

**Statement by
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Secretary of Agriculture
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. Senate
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Mr. Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to appear before you to discuss the Administration's priorities for the Department of Agriculture (USDA) and provide you an overview of the President's 2015 Budget. I am joined today by Joseph Glauber, USDA's Chief Economist, and Michael Young, USDA's Budget Officer.

Under President Obama's leadership, the U.S. has reached historic levels of investment in rural communities. With this, the agriculture sector has seen strong growth, with farm income and agriculture exports both reaching highs not witnessed in decades. Net farm income and net cash incomes after adjusting for inflation are at near record levels. Since the President took office, agriculture exports have had the strongest five-year period of growth in our Nation's history, and set a new record in calendar year 2013 at \$144.1 billion. A strong agriculture sector is key to strong rural communities, supporting 9.2 percent of jobs in the economy.

Although the recent agriculture census reports that we have had a strong agricultural economy, we continue to face some significant challenges. There is a significant rural component to poverty in America. Eighty-five percent of the nation's poorest counties are rural, and per capita income in rural America lags behind that in urban areas. Further, populations in rural areas are dropping as a lack of new jobs is driving young people away. We continue to observe the trend of fewer farmers and aging farmers. In addition, rural communities face more complex challenges today because of climate change, which comes with a hefty price tag.

Drought alone was estimated to cost the U.S. \$50 billion from 2011 to 2013. The fire season is significantly longer than it was three decades ago. Such risks have implications not only for agricultural producers, but for all Americans.

We must continue our efforts to build on our success and advance new ideas to address the challenges that rural America continues to confront. The Budget before you today delivers on the President's commitment to provide results, expand opportunity for all Americans, invest in innovation, and make reforms aimed at improving services and fiscal responsibility.

USDA has made a concerted effort to deliver results for the American people, even under the constrained budget mandated by the Budget Control Act. USDA has made substantial, year-over-year gains in expanding credit opportunities for farmers and ranchers. We expanded crop insurance to more than 400 crop types, saved millions of dollars and provided risk management opportunities to specialty crops and organic crops. We have supported small businesses by providing job training, business development opportunities, strategic community planning and other resources. As I mentioned earlier, we helped boost exports to a record level by breaking down trade barriers and promoting US agricultural products.

USDA housing programs have been successful at keeping rural residents in their homes by allowing current borrowers to take advantage of historically low interest rates. Since 2009, USDA has helped more than 804,000 rural families buy, refinance, or repair a home. We did this while gaining efficiencies in the programs and increasing the fees making the guarantee program less costly to the taxpayers.

We are proud of our record to support increased demand for renewable fuels. USDA has invested in the creation of advanced biorefineries across the nation; developed a unique partnership with the U.S. Navy and Department of Energy to procure new biofuels for marine

and aviation use; and boosted markets for nearly 3,000 U.S. companies that are producing biobased products from homegrown materials. USDA has provided financial assistance to farmers, ranchers and rural small businesses to purchase and install renewable energy systems and make energy-efficiency improvements that have created or saved an estimated 9.2 billion kWh of electricity since 2009. USDA also has entered into unique public-private sector partnerships to expand wood energy use, which will help improve the safety and health of our nation's forests and support job creating renewable energy production.

USDA's conservation efforts have helped us mitigate the negative impacts of the drought and are helping producers to manage climate change. USDA has enrolled a record number of acres in conservation programs that have saved millions of tons of soil and improved water quality and have contributed to the national effort to preserve habitat for wildlife and protect the most sensitive ecological areas. USDA has partnered with more than 500,000 farmers, ranchers and landowners on these conservation projects since 2009 – a record number. In addition to protecting cropland and critical habitats, conservation strengthens outdoor recreation, which adds more than \$640 billion every year to our economy. Building on these efforts, the Administration entered into a historic agreement with Minnesota to develop programs for farmers designed to increase the voluntary adoption of conservation practices by giving them regulatory certainty that they will not be asked to take additional conservation actions over the life of the agreement. We are working with other States to expand the use of these agreements.

In the face of drought and the increasing threat of wildfires, I recently announced the first ever Regional Hubs for Risk Adaptation and Mitigation to Climate Change. These Climate Hubs will address increasing risks such as fires, invasive pests, devastating floods, and crippling droughts on a regional basis, aiming to translate science and research into information to farmers,

ranchers, and forest landowners on ways to adapt and adjust their resource management. In support of the President's goal to find lasting conservation solutions for some of the most challenging problems, USDA has undertaken a range of innovative new landscape-scale initiatives aimed at restoring land and water. More than 1.6 million acres have been enrolled in landscape scale initiatives in an "all lands" strategy for enhancing water resources.

The Department has also helped a record number of people in need by ensuring that they have access to sufficient food and a healthful diet. The Supplemental Nutrition Assistance Program (SNAP) helps millions of low-income Americans put food on the table, more than half of whom are children, the elderly or people with disabilities. The cornerstone of the nutrition assistance safety net, SNAP kept nearly 5 million people, including 2.2 million children, out of poverty in 2012. This Administration has achieved historically high payment accuracy rates in SNAP, among the best in the Federal government, and the Budget includes additional investments in SNAP program integrity.

USDA continues to improve and enhance the school food environment such as providing performance-based increases of 6 cents per lunch for schools meeting the new meal standards, the first real increase in 30 years. We have published new standards for snack foods in schools that preserve flexibility for time-honored traditions like fundraisers and bake sales, and provide ample transition time for schools. We have also issued a final rule to allow food packages for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) to better reflect current nutrition science and dietary recommendations, support breastfeeding, provide participants with more variety of foods, and provide WIC State agencies with greater flexibility in prescribing food packages to accommodate participants with cultural food preferences. To increase access to nutritious food, we have increased the number of farmers markets and made it

easier to use SNAP electronic benefits transfer (EBT) cards at those markets and facilitated direct farm-to-school marketing of fresh fruits and vegetables.

Food for Progress and the McGovern-Dole International Food for Education and Child Nutrition Program provided benefits to more than 10.5 million people overseas in 2013, a record number. Also, following upon the positive reforms enacted in 2014 that mainly address development food aid, the Administration is seeking to enable P.L. 480 Title II to reach 2 million more people in emergency crises within the same resources and with more timely responses. These reforms provide a more agile and modern approach to global food assistance, pairing the continued purchase of the best of American agriculture with the flexibility of interventions such as increased local and regional purchase, cash transfers, and electronic vouchers. The Budget proposes the authority to use up to 25 percent of Title II resources for these types of flexible emergency interventions that have proven to be so critical to effective responses in complex and logistically difficult emergencies such as Syria and Typhoon Haiyan.

Within the President's Feed the Future initiative to enhance longer-term food security, we are also working with developing countries to facilitate the adoption of emerging technologies that hold the promise of improving agricultural productivity by creating crops that better tolerate drought, toxicity, disease, pests and salinity. These efforts contribute to economic growth and food security.

We have been implementing a series of policies aimed at preventing foodborne illnesses before they happen by targeting and eliminating contaminated products before they come to market. For example, in FY 2011, FSIS implemented stricter *Salmonella* and *Campylobacter* performance standards to reduce these pathogens in turkeys and young chickens. In FY 2012, FSIS began testing raw beef products for six additional strains of shiga-toxin producing *E. coli*

and prohibiting any product found positive from entering commerce, consistent with FSIS testing and policies for *E. coli* O157:H7. In FY 2013, FSIS redesigned its sampling program to improve detection of *E. coli* O157:H7 in regulated products to further protect the public from foodborne hazards. We also took the common sense action to hold any product being tested for adulterant until the test results are received. FSIS began a new program to test comminuted chicken and turkey products for *Salmonella* and *Campylobacter*. FSIS intends to develop new performance standards for comminuted products based on the results of this testing and risk assessment analysis. In December, 2013, FSIS announced its *Salmonella* Action Plan which outlines additional steps the Agency intends to take to address *Salmonella*, including developing *Salmonella* performance standards for chicken parts based on FSIS baseline results. FSIS has seen declines in the total number of illnesses attributed to FSIS-regulated products—between FY 2011 and FY 2013, the total number of such illnesses fell 13 percent, which equates to about 64,000 illnesses over the two-year period.

With passage of the Farm Bill, we have a great opportunity to build upon these results by bringing an enhanced array of authorities and resources needed to address the on-going challenges faced by rural America and provide a foundation to help rural communities prosper, enhance the resiliency of forests and private working lands and ensure access to a safe, diverse and nutritious food supply. It restores disaster assistance and invests in programs to help beginning, small and socially disadvantaged farmers and ranchers. Our communities will have additional resources and new tools to take advantage of new economic opportunities and create jobs. It provides access to nutritious food to those that need it. The potential of new products, production methods, and discoveries will be strengthened through new agricultural research. Renewed conservation efforts will protect our natural resources and create new tourism options.

The Farm Bill will support the next generation of farmers and ranchers, while achieving meaningful reform and billions of dollars in savings. USDA's dedicated employees are hard at work to implement the bill effectively and expeditiously.

The President's 2015 USDA budget proposal builds on the Farm Bill and focuses on creating jobs and building a foundation for future economic growth within the constrained levels of funding. Three months ago, through the Bipartisan Budget Act of 2013 (BBA), Congress came together on a bipartisan basis and took an important first step toward replacing the damaging cuts caused by sequestration with longer-term reforms. Recognizing the importance of the two-year budget agreement Congress reached in December, the President's Budget adheres to the BBA's discretionary funding levels for 2015.

USDA's total budget for 2015 we are proposing before this Subcommittee is \$141.4 billion, of which approximately \$122.4 billion is mandatory funding. The majority of these funds support crop insurance, nutrition assistance programs, farm commodity and trade programs and a number of conservation programs. The Budget includes funds to fully support estimated participation levels for SNAP and Child Nutrition Programs.

For discretionary programs of interest to this Subcommittee, our budget proposes \$19 billion, approximately \$242 million below the 2014 enacted level. That level fully funds expected participation in WIC. It includes the funding needed to meet our responsibility for providing inspection services to the Nation's meat and poultry establishments. The Budget also includes over \$1 billion to renew approximately 243,000 outstanding contracts for rental assistance. We appreciate the Subcommittee's on-going support for this program. For 2015, we are proposing changes to the operation of the Rental Assistance Program to ensure its long term viability.

The Budget creates new opportunities and continues to give a priority to spurring investment in rural businesses that want to take advantage of emerging markets. The 2015 Budget repropose the consolidation of several rural development programs into an economic development grant program designed to assist small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. This program is needed to improve our ability to leverage private sector resources aimed at developing regional economies. The Budget would also give rural businesses more access to capital by shifting funding from traditional loan programs to venture capital type funding that offers a more diverse array of financial products. The 2015 Budget supports loans and grants programs that aid in the development of food retailers in urban and rural food deserts and food hubs for locally- and regionally-produced products, including dedicated funding for the Healthy Food Financing Initiative authorized in the recent farm bill. We double grant funding to increase broadband access in the rural communities that are least likely to have broadband infrastructure needed for economic development.

We understand the new opportunities in rural America that the biobased economy provides. In addition to the mandatory funding provided by the 2014 Farm Bill, discretionary funding is requested for the Rural Energy for America Program to provide financing for the purchase of renewable energy systems. We also propose \$1 billion to support environmental upgrades to existing fossil fuel electric generation facilities and target electric funding to supporting renewable energy projects to significantly reduce carbon emissions.

The budget request also meets the growing demand for farm credit with sufficient funding to serve over 40,000 producers in 2015 seeking to finance operating expenses, to acquire a farm, or keep an existing one. Approximately 85 percent of the funding will be targeted to new

and beginning farmers and ranchers, including our Nation's veterans, so that we can ensure that our country's next generation of growers and producers get off to a good start.

The Budget supports our continuing efforts to improve access to nutritious foods and promote healthy diets. In 2013, USDA and its partners well exceeded our goal to provide 5 million additional meals than in 2012 to eligible low-income children through summer meal programs. Although encouraging, there are more than 21 million such children participating in school meal programs and fewer than 3 million who receive Summer Food Service Program meals when school is not in session, which indicates many kids may not be getting adequate nutrition during the summer. A key investment in 2015 is \$30 million for summer food EBT demonstration projects, which test the extent to which providing extra benefits through SNAP and WIC EBT over the summer for households with school-aged children reduces food insecurity. The summer EBT pilots funded by this Committee in 2010 are showing real promise in reducing hunger and improving nutrition, and the Budget proposes to build on that success. The Budget also requests additional funding for school equipment grants, to help our schools prepare and serve healthy meals.

The 2015 Budget makes strategic investments that further innovation and encourage creative approaches to solving rural America's most pressing challenges. Our budget emphasizes research that will tackle major, crosscutting issues facing farmers, including food safety, renewable energy, climate change and pollinator health, and offer genetic resources and tools to increase agricultural resiliency and enhance food production. The 2015 Budget includes a significant investment for the Agriculture and Food Research Initiative (AFRI). We are also proposing the creation of three Innovation Institutes, public-private partnerships that will focus on emerging challenges to agriculture. These institutes will address the decline of pollinator

health, bio-manufacturing and bioproducts development, and anti-microbial resistance research. In addition to the institute for pollinator health, the President's Budget requests an additional \$20 million in USDA's budget for a multi-agency initiative to respond to the urgent problem of the decline of pollinator populations. USDA's activities will be coordinated with other departments. The Budget also includes funding to begin the planning and design of the 2017 Census of Agriculture.

Because the BBA levels are not sufficient to expand opportunity to all Americans or to drive the growth our economy needs, the President's 2015 Budget includes a separate, fully paid for \$56 billion Opportunity, Growth, and Security Initiative. The Initiative identifies additional discretionary investments that can spur economic progress, promote opportunity, and strengthen national security. For USDA, the Initiative includes \$155 million to design and construct facilities to replace the outmoded Southeast Poultry Research Laboratory in Athens, Georgia. An additional \$60 million is included for AFRI, as well as an additional \$20 million for formula research grant programs that would be available on a competitive basis. Finally, as part of the Climate Resilience Fund, \$100 million would be provided through the Natural Resources Conservation Service to enhance support for private landowners to manage landscape and watershed planning for increased resilience and risk reduction.

The President's Budget proposal includes reforms needed to meet tight discretionary caps, while ensuring that USDA's millions of customers across rural America receive stronger service. These include efforts to reduce administrative costs, streamline operations, and improve program integrity. Since 2010, USDA has implemented numerous measures to increase efficiency and reduce spending to absorb uncontrollable costs and manage significant reductions to discretionary funding. We have done this by aggressively implementing our Blueprint for

Stronger Service, which has achieved almost \$1.2 billion of savings and efficiencies. We will build on these efforts in 2015 by consolidating leased and owned office space and requesting authority to use expired, unobligated funds to invest in facilities and other capital needs to better manage the Department.

For 2015, we will improve our capacity to help producers and rural communities that we serve. We will continue efforts to modernize the farm program delivery system through a Model Service Center concept to ensure offices are strategically located and have adequate staffing and equipment to strengthen services to producers. Savings from the consolidation of 250 Farm Service Agency offices would be re-invested in the modernization effort. A Rural Corps, comprising economic development professionals, will be placed in 10 high-need areas to provide technical assistance and hands-on support at the local level. This model will increase the likelihood that investments in infrastructure and economic development are strategic, creating jobs and long-term economic benefits within in the region.

Throughout the Farm Bill process, the Administration has advocated for comprehensive legislation that provides meaningful reforms. We are pleased that many of these reforms have been adopted in the Farm Bill; however, we believe further reforms are warranted to reduce the cost of the crop insurance program. The proposals represent a balanced approach to reducing the cost of the program, while maintaining a strong safety net to protect producers from natural disasters and price fluctuations.

Funding for selected programs is reduced or terminated and resources are reallocated to targeted investments in priority programs and infrastructure to support sustainable economic growth. Further, discretionary spending is partially offset through about \$1.5 billion of proposed limits on selected mandatory programs and other adjustments.

Our budget is roughly \$400 million less than it was when I became Secretary in 2009. I can assure you that we have done and are doing everything we can to make USDA a more efficient operation without limiting service to our stakeholders. We will continue to work to be as efficient as possible, and look to you to provide us the flexibility we need to be able to use our resources most effectively.

At this time, I will be glad to answer questions you may have on our budget proposals.