframe and pay the applicable service fees at their local FSA office. Limited resource and socially-disadvantaged producers may request a waiver of service fees.

When a NAP crop or planting is affected by a natural disaster such as drought, producers must notify their local FSA office and complete the "notice of loss" portion of the application. They must also complete the application within 15 calendar days of the natural disaster occurrence, the final planting date if planting was prevented by the natural disaster, or the date damage to the crop or loss of production became apparent. The natural disaster must have either reduced the expected production of the crop by more than 50 percent, or prevented the producer from planting more than 35 percent of the intended crop acreage. NAP covers the amount of loss greater than 50 percent of the expected production based on the approved yield and reported acreage

In 2008 and 2009, FSA anticipates NAP payments will be made in all California counties. Totals to date for 2008 payments are more than \$8.5 million crop insurance indemnities.

Emergency Loan Program

The FSA's Emergency Loan Program (EM) provides emergency loans to help producers recover from production and physical losses due to drought and other disasters. EM loans may be used to restore or replace essential property; pay all or part of production costs associated with the disaster year; pay essential family living expenses; reorganize the farming operation; and refinance certain debts. EM loans may be made to producers who own or operate land located in a county declared a Presidential disaster area or designated by the Secretary of Agriculture as a disaster area. Participants must be established family farm operators and U.S. citizens or permanent residents and have sufficient farming or ranching experience. They must have suffered at least a 30 percent loss in crop production or a physical loss to livestock, livestock products, real estate or chattel property. They must have an acceptable credit history, must be unable to receive credit from commercial sources, must provide collateral to secure the loan; and show that they have repayment ability.

Producers can borrow up to 100 percent of actual production or physical losses to a maximum amount of \$500,000. Applications for EM loans must be received within eight months of the county's disaster designation date. Emergency loans are a temporary source of credit, and borrowers are reviewed periodically to determine whether they can return to commercial credit.

In FY 2006, there were 12 EM loans authorized in California for \$1,791,000.

In FY 2007, there were 12 EM loans authorized in California for \$1,989,000.

In FY 2008, there were 12 EM loans authorized in California for \$1,724,590, and so far in FY 2009, the state has five EM loans for \$539,960.

Emergency Conservation Program (ECP)

The ECP is a cropland restoration program, but it can also be used to provide temporary measures or practices to supply emergency water for livestock due to a drought related problem. Cost-sharing of up to 75 percent is provided to eligible ranchers to install pipelines, watering tanks or troughs. Assistance can also be provided for livestock wells or the deepening of existing livestock wells at a 50-percent cost-share rate.

Due to the severe drought conditions in the northern California coast, \$131,000 has been provided to Mendocino and Lake County for emergency water development under ECP in 2009. Five more counties are currently at the D4 severity level on the US Drought Monitor.

Future for Forests

Federal Drought Action Team

As mentioned earlier, in February, the Federal Drought Action Team was activated by the Secretaries of Agriculture and Interior. The Forest Service has cooperated with this team in the past with water quality, grazing and fire impacts. The Agency is looking forward to working closely with other federal and state agencies in the future.

Climate Change

Climate change will exacerbate the impact of major stressors on National Forest System (NFS) ecosystems^[1]. Wildfires, non-native and native invasive species, and extreme weather events—including drought—are among the most critical stressors that climate change will amplify within NFS ecosystems. Reduced snowpack, earlier snowmelt, and altered hydrology associated with warmer temperatures and altered precipitation patterns are expected to complicate water management, not only in California, but throughout the West, affecting the ecosystem goods and services that National Forests provide. Drought is emerging as a major management challenge, not only in California, but across the western United States.

Conclusion

Farmers and ranchers are familiar with FSA's programs and loans. We attempt to keep them informed about changes to the programs as they occur, especially at a time like this, when we are implementing a new Farm Bill. Because nearly two-thirds of all U.S. counties participate in a disaster designation as a primary or contiguous county in a given year, our producers know the process well. Still, we frequently remind them of the steps they must take to become eligible during a new designation.

USDA, FSA and the other agencies that deal directly with producers are fully aware of the need for quick and accurate response when disaster occurs. Likewise, we know our obligation to America's taxpayers, who entrust us with seeing that their money is spent wisely on agricultural programs that assure them of quality food, fiber, and an opportunity to improve our energy capacity.

¹ Joyce, L.A. et al. (2008) Chapter 3 National Forests in US Climate Change Science Program: Preliminary review of adaptation options for climate-sensitive ecosystems and resources. A Report by the U.S. Climate Change Science Program and the Subcommittee on Global Change Research. [Julius, S.H., J.M. West (eds.), J.S. Baron, L.A. Joyce, P. Kareiva, B.D. Keller, M.A. Palmer, C.H. Peterson, and J.M. Scott (Authors)]. U.S. Environmental Protection Agency,

The drought in California is a problem for the state's farmers and ranchers and it is a problem for our National Forests. But it also affects state residents as consumers who compete for water use. We cannot solve the water problem, so we provide the farmers and ranchers a safety net to protect them from any long-term threat to California's important agricultural capabilities. And we offer solutions to improve the quality of our forests. We monitor drought conditions in California and throughout the United States routinely to anticipate changes and to keep our employees informed of the potential threat.

Thank you for allowing me to share our Department of Agriculture perspective as you address this important issue. I am available to answer your questions now or at any time in the future.

EXHIBIT 1 - California Drought Designation by County



2008 Drought Disaster Counties



As of October 20, 2008



EXHIBIT 3 – 2009 Drought Monitor Severity Map – California



2009 Drought Conditions



As of February 23, 2009

