Consolidated Farm Service Agency

The Consolidated Farm Service Agency (CFSA) administers farm commodity, crop insurance, and conservation programs for farmers and makes farm loans through a network of State and county offices. CFSA programs are directed primarily at agricultural producers; in the case of loans, they are directed at those with farming experience.

The First Farm Bill

The unprecedented economic crisis which paralyzed the Nation by 1933 struck first and hardest at the farm sector. Realized net income of farmers in 1932 was less than one-third of what it had been in 1929. Farm prices fell more than 50 percent. President Franklin D. Roosevelt committed himself to direct Government action to solve the farm crisis; thus, in 1933, control of agricultural production became the primary tool for raising the prices and incomes of farm people.

The majority of CFSA employees work with producing farmers, who maintain a crop history by making an annual report of planted acres to the CFSA county office. Typically, these offices record planting reports on about 360 million acres, 7 out of every 8 acres of cropland in the Nation.

The relationship between farmers and the Agency goes back to the 1930's and the first agricultural acts establishing farm programs. Under the unique method of local administration that Congress set up at that time, farmers who are eligible to participate in Federal programs elect a three-person county committee. This committee reviews the county office operations and makes decisions on how the programs apply locally, giving farmers a say in how the Federal programs are applied in their county. The committee makes sure that farmers receive good service and complete information. This grassroots method of administration continues today.

Commodity Programs

Agricultural commodity programs are designed to improve the economic stability of agriculture and to help farmers adjust production to meet demand through acreage reductions and diversions. The goal is to avoid severe price swings for farmers and consumers. Assistance is offered through price support loans and purchases, as well as direct payments.

Why Farm Programs?
Since the late 1920s, American farm policy has tried to encourage the production of adequate supplies of food and fiber and to maintain reasonable prices for consumers while, at the same time, assuring farmers a fair return on their investment.

Crop Insurance

Federal crop insurance covers production losses due to unavoidable causes of loss such as drought, excessive moisture, hail, wind, hurricane, tornado, and lightning. It does not cover losses due to neglect, poor farming practices, theft, or low prices. Currently, 62 crops are insurable.

The Federal Crop Insurance Reform Act of 1994 (P.L. 103-354) overhauled the crop insurance program to provide catastrophic yield protection to all producers of insurable crops for a nominal processing fee. Essentially, the reform program replaced the uncertainty of disaster assistance with the predictability of crop insurance coverage. This streamlining of the crop insurance and disaster assistance programs is expected to save taxpayers over $150 million over the next 5 years.

Starting with 1995 crops, producers of all insurable crops who sign up for the annual commodity programs; or who obtain CFSA farm ownership, operating, or emergency loans formerly administered by the Farmers Home Administration; or who have any new Conservation Reserve Program contracts must buy at least the catastrophic (CAT) level of crop insurance coverage on all insurable crops that account for 10 percent or more of their farms' crop production value. Catastrophic coverage can be obtained at a local CFSA office or from a private crop insurance agent.

Higher levels of coverage, know as "additional coverage," are available through crop insurance agents. To encourage participation, the coverage was made more attractive to farmers by increasing the premium subsidy. Buying additional coverage is also the only way farmers can benefit from attractive policy features that permit smaller optional units, replant payments, and coverage for certain quality losses.

Farmers growing crops that are not insurable will be eligible for benefits similar to those provided under the catastrophic insurance plan. This coverage is provided free of charge and is available only through CFSA offices. To be eligible, the area has to suffer a yield loss of at least 35 percent per crop. Once this criterion has been met, farmers will be paid for individual crop losses in excess of 50 percent at 60 percent of the average market price. Producers must report acres and production to be eligible for protection.

Commodity Programs

CFSA administers commodity programs for wheat, corn, grain sorghum, barley, oats, rye, oilseeds, rice, tobacco, peanuts, milk, cotton, wool, mohair, sugar, and honey.

CFSA makes Commodity Credit Corporation (CCC) loans to eligible farmers using their stored crops as collateral. Loans to producers are usually "nonrecourse." That is, when market prices are higher than the loan rate, a farmer may simply pay off the loan and market the commodity. However, if market prices are below the loan levels, a producer can forfeit or deliver the commodity to the Government to discharge the loan obligation in full. Thus, commodity loans promote orderly marketing by providing farmers with income while they hold their crops for later sale.

Farmers also get price protection with the option of forfeiting the commodity to CCC as a sufficient-value repayment. A marketing loan provision allows producers to repay nonrecourse loans at less than the announced loan rates whenever the world price for the commodity is less than the loan rate. Marketing loans are available for feed grains, wheat, oilseeds, upland cotton and rice. Also, producers who are eligible to obtain a marketing loan and who agree to forego obtaining a loan may receive a loan deficiency payment—the difference between the loan rate and the loan repayment rate.

The price support loan is seasonal and can be repaid with interest any time through maturity. For wheat and feed grains, the Farmer-Owned Grain Reserve offers producers the opportunity to extend the crop loan for longer periods. Storage payments are made for grain placed in the Reserve.

For most commodities, loans are made directly to producers on the unprocessed commodity through CFSA county offices. Loans and purchases are also made through cooperative marketing associations or through processors. For example, price support loans for eligible tobacco are available through the applicable tobacco growers associations. For tobacco, marketings in excess of a quota are subject to penalty and are ineligible for loan.

Two levels of price support loans for peanuts are available: a higher price support level for peanuts grown within the farm poundage quota, and a lower support level for additional peanuts grown on farms with a quota or for peanuts grown on farms without a quota.

Price support loans on oilseeds and rye are available, and producers face no acreage limitations on those commodities.

For wheat, feed grains, rice, and cotton, an income support payment is provided by deficiency payments. The program participant receives a direct payment, based on the difference between a "target price" set by law and the higher of either the basic loan rate or the national average market price.

In most cases, to qualify for payments, commodity loans, and purchases, a farmer must participate in the acreage reduction, allotment, or quota programs in effect for the particular crop. For example, deficiency payments are made to those who join in the acreage reduction for the crop year. Reducing their production acreage by an established ratio, participants contribute to keeping commodity production in line with anticipated needs. The land they are holding from production must be protected from erosion. In recent years, farmers have been given the flexibility to shift program crop plantings, as well as options for oilseeds, industrial crops, and experimental crops.

Through incentive payments to producers, price support is available for shorn wool and mohair and for the sale of unshorn lambs. This program brings the national average price received by all producers up to the support level required by law. Producers who get a higher market price also get a higher incentive payment, thus encouraging producers to improve the marketing and quality of wool and mohair.

- ***Example of wheat program:***

Farmer Evans

Wheat Farmer, Wheat Program Participant

At the annual program signup—held each spring at local USDA service centers throughout the country—Farmer Evans decides to enroll the 100 acres of wheat base on his farm in USDA's voluntary wheat program. These 100 wheat base acres mean that, on average over the last 5 years, 100 acres of land on his farm have either been planted to—or been "considered planted" to—wheat. Evans, like all prospective program participants, needed first to establish a planting history for his crop in order to enroll in the farm program.

When he signs up, he agrees to meet several program requirements. First, he agrees to idle a percentage of his base acres under the acreage reduction program. For program purposes, these set-aside acres are "considered planted" to wheat. Evans also agrees that he will meet conservation standards and purchase crop insurance. In return, he becomes eligible for direct payments and price support loans.

Direct payments make up the difference between average market prices for the season—which are estimated at the start of the year—and a fixed "target price." At signup, Evans can request a portion of his estimated payment in advance, and like most farmers, he does. He can use his advance payment to help finance production expenses.

Once enrolled in the wheat program, Farmer Evans has considerable planting flexibility. On 25 percent of his base—his "flex acres"—he may plant most crops, except fruits and vegetables. However, no matter what he chooses to do, he will not earn direct payments on 15 acres. He can earn payments on 10 of his flex acres, but only if he chooses to plant wheat. To earn the highest income, Farmer Evans must compare expected returns from wheat to expected returns from other crops.

A number of other options are available—including harvesting no crop at all on his wheat base. Since his benefits are tied to the number of base acres on his farm, Evans can be expected to use one of the flexibility options to ensure that he maintains all 100 acres of his wheat base for future years.

When he harvests his wheat, he can obtain a loan from USDA, using his crop as collateral. Price support loans are an important source of short-term financing for producers, and they enable farmers to store their crops and space out their marketings to take advantage of better prices later. When he's ready to sell his wheat, Evans may repay his wheat loan either at the loan rate or the local market price (whichever is lower) at the time the loan is settled, or he may choose to give the grain to the government in lieu of repayment.

Farm Loans

CFSA has direct and guaranteed loan programs to help farmers who are temporarily unable to obtain private, commercial credit. In many cases, these are beginning farmers who have insufficient net worth to qualify for commercial credit. In other instances, these are farmers who have suffered financial setbacks from natural disasters, or who have limited resources with which to establish and maintain profitable farming operations.

Farmers who qualify obtain their credit needs through the use of loan guarantees, where a local agricultural lender makes and services the loan and CFSA guarantees the loan up to a maximum of 90 percent. CFSA also has the responsibility of approving all loan guarantees and providing monitoring and oversight of lenders' activities.

For those unable to qualify for a loan guarantee from a commercial lender, CFSA also makes direct loans. These loans are made and serviced by a CFSA official, who has the responsibility of providing credit counseling and supervision to its direct borrowers. The CFSA official accomplishes this by making a thorough assessment of the farming operation by evaluating all aspects of the operation.

For example, the CFSA official evaluates the adequacy of the real estate and facilities, machinery and equipment, financial and production management, and the farmer's goals for the operation. Any weaknesses in each phase of the operation are identified and prioritized, and the CFSA official then works one-on-one with each farmer to develop a plan of supervision that will overcome the weaknesses and ultimately result in the farmer's graduation to commercial credit.

Unlike CFSA's commodity loans, these loans can be approved only for those who have repayment ability, and the loans must be fully secured and are not nonrecourse. Local CFSA offices have further information about these loans.

Commodity Purchases and Donations

The Government-owned Commodity Credit Corporation (CCC) provides financing for farm programs, and for the purchase, storage,and disposal of commodities in Federal stocks. CFSA employees are the administrative agents for CCC. One responsibility is the inventory management of CCC's bulk and processed products.

Managing the farm products forfeited to CCC requires cooperation with the warehousing and transportation industries and private marketing channels. With over 10,000 commercial warehouses across the country approved for CCC storage contracts, CFSA commodity managers work closely with the commercial trade.

Under the dairy price support program, CCC buys surplus butter, cheese, and nonfat dry milk from processors at announced prices. These purchases help to maintain market prices at the legislated support level.

CFSA employees work with USDA's Food and Nutrition Service to purchase and deliver processed foods for the national school lunch and domestic feeding programs.

CCC inventories are not simply held, but must move into trade channels. CFSA has a field office in Kansas City, with staff to direct commodity operations. Plugged into telecommunicating trade networks, CFSA merchandisers regularly sell and swap inventories.

■ *CCC*

CCC annual net expenditures averaged about $3 billion per year during the 10 years prior to 1982 with modest variation. Since 1982, variation has been large. Expenditures reached a high of $25.8 billion in FY 1986. They are estimated at $11.8 billion for FY 1994.

Quantities of Commodities Purchased/Donated:

Foreign:		
	FY 1993	*7,528,995 metric tons*
	FY 1994	*451,415 metric tons*
Domestic:		
	FY 1993	*822.6 million pounds*
	FY 1994	*744 million pounds*

Beyond the marketplace, CCC commodities fill the need for hunger relief for needy families in the United States and for overseas assistance. CFSA coordinates the processing and overseas delivery of over 5 billion pounds of commodities each year. Donated for Food for Peace and programs administered by voluntary organizations, these American farm products and foods help in hunger relief around the world.

Conservation Programs

CFSA conservation programs help preserve and improve the wealth and promise of America's farmlands.

■ *Conservation*

- *USDA programs account for over half of total Federal expenditures on conservation and environmental efforts affecting agriculture.*
- *USDA spent an estimated $3.5 billion on resource conservation and other environmental activities in FY 1994.*

Conservation Reserve Program (CRP)

USDA's most ambitious conservation effort, CRP was authorized by the Food Security Act of 1985. It targets the most fragile farmland by encouraging farmers to stop growing crops on cropland designated by soil conservationists and to plant a permanent vegetative cover instead. In return, the farmer receives an annual rental payment for the term of the multiyear contract. Cost shares are also available to help establish the permanent planting of grass, legumes, trees, windbreaks, or wildlife flora.

■ ***Conservation Reserve Program Example:***

Farmer Jones submitted a bid of $42 per acre on 50 acres of highly erodible cropland in 1989. The bid was accepted. He also requested cost-share help to plant permanent grass on all 50 acres.

Mr. Jones receives a $2,100 annual rental payment each year for 10 years. A cost-share payment of $1,500 was paid to him after the grass seeding was completed.

The CRP also provides cost-share assistance to establish tree covers and wildlife habitats, and to install erosion control and similar structures.

■ *Now in its 9th year, the CRP has converted 36.4 million acres of cropland to conservation uses. Annual CRP rental payments made by USDA to participating farmers total $1.8 billion and average $50 per acre. Most CRP acres are planted in grass, but the CRP also includes 2.4 million acres of trees, 2 million acres of special wildlife practices, 410,000 acres of wetlands, and 5,200 miles of filter strips along waterways. Estimates of total CRP benefits range from $5 billion to $9 billion.*

Agricultural Conservation Program (ACP)

ACP is the primary means for CFSA to help farmers and ranchers nationwide carry out conservation and environmental practices. The program is designed to help alleviate soil, water, and related resource problems through cost-sharing. ACP assistance is available to install a variety of soil-saving practices, including terraces, grass cover, sod waterways, and other measures to control erosion. These practices also help farmers reduce sediment, chemicals, and livestock waste that contaminate streams and lakes.

■ ***Agricultural Conservation Program Example:***

Farmer Smith visits the CFSA office and requests assistance to build a water control structure to help stop erosion and improve the water quality of a small stream. The county CFSA committee reviews her plan and agrees to share 50 percent of the cost. After she completes the structure, she brings in her bills and is paid 50 percent of the cost.

All CFSA conservation programs are conducted in cooperation with other Federal and State agencies and conservation organizations.

Disaster and Emergency Assistance

In the aftermath of a natural disaster, CFSA can provide a variety of emergency assistance programs to farmers in a disaster area. For example, the agency can furnish CCC-owned grains to eligible livestock producers at reduced prices, and cost-share livestock feed purchases. To help rehabilitate the farmland damaged by a natural disaster, CFSA can assist farmers with cost-sharing to carry out emergency conservation practices under the Emergency Conservation Program.

In the event of a national security emergency, CFSA is responsible for preparedness plans and programs to assure food production and distribution, as well as the continued availability of farm machinery, feed, seed, and fertilizer.

Information Contacts

County CFSA offices, the primary points of contact for participation in programs, are listed in telephone directories under “U.S. Department of Agriculture.”

State CFSA offices supervise county CFSA offices and are usually located in the State capital or near the State land-grant university.

For information on commodity sales and purchases, contact:

USDA CFSA Kansas City Commodity Office
P.O. Box 419205
Kansas City, MO 64141
Telephone: (816) 926-6364

Aerial photographs of U.S. farmland, used by CFSA as a basic tool to determine crop acreage, are also purchased extensively by other organizations and the public. Order forms and an index are available from county CFSA offices. For more information on services, including high-altitude photography, contact:

USDA CFSA Aerial Photography Field Office
Sales Branch
P.O. Box 30010
Salt Lake City, UT 84130-0010
Telephone: (801) 975-3503

For general information about the agency and its programs, contact:

USDA CFSA Information Division
P.O. Box 2415
Washington, DC 20013
Telephone: (202) 720-5237