Testimony of Brett Blankenship
before the Senate Committee on Agriculture, Nutrition and Forestry
Hearing on "Farm Bill Accountability: The Importance of Measuring Performance, While Eliminating Duplication and Waste"
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Madam Chairwoman, Ranking Member Roberts and Members of the Committee, thank you for the opportunity to address you today. My name is Brett Blankenship, and I am farmer from Washtucna, Washington, where I produce soft white winter wheat, dark northern spring wheat and spring barley in partnership with my brother, my sister and two of our spouses.

Blankenship Brothers Joint Venture places a high level of importance on measuring performance while eliminating duplication and waste. On behalf of all American taxpayers, I commend you for looking at this topic just as we do on our farm.

On my farm, we have closely studied the administrative and paperwork requirements necessary to participate in federal farm programs. We routinely split up the workload in this area, so I do most of the banking and financial paperwork, while my brother does most of the farm program sign-up and paperwork. There are several days throughout the year when my brother doesn't show up for, what we consider, real work - the physical labor of farming - because he's in a USDA office.

I'm here today to describe that process for you as well as give you a few suggestions to improve it. One thing I want to note up front is that there is wide variation among operations and their experiences in county offices around the country. While I don't claim my testimony will reflect every farmer's experiences, I do think it is representative.

In general, it is my opinion that rules for all federal farm programs ought to be the same. If the program is there to support my farm's work, then no matter what agency is administering it, the rules should not differ. I recognize that cost-share programs are a bit different than safety net programs, but in most cases one set of rules for program participation would be helpful to farmers' ability to deal with all the different sign-up processes.

I also want to say from the outset that while what I describe today might sound pretty dismal, we have seen enormous improvement in this area in recent years. We know USDA is working to streamline its interactions with us on the ground, and we appreciate that. We also appreciate the dedicated work of those in our county offices, despite the financial and logistical constraints these employees face.

Details of My Operation

As I mentioned, I farm in partnership with my brother, sister and two of our spouses. Our joint venture is a partnership of several corporations.

We farm just under 10,000 acres in the southeast corner of Washington state. Most of the land we farm is owned by my father's corporation, which has now transferred to its heirs since my father has passed. In the past year we changed the joint venture business structure because one of my brothers retired. This was the second time we've made changes to this configuration in the past decade. We farm in two counties, though luckily, we manage our interactions with USDA through one county office.

On my farm, we regularly interact with the local USDA-Farm Service Agency (FSA) office; the local USDA-Natural Resources Conservation Service (NRCS) office; and our crop insurance provider.

We participate in ACRE, the Conservation Reserve Program and the Conservation Security Program, and we carry Crop Revenue Coverage, commonly known as CRC crop insurance. We have a CRC combo policy which allows us additional flexibility in assessing our own risk and adjusting our policy to fit our needs for that particular contract year. We were also able to participate in the SURE program in 2008 with payment in 2010. Before 2009, we participated in the direct and counter cyclical program. We have also investigated participation in other conservation programs, but none of them really fit the best management opportunities for our farm.

We estimate these interactions take 25 percent of my management time, with about 5 percent of my total time devoted to CRC options; figuring CRP tradeoffs; determining in which programs we should participate; and determining whether there are implications for the farm business structure or documentation of program sign-up.

A third brother of ours exited the farm business last year. This has necessitated a number of structural changes for us, including the changing of all of our operator forms. If changes must be made to your farm's structure, it's quite a task to change the farm program paperwork. The modest structural changes we have made in the past year have resulted in about 25 hours of document review, with or without professional advice, as well as checking crop insurance paperwork for program compliance, proper beneficial interest assignment to be in compliance with FSA rules, etc.

Program "Silos"

Like most farmers, I participate in many government and quasi-government programs. All of these programs and offices the farmer interacts with are "silos" of sorts with different rules and procedures. To complicate matters further, staff and computers in these "silos" don't generally talk to one another for legal, technological or cultural reasons.

As I described, I utilize two types of risk management programs, ACRE and crop insurance, and two conservation programs, the Conservation Reserve Program and the Conservation Stewardship Program. These four programs are managed by three entities, so Blankenship Brothers, and most farmers like us, are acting as case managers of a sort for their farm business, especially when you add the capital management entities we deal with to this mix. On our farm we split these responsibilities between my brother and me.

The main entities a typical farmer will deal with include:

<u>FSA</u> – In my case, FSA is the easiest local office to deal with. FSA personnel are better trained than others and more familiar with the actual impacts of changes to program eligibility, payment limits, etc. Our local office is pretty well organized and compartmentalized, i.e. one person can answer CRP questions, one person is assigned SURE eligibility questions, one person handles payment limitation questions, etc. Still, there are a multitude of forms for the various programs,

and more signatures are required for joint ventures, which increases the paperwork burden. In my opinion, the silliest form is the adjusted gross income (AGI) paperwork. The Internal Revenue Service seems to have no problem defining who a farmer is, but AGI questions can be confusing.

NRCS – In my experience, NRCS staff are not as well trained on payment questions or eligibility requirements. They are also not generally familiar with FSA programs, so they don't understand the genesis of grower questions on entity configuration and payment limitation rules. NRCS has a different focus and different mission than FSA, and their programs work on different time frames, which can create problems. For instance, the AGI paperwork required by NRCS comes at a point during the year when you haven't done your eligibility paperwork at FSA yet, because signup at FSA hasn't begun yet. NRCS also has different eligibility requirements for partnerships and joint ventures than FSA.

Crop insurance/RMA – We don't have much direct interaction with RMA, but our agents do, and they often seem confused with constant changes in insurance programs. There also seems to be confusion in the proper way to report acreages and yields in a format that transfers easily to SURE eligibility.

Bankers - In our area, banks don't seem to have a great deal of understanding of programs, other than direct payments and SURE. They mostly take assignments of payment streams to cover their risks and always suggest you have CRC insurance. The most important point here is critical to the future farm bill debate yet often overlooked: *farm bill programs help producers obtain their operating capital from the banks.*

Landlords – Landlords are very confused with the recent frequency of changes to the programs and eligibility rules. It often falls to us – the farmers – to explain these programs, particularly when we need landlord approval to participate in a program.

It is also worth noting that the service provided by these entities around the country varies, in some cases dramatically. What I experience at the FSA office in Washington could be very different than what a farmer friend experiences at the FSA office in Kansas, and different still than what a farmer experiences in Ohio.

Interaction with Agencies

Allow me to provide a general outline of the timeline for federal farm program participation based on my farm's experience. Please keep in mind the time associated with program participation varies depending on farm size and complexity. For comparison, we spend about 15 days planting our crops and about 20 days harvesting our crops.

Figure 1. Calendar of program deadlines with time estimation

Deadline	Activity required	If no changes, this can take:	If changes, this can take:
Sept. 30	Determine crop insurance coverage level for fall seeded crops	2-3 hours	4 hours
Nov. 15	Declare fall seeded acres with RMA	2-3 hours	2 days
March 15	Determine crop insurance coverage level for spring seeded crops	2-3 hours	4 hours
June 1	Determine FSA program participation	Variable depending on program familiarity	
June 30	Declare spring seeded acres with FSA and RMA	2-3 hours	2 days

Determining the optimal crop insurance levels for what farm configuration (enterprise unit, etc.) takes several hours, but this is not much different than picking deductibles and coverage levels for auto and other policies.

All in all, the partners in Blankenship Brothers probably make 10 separate visits of several hours to our FSA office per year, minimum, for sign-ups, certification of acreages, CRP status checks, SURE eligibility questions and returning paperwork once proper signatures are collected.

Importance of Technology

In today's rapidly changing agricultural economy, it is critical that we adopt processes and technologies that streamline and reduce the administrative burden on both farmers and our county USDA office staff. USDA systems are largely paper-based, and direct face-to-face contact is required.

For example, on my farm we have found the efficient management of data is key to our ability to be better environmental stewards and financial managers and allows us to comply with local, state and national regulations. Blankenship Brothers utilizes the computerized yield monitors on our combines and also uses autosteer to streamline our field operations. These two technologies have allowed us to collect very valuable data so that we are able to manage farm productivity and environmental stewardship on an inch-by-inch basis across our acreage.

In our farm management operations, we manage yield data through our computerized spreadsheets, hardcopy warehouse data sheets, and various other paper and electronic spread sheets. Our input application records are GPS-based, with data downloaded directly to our accounting and field mapping program.

This GPS-based data management system meshes very well with the GPS-based mapping recently adopted by my FSA office. This precise measurement allows a very accurate accounting of field size that corresponds to our farm recordkeeping systems as well as the federal farm field numbers for all our program paperwork. I would definitely encourage broader adoption of these GPS-based field maps in USDA offices across the country.

Though we have integrated technology fully into our farm operations, when we visit our local agency offices, we are required switch to direct, one-to-one meetings with the program staff who manually enter this information into the USDA systems. We bring paper copies of our records to the office and take paper copies of the documents home with us.

This is one of the few areas of my life where communication methods are not relying on e-mail, texts and electronic document handling processes. Today my family communicates primarily on cell phone and I receive a huge amount of information every day by e-mail. It seems it may be time to bring the USDA office communication methods into the 21st century.

Ideas for Improvement

As I have testified, over the past decade or so, my brother and I have seen a strong effort by USDA to streamline the program administration, and we commend them for those efforts. That being said, I have some suggestions for further improvement.

<u>Timelines on new programs or changes in programs</u>

In my experience and interaction with farmers across the country, I find that some FSA or NRCS offices proactively reach out to their local farmers to sign up for programs – though sometimes this backfires when programs change and those offices have to call us back in to the office to make paperwork modifications. There are, of course, other offices where the staff members are not as proactive and get a back- log of producers waiting to sign up for programs at the deadlines. The differences between administrative perspectives of offices have caused some producers to go so far as to buy a small parcel of land in a neighboring county in order to transfer all of their acres to that county's FSA office.

More complete timelines of program changes and better communication with producers about those deadlines, which can now be done relatively cheaply using the Internet, could help alleviate these problems. Since cell phones and e-mail are so commonplace these days, announcements, appointments or other communication could be texted and emailed for very little cost.

Changes to ACRE programs created a lot of anxiety for our landlords. In the prior direct payment program, landlords on our operation were paid their direct payment every year based on their share of crop on the land owned and the percentage of the land of the entire farm they own. Blankenship Brothers signed them up for ACRE because we knew the 2009 crop year payment was going to be large enough to outweigh the reduction in the direct payments over the life of this farm bill. When that ACRE payment was made, only the landlords who had land with grain on it during that year were paid because the ACRE payment was based on planted acres. We, therefore, had a small hiccup with one landlord who lost the direct payment without being able to participate in the ACRE payment.

Power of attorney improvements could reduce the amount of time necessary for farmers to participate in the programs. There has been improvement in this area in recent years. However, if there are program changes, then in some cases the currently signed POA no longer applies and we have to go through that paperwork again

<u>Declaring acres</u>

There remains a major challenge in declaring acres properly with FSA and crop insurance, as well as ensuring they have the same numbers.

My FSA office eliminated a large amount of frustration with declaring planted acres and production when they adopted maps that are GPS-based. This very accurate acreage number marries very nicely with my farm records and is used for ACRE, CRP, CSP and crop insurance programs.

However, it took several growing seasons to work through the kinks in the paperwork and even today, if Blankenship Brothers rents ground from a landowner who had incorrect reporting of acreage in the past, then it's quite a headache to get those numbers fixed throughout the computer system. In this case, the local FSA office staff looks to us as operators to fix it when we had nothing to do with the incorrect reporting from the landlord's previous operator.

Many consider us lucky in this regard, still, because I have farmer friends in other areas of the country who still deal with the headache of field acreage discrepancies between the FSA office, NRCS office and crop insurance.

Those farmers who work with offices who don't use GPS-based maps now face enormous headaches associated with acreage reporting because of different declaring rules at FSA and RMA. RMA accepts acres as reported by producers and FSA reports acres based on the manual outlining of fields on computer-based maps. The two different reporting streams frequently create discrepancies between the data and when FSA downloads RMA crop insurance data, a farmer can be disqualified from program participation if the discrepancy was too high (a less than 5 percent discrepancy can cause this) unless the farmer goes through additional verification procedures with their elevator scale tickets.

<u>Farming in more than one county</u>
Before the last farm bill discussion, USDA eliminated a significant amount of duplication and burden on farmers who farm in more than one county by allowing us to combine administration of all land managed by our farming operation in one county office. The primary reason behind this at that time was that there is a great distance between some county offices.

However, some farmers across the country are experiencing significantly different sign-up and administrative times between county offices with which they interact. As mentioned previously, in some cases, we have heard of farmers purchasing acreage in a neighboring county in order to move their program administration to a more effective county office staff (already mentioned above). Better accountability for program delivery and more coordination between county offices would be able to eliminate such significant differences. Maybe the county executive directors with more effective management strategies could be employed to mentor less effective delivery staff.

<u>Administration of conservation programs</u>
The two major conservation programs in which we participate, CRP and CSP, are handled by different USDA agencies with dramatically different administration experiences by farmers.

CRP, which you qualify for by field, is managed by FSA and pays Blankenship Brothers by direct deposit. The payment limit rules then require the payment to be credited to each individual in our partnership.

CSP, which you apply by "operator of record" or in our case Blankenship Brothers, is managed by NRCS and pays the joint venture by direct deposit. I have been told by agency staff that the difference is because CSP is discretionary funding and CRP is mandatory, but I really don't understand why that should impact the sign-up or administration of funds.

Like most farm businesses, we structure the business to maximize the opportunities afforded our farm by the FSA programs. We then take this same structure and walk across the hall to NRCS and find they operate on different program eligibility criteria and payment limitations.

In the CSP program, Blankenship Brothers only qualifies for one CSP contract where at the FSA office across the hall we have five payment limit eligibilities for ACRE because we have five people in the partnership. NRCS recently changed their rules to allow for two contracts per farm, but since we were already in a CSP contract, Blankenship Brothers was not able to take this opportunity. It would be a lot simpler if both offices used the same rules.

I do have to say that I really appreciate the FSA administering the CRP program. I think more farmers would be comfortable with CSP and many of the other conservation programs and would be more likely to apply if NRCS provided the technical assistance and FSA administered the paperwork sign-up and payment processing.

It is my personal opinion that FSA administration does not diminish the conservation activity or oversight that happens through NRCS' technical advice or conservation program goals. While the CRP is a FSA-administered program, a producer has to get a conservation plan established to either bring it back into production or adopt practices to keep it in compliance with the program. If a producer is bringing CRP back into production, it takes about a day walking between the two offices to sign the field into conservation plans and farm programs. If CRP is staying in the CRP program, it only takes about an hour. In comparison, in order to qualify for CSP programs, it takes two weeks of compiling data and plans - if the farmer keeps detailed records of all operations on each field.

<u>Duplication of safety net coverage</u>

Since the implementation of the new ACRE and SURE farm programs there have been several comments about overlap or duplication of risk management coverage between these programs and crop insurance.

All three facets of the farm safety net protect different areas of risk for our farm. The ACRE program reduces our financial risk from farm revenue and price fluctuations to levels that allow bankers to provide operating capital for our annual activities. Crop insurance protects us from crop losses from production risks (such as weather) that can devastate our capital intensive operations. The disaster program can protect us from the major, regional or state-based weather risks that crop insurance was not ever designed to cover.

Some will say the farm revenue triggers between these three facets create overlap. However each of them has various conditions and qualifications that only cover a portion of that particular risk. So when these are applied together on the farm and we do face a loss that could trigger several of the safety net programs, the combined effect allows us an end result of only losing a small portion of farm assets in the situation.

Without getting into major policy recommendations for these programs, I would like to mention there are interactions between the paperwork for these programs that create frustration. Specifically, many of the extra paperwork requirements for SURE cause conflicts with other programs. For example: if your tenant does not report his harvest in the same way that the FSA crop ratio worksheet is calculated, your landlord share of that crop becomes ineligible for SURE. Additionally, when reporting production for the ACRE program, the SURE program worksheet that was forwarded to the RMA database blended all acres of wheat in our entire operation. However, the separate farm units are harvested individually. There was an opportunity to prove up the average ACRE program yield on the separate farm that produced well, but there is only one yield number and one line on the report. All of these issues are traceable to the requirements of the reporting for SURE program eligibility.

Final Thoughts

As you can see, the business of being a farmer is not just about cultivating, tending and harvesting a crop – it is also about protecting our operation from enormous risk, and participating in many complicated programs to do that.

In spite of the paperwork and rule conflicts I have described here, I believe the three main safety net programs - DCP/ACRE, crop insurance and SURE - are vital concepts in a true farm safety net. ACRE protects against long periods of price decline; crop insurance protects against weather disasters; and SURE protects against the significant losses that occur when the other programs do not trigger. Conservation programs, which are tangentially related, promote the use of best practices on our farm ground and, in some cases, allow us to undertake stewardship practices we likely could not afford otherwise.

There is much room here, I believe, for rectifying the conflicts inherent in current qualification standards for the various programs; streamlining administration; and letting the various agencies and "silos" do what they do best.

Making thoughtful and efficient changes in these areas should be under consideration by the Committee, as should efforts to continue modernizing the electronic communication to producers, which will go a long way toward streamlining the delivery of service, reducing overhead costs, saving hours of time and establishing consistency.

I appreciate the opportunity to address you today, and I look forward to working with you in the coming months and years to assemble a farm bill we can all be proud of.