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Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Juan Garcia Acting Deputy Administrator for Farm Programs at the Farm Service Agency (FSA). My remarks will focus on FSA's energy programs.

Biomass Crop Assistance Program

As part of the Energy Policy Act of 2005, Congress created the first Renewable Fuels Standard (RFS), calling for 7.5 billion gallons of corn-starch ethanol in our national fuel supply by 2012. When Congress modified the RFS in 2007, it increased the biofuels targets to 36 billion gallons by 2022. It has taken more than 20 years to introduce just over 10 billion gallons of biofuels; but now the nation must achieve 20 billion gallons more biofuels in half the time. Meeting this goal means growing new crops in greater quantities. Some of these crops will take several years from establishment to maturity before they can be harvested, and will

be used in facilities that may not yet be completed. Producers growing these new crops are subject to greater risks in the establishment, production, and marketing of the biomass crops as compared to the production of conventional crops.

The 2008 Farm Bill created a program designed to jump start the establishment of bioenergy crops and reduce the risk to producers. This is the Biomass Crop Assistance Program, BCAP, which offers incentives to farmers, ranchers and forest landowners to establish, maintain, and harvest a dedicated energy crop for heat, power, bio-based products and biofuels.

Two types of assistance are available under BCAP. First, establishment costs and annual payments may be available to producers who enter into contracts with FSA to produce eligible crops within approved project areas. Participants may receive up to 75 percent of the establishment costs of perennial crops, and annual payments for up to 5 years for non-woody crops, or up to 15 years for woody crops.

Second, matching payments may be available to producers for the collection, harvest, storage and transport of eligible biomass to qualified facilities that produce heat, power, bio-based products, or advanced biofuels from that biomass.

In July 2009, FSA issued a Notice of Funds Availability (NOFA) for the matching payments portion of the BCAP program, issuing the first payment in August of 2009. FSA published a proposed rule in February 2010 to implement the full program. After review of over 24,000 comments, the final rule for BCAP was published on October 27, 2010, and FSA began accepting applications for BCAP Project Areas.

Earlier this year, FSA began the sign-up period for Iowa farmers seeking matching payments for the delivery of crop residues to a qualified biomass conversion facility located in South Dakota. FSA also announced the first BCAP Project Area comprising 39 contiguous counties in Missouri and Kansas that proposed the enrollment of up to 50,000 acres of native grasses, including switchgrass, for manufacturing into pellet fuels. And last month, FSA announced four more BCAP project areas in Arkansas, Missouri, Ohio and Pennsylvania designated to grow giant miscanthus, a sterile hybrid, warm-season grass intended for bioenergy conversion.

On April 14th of this year, funding for BCAP was legislatively reduced from \$432 million to \$112 million that must be obligated by the end of this Fiscal Year. In

order to meet this time frame, FSA announced that BCAP Project Area proposals must be submitted no later than May 27, 2011. Interest in BCAP has been significant: FSA received 41 project area proposals from 21 states requesting an estimated \$1 billion to enroll more than 1.5 million acres in dedicated energy crops over 5 to 15 years. FSA soon will announce the final project area selection for FY 2011.

Feedstock Flexibility Program

In addition to BCAP, the 2008 Farm Bill also authorizes the establishment of the Feedstock Flexibility Program (FFP). FFP was authorized to prevent the accumulation of government-held sugar stocks that otherwise can impede price recovery by allowing USDA to sell the surplus sugar to bioenergy producers as a fuel feedstock. Domestic sugar demand has increased significantly and is expected to remain strong relative to supplies in Fiscal Years 2011 and 2012. USDA does not anticipate an immediate need for FFP.

Conclusion

Mr. Chairman and members of the Subcommittee this concludes my remarks.

Thank you.