USDA computer overhaul $140 million over budget

Farm program system incomplete despite $444 million investment

By MATEUSZ PERKOWSKI
Capital Press

The USDA's Farm Service Agency is seriously over budget on a computer system overhaul that achieves only a fraction of its intended goals, an internal audit found.

The agency has spent $444 million on the project — known as Modernize and Innovate the Delivery of Agricultural Systems, or MIDAS — which is roughly $140 million more than projected in 2010, according to USDA's Office of Inspector General.

The MIDAS project also remains unfinished about two years after its expected completion date. USDA stopped work on it last year for re-evaluation.

"These cost and time overruns were caused by ineffective project management and oversight," the audit said.

The MIDAS project was intended to revamp the Farm Service Agency's computerized system for overseeing farm subsidies and other programs, improving overall performance while reducing the agency's reliance on "high risk antiquated technology."

At this point, though, the MIDAS system has only replaced one of the 66 computer applications that are used to implement the farm programs. By another measure, MIDAS has accomplished fewer than 22 percent of the 1,800 "detailed requirements" for overseeing farm records, acreage reporting, information management and other tasks, auditors said.

Even with this reduced scope, the total cost of the system, including maintenance, will hit $824 million by 2022, which is nearly 45 percent higher than initially estimated, they found.

However, it's possible that USDA may decide that continuing MIDAS isn't worth the expense.

With the help of a third-party evaluator, the agency "must determine whether the benefits derived from the solution warrant that level of resource commitment," the audit said. "If not, USDA and FSA must look for alternative options for modernizing the delivery of farm programs."

Auditors largely blamed the mismanagement of MIDAS on how the agency structured its project team and handled its financial arrangements with contractors.

Employees who were assigned to develop MIDAS were segregated from the rest of the agency to "foster a competitive spirit," but the decision created an "adversarial relationship" in which they worked at cross purposes with other information technology experts, the report said.

As MIDAS employees made decisions in a "bubble" and worked on similar tasks as other IT professionals, the conflict resulted in "cost overruns and timeline delays," the audit said.

"Thus, these two teams were working toward a similar goal using two separate and unique solutions, leading to an 'us versus them' mentality among MIDAS and other staff members," according to auditors.

Auditors also faulted the agency for its dealings with outside contractors, who received more than 80 percent of the $444 million spent on MIDAS.

The USDA used "time and materials" contracts that compensate outside companies for labor and materials but provided "no positive profit incentive to the contractor for cost control or labor efficiency," the report found.

Such contracts require diligent government surveillance, but auditors found the USDA's oversight lacking.

For example, one contractor "did not properly plan staffing and labor hours, and had provided poor status reports to the government, which misled the government team and hindered visibility into ongoing schedule issues."

In a response letter to the audit, FSA Administrator Val Dolcini — who was appointed after work on MIDAS was halted — said he agreed with the audit's recommendations, such as conducting a third-party independent analysis of the system and establishing clearly defined milestones for future information technology projects.

In a statement to Capital Press, USDA said that it's successfully working through management and budget challenges related to MIDAS. Auditors found that the system "increased functionality in the field and oversight has improved during the past two years" and agreed that ceasing work on MIDAS was the right decision, USDA said.

Study: Organic farming good for bank account

Profits compare favorably to conventionally grown crops

By DON JENKINS
Capital Press

Organic foods worldwide are significantly more profitable than conventionally grown crops and will stay a moneymaker even if organic prices fall as production rises, according to a new study by two Washington State University scientists.

Soil scientist John Reganold and entomologist Dave Crowder collaborated on a paper published Tuesday in the Proceedings of the National Academy of Sciences. In a key finding, they concluded that organic farming was 22 to 35 percent more profitable than conventional farming.

The finding held up for dozens of crops on several continents over many decades, according to the study.

"I think both John and I were surprised," Crowder said. "We really didn't know what to expect."

The Pullman-based professors decided two years to compare the profitability of organic and conventional farming. To their surprise, no one had studied the question from a global perspective.

"Although organic agriculture is rapidly growing, it currently occupies only 1 percent of global cropland. Whether organic agriculture can continue to expand will likely be determined by whether it is economically competitive with conventional agriculture," Reganold and Crowder wrote in an article summary.

They reviewed 44 studies published over the past 40 years comparing the financial performances of 55 organic and conventionally grown crops on five continents. Most of the studies were done in Europe and North America, including one in Washington state. The surveys dated back to the 1970s and the profitability of organically grown Midwest corn.

"I felt like there was a nice set of data," Crowder said.

The reports showed that organic farmers have been enjoying consistently high returns on their investments for decades, not just recently, Reganold said. "That was kind of a surprise finding."

Photos courtesy of Washington State University

Washington State University soil scientist John Reganold has co-written a paper with WSU entomologist David Crowder on the profitability of organic farming.

Washington State University entomology professor David Crowder has co-written a paper with WSU soil scientist John Reganold.

Organic farm yields were 10 to 18 percent lower, but the food sold for 29 to 32 percent more than conventionally grown crops.

Reganold and Crowder calculated that even if the price difference dropped to only 5 to 7 percent, organic farmers would still match the profits of their conventional counterparts.

"Our findings suggest that organic agriculture can continue to expand even if premiums decline," the professors wrote.

Labor costs were 7 to 13 percent higher on organic farms, but overall production costs were not significantly different, according to the study. Reganold said organic farmers spent less on pesticides and fertilizers.

The U.S. Department of Agriculture does not have an official estimate for organic retail sales. Based on industry reports, USDA cites estimates that domestic organic food sales reached $35 billion in 2014, more than 4 percent of total U.S. food sales.

The labor-intensive nature of organic farming may be a plus in developing countries, Reganold said.

In the Pacific Northwest, dry summers and innovative farmers suggest the region can expand organic production, he said.

"The Northwest is a good place to be organic from everything I've seen," Reganold said. "People want to buy organic food. They also want to buy local food."

Dan Wheat/Capital Press

Freshly loaded hay hits the highway near George, Wash., on June 8. Rain damaged the first cutting and no one is buying a lot yet, one grower says.

Columbia Basin first-cutting rough go

By DAN WHEAT
Capital Press

WARDEN, Wash. — First-cutting alfalfa is wrapping up in the northern Columbia Basin and Timothy is right behind.

It hasn't been the best year for first-cutting. A big rain May 13 and intermittent rains through the end of the month took its toll on quality.

"We had thunder clouds almost every four days with some rain. It would hit here one day and there the next," said Shawn Clausen, a Warden alfalfa grower.

"Probably over half my acres are feeder hay," he said. It's under contract, but on the open market feeder hay is fetching about $130 to $150 per ton, he said.

Premium hay is more than $200 per ton if anyone can find any, Clausen said.

But no one is buying a lot right now, he said. Exporters still have a lot of 2014 crop left because of the longshoremen work slowdown at ports over winter. A lot of that carryover is probably better quality than first-cutting, Clausen said. Dairymen aren't buying because the quality's not there, he said.

Chep Gauntt, of Pasco, was one of the few to harvest early, before the May 13 rain. He said about 30 to 50 percent of first-cutting alfalfa in the lower Columbia Basin — Basin City to Hermiston — was cut with 20 percent of that baled before the rain.

Most everyone since then experienced mild to severe damage, Clausen said.

A year ago, drought-stricken California dairies were snapping up a lot of great quality first-cutting in Washington. That's not happening this year.

"Today is my first day baling hay with no rain damage but it's way over mature so it won't test real well (for protein and nutrient quality)," he said on June 9.

He is finishing at 4 tons per acre, up from a normal 2.5 to 3.

"Right now is ideal Timothy conditions (hot and dry). A lot of beautiful Timothy is being put up. But rain lodged some Timothy on the ground, causing brown leaf. So some growers are battling that," he said.

For alfalfa growers, first-cutting is normally tops in protein and profits.

"It's usually where 35 to 40 percent of my production is," Clausen said. "I have three more chances (cuttings) to get it right."

Growers in the Kittitas Reclamation District, around Ellensburg, are figuring on just one cutting of Timothy this year because of drought. Growers of Timothy and alfalfa in the Roza Irrigation District in the Yakima Valley are also planning for just one cutting because of drought.