

REPLY TO:

- ☐ 135 HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-1501
(202) 224-3744
www.grassley.senate.gov
- ☐ 721 FEDERAL BUILDING
210 WALNUT STREET
DES MOINES, IA 50309-2106
(515) 288-1145
- ☐ 111 7TH AVENUE, SE, BOX 13
SUITE 6800
CEDAR RAPIDS, IA 52401-2101
(319) 363-6832

United States Senate

CHARLES E. GRASSLEY

WASHINGTON, DC 20510-1501

REPLY TO:

- ☐ 120 FEDERAL BUILDING
320 6TH STREET
SIOUX CITY, IA 51101-1244
(712) 233-1860
- ☐ 210 WATERLOO BUILDING
531 COMMERCIAL STREET
WATERLOO, IA 50701-5497
(319) 232-6657
- ☐ 201 WEST 2ND STREET
SUITE 720
DAVENPORT, IA 52801-1817
(563) 322-4331
- ☐ 307 FEDERAL BUILDING
8 SOUTH 6TH STREET
COUNCIL BLUFFS, IA 51501-4204
(712) 322-7103

June 5, 2017

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Dodaro:

In 2016, the U.S. Department of Agriculture (USDA) provided roughly \$8 billion in federal farm program payments to help support the production of major row crops. Some of these payments went to members of legal entities—principally general partnerships or joint ventures—and the more eligible members an entity has, the more payments its members can collectively receive. Under the Farm Program Payments Integrity Act, members of these entities must be “actively engaged” in farming to receive farm program payments. One way to meet the “actively engaged” requirement is to make a significant contribution of active personal management, among other things. For general partnerships and joint ventures, each additional member of the operation can receive up to \$125,000 if the new member meets eligibility requirements, including being determined to be actively engaged in farming.

However, in 2013 GAO reported that USDA’s broad definition of active personal management makes it difficult for USDA to determine whether individual contributions are significant. GAO also reported that, under this broad definition, management responsibilities could be distributed among farming operation members to increase the number of members who can claim eligibility for payments, without necessarily increasing their management contributions.

The Agricultural Act of 2014 (2014 Farm Bill) required USDA, in new regulations, to add more specificity to the role that a non-family member must have to qualify for farm program payments. For example, general partnerships and joint ventures with non-family members must document the actions of members who claim significant contributions of active personal management to the farming operation. USDA defines significant contributions of active personal management as 500 hours of specific management activities per year, or 25 percent of the total management time necessary for the success of the farming operation. Also, USDA generally allows only one member of an operation to meet actively engaged in farming requirements this way.

Committee Assignments:

CHAIRMAN,
JUDICIARY

AGRICULTURE
BUDGET
FINANCE

CO-CHAIRMAN,
INTERNATIONAL NARCOTICS
CONTROL CAUCUS

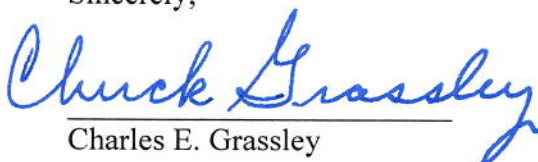
However, general partnerships and joint ventures comprised of family members are exempt from these new restrictions. As a result, the current set of rules governing farm program eligibility, particularly for family members of a farming operation, remain subject to criticism from rural and farm advocacy groups. These groups contend that current USDA eligibility requirements set a low threshold to qualify for payments, making it easy to add members for the sole purpose of increasing the farming operation's payment limits and expanding its farm program payments.

Congress is beginning to debate the next farm bill, which will need to be signed into law in 2018. Therefore, I request that GAO conduct an examination of USDA's implementation of the actively engaged in farming provisions with particular consideration to the following questions.

- What has been the composition of family and non-family members in large farming operations since 2014?
- What is the maximum number of persons that a single operation qualified for farm program payments? Please break-down the eligibility of these people divided between management, spousal eligibility, labor, or land-owner rules and whether additional peanut-related payment limits were also claimed.
- How many producers requested additional managers for farm program payments under the 2015 regulation related to Actively Engaged?
 - a. How many of the applications were approved or denied?
 - b. How many audits or spot checks were completed of these approved requests to verify compliance and what were the results?
 - c. How many operations would have needed to request additional management-related payment limits if the operation had not been comprised solely of family members?
- Since enactment of the new rules, what is the maximum payment the USDA has paid to an individual farmer considering all possible payment limits?
 - a. What is the maximum amount collectively paid to a single operation organized as a joint venture or general partnership?
- How do commodity certificates, which were reauthorized in the FY16 appropriations bill, impact payment limits?
- What additional changes are needed, if any, to strengthen the actively engaged in farming rules and USDA's implementation of these rules?

If you have any questions about these issues, please contact Andrew Brandt of my staff at 202-224-3744. Thank you for your assistance in this matter.

Sincerely,


Charles E. Grassley