

**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. House of Representatives
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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 2016 budget. Joining me today are Robert Johansson, USDA's Acting Chief Economist, and Michael Young, USDA's Budget Officer.

The President's budget strengthens the middle class and helps America's hard-working families get ahead in a time of relentless economic and technological change. Investments made by USDA work together to support the most productive agricultural sector in the world, attract and retain a talented labor force, improve connectivity and access to information in rural communities, move more American-grown products to market, and make rural communities places where businesses—farm and non-farm alike—want to innovate, grow, and create more good paying jobs. These investments reward hard work, generate rising incomes, and allow everyone to share in the prosperity of a growing America.

In the past six years, USDA assisted more than 900,000 rural families to buy or refinance a home, helping 146,000 rural Americans become homeowners in fiscal year (FY) 2014 alone. Since 2009, we have invested a total of \$48.3 billion in new or improved infrastructure in rural areas, which helped 15.7 million rural residents get access to clean drinking water and better waste water disposal. Modernized electrical service was delivered to more than 5.5 million subscribers. More than 21,000 grants and loans helped approximately 89,000 rural small businesses grow, creating or saving an estimated 418,000 jobs between FY's 2009 and 2014.

We have also continued our StrikeForce Initiative, which represents a broad commitment to increase investments in poverty-stricken rural communities through intensive outreach and stronger partnerships with community organizations. Since the inception of StrikeForce in 2010, USDA has partnered with almost 500 community and faith-based organizations, businesses, foundations, universities and other groups to support 109,000 projects with almost \$14 billion in

investments in rural America. We are providing a pathway to success and expanding the middle class.

Critical to our efforts is the 2014 Farm Bill, which enhanced the array of authorities and resources to improve agricultural productivity, to strengthen the foundation for helping rural communities prosper, to enhance the resiliency of forests and private working lands, and to ensure access to a safe, diverse and nutritious food supply. Farmers, ranchers and those working in supporting industries maintain an agriculture sector that has seen strong growth over the past six years. Agriculture and agriculture-related industries account for about \$775.8 billion in economic activity, support one out of every 11 jobs in the economy, and help to maintain vibrant, thriving rural communities.

The Department has completed implementation of many new Farm Bill authorities. This includes major new safety net programs providing certainty to American agricultural producers going into the 2015 crop year. We have made available nearly \$4.6 billion in critical assistance to producers across the country since sign-up for the disaster programs began on April 15, 2014. Significant new crop insurance protections were also made available. America's new and beginning farmers and ranchers, veteran farmers and ranchers, and women and minority farmers and ranchers were given improved access to credit.

In FY 2014, exports of U.S. food and agricultural products set a new record, reaching \$152.5 billion and supporting nearly one million jobs here at home. Agricultural exports have climbed more than 58 percent in value since 2009, totaling \$771.7 billion over the past five years. Agricultural exports have increased in volume, demonstrating an increasing global appetite for American-grown products. Between 2009 and 2014, more than 6,000 U.S. companies participating in USDA-endorsed trade shows reported total on-site sales of more than \$1.3 billion and more than \$7.2 billion in 12-month projected sales. Rural exports support farm income, which translates into more economic activity in rural areas. In 2012, each dollar of agricultural exports stimulated another \$1.27 in business activity. As requested by the President, we need trade promotion authority to protect our workers, protect our environment, and open new markets to products stamped "Made in the USA."

USDA is also helping producers tap into growing consumer demand for locally-grown and organic food. USDA data indicate that local food sales totaled at least \$6.1 billion in 2012. Demand for organic food products also continues to grow and this sector now accounts for \$35

billion in annual U.S. sales. In 2013, the National Organic Program helped an additional 763 producers become certified organic, an increase of 4.2 percent from the previous year.

USDA's investments support strong local and regional supply chains and the rural jobs that come with them. Since 2013, USDA has made over 875 investments in local food infrastructure and direct marketing opportunities to help connect farmers and consumers and create jobs all along the supply chain for local food. In addition, USDA has made expanding SNAP recipients' access to fresh fruits and vegetables through farmers markets a priority in recent years. In 2008, about 750 farmers markets and direct marketing farmers accepted SNAP. As of January 2015, over 5,300 participated in markets accepting SNAP.

USDA continues to work with land-grant Universities to deliver science-based knowledge and practical information to farmers, ranchers and forest landowners to support decision-making, innovation and economic opportunity. USDA leverages its research by making data more widely available. In 2014, 60 new cooperative research and development agreements were executed, 119 patent applications were filed, 83 patents were received, and 412 income-bearing license agreements were in effect. As authorized by the Farm Bill, USDA created the \$200 million Foundation for Food and Agriculture Research, which will advance the research mission of the Department and foster collaboration with public and private research efforts.

Advances in biotechnology require thorough review by USDA before being approved, a practice commonly called deregulation. USDA needs to complete its review in a timely manner to facilitate planning and adoption of new technologies. To address this need, in 2012, USDA streamlined and improved the process for making determinations on petitions involving biotechnology. Because of the enhancements, we reduced the length of the petition review by over 600 days for petitions that do not require an environmental impact statement (EIS). USDA estimates that the cumulative number of actions taken to deregulate biotechnology products based on a scientific determination that they do not pose a plant pest risk will increase from a cumulative total of 87 actions in 2011 to an estimated cumulative total of 119 actions in 2016.

USDA's conservation efforts have enrolled a record number of acres in programs that have saved millions of tons of soil, improved water quality, preserved habitat for wildlife and protected sensitive ecological areas. To accomplish these goals, USDA has expanded beyond its traditional conservation programs and partnered with a record number of farmers, ranchers and landowners on landscape-scale conservation projects since 2009. As an example, under the

newly authorized Regional Conservation Partnership Program (RCPP), USDA funded 115 projects that will build on the results achieved by USDA's traditional programs. RCPP empowers communities to set priorities and lead the way on conservation efforts important for their region. Such partnerships also encourage private sector investment so we can make an impact that's well beyond what the Federal government could accomplish on its own.

USDA continues to lead the way for renewable energy by supporting the infrastructure needed to grow the new energy economy. In 2014, more than 500 new awards under the Rural Energy for America Program helped USDA to reach a milestone of adding more than 8,000 projects between 2009 and 2014. Currently, REAP funds a total of 10,800 projects around the country to help producers and rural businesses save energy and increase their profitability. To support farmers producing biomass for renewable energy, USDA offered insurance coverage for farmers growing biofuel crops like switchgrass and camelina, and we are helping identify American farmland most suitable for growing energy crops. Under expanded authority provided by the 2014 Farm Bill, we are working to expand the number of commercial biorefineries in operation that produce advanced biofuels from non-food sources through the Biorefinery Assistance Program. We also took new steps to support biobased product manufacturing that promises to create new jobs across rural America—including adding new categories of qualified biobased products for Federal procurement and establishing reporting by Federal contractors of biobased product purchases.

Combating foodborne illness is one of our top priorities. In 2013, the Food Safety and Inspection Service (FSIS) developed the Salmonella Action Plan that outlines the measures FSIS will employ to achieve lower contamination rates in agency regulated products. The Plan includes strategies, such as the newly developed performance standards for ground poultry and chicken parts that will reduce illnesses. In addition, the recently implemented poultry inspection system will prevent an additional 5,000 foodborne illnesses each year through the improved control of Salmonella and Campylobacter.

The Administration strongly supports the Supplemental Nutrition Assistance Program (SNAP) and other critical programs that reduce hunger and help families meet their nutritional needs. SNAP is the cornerstone of the Nation's nutrition assistance safety net, touching the lives of millions of low-income Americans, the majority of whom are children, the elderly, or people with disabilities. SNAP kept over 5 million people, including nearly 2.2 million children, out of

poverty in 2013. Recent research has shown that SNAP not only helps families put food on the table, but it has a positive long-term impact on children's health and education outcomes. We also support the ongoing implementation of the Healthy, Hunger-Free Kids Act. Over 90 percent of schools report that they are successfully meeting the new nutrition standards, serving meals with more whole grains, fruits, vegetables, lean protein and low-fat dairy, and less sodium and fat.

We must continue our efforts to address the challenges that continue to confront rural America. The 2016 budget builds on our success and proposes a set of investments to spur innovation, create new markets and job opportunities, enhance climate resiliency, improve access to a safe, nutritious food supply, and modernize infrastructure.

USDA's total budget for 2016 we are proposing before this Subcommittee is \$144 billion, of which approximately \$124 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 mandatory funds to fully support estimated participation levels for the Supplemental Nutrition Assistance Program (SNAP) and Child Nutrition programs. For discretionary programs of interest to this Subcommittee, our budget proposes \$20 billion, approximately \$908.5 million above the 2015 enacted level. That level fully funds expected participation in the Special Supplemental Nutrition Program for Women, Infants, and Children. 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 255,000 expiring contracts for rental assistance and includes new authorities to ensure the long term sustainability of this program.

Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. The 2016 budget provides a strong farm safety net and makes investments to meet challenges of a competitive global market, changing climate, and making agriculture a reality for new and beginning farmers. The budget proposes a loan level of about \$6.145 billion for direct and guaranteed farm ownership and operating loans, 85 percent of which will be made to beginning farmers and ranchers and socially disadvantaged producers. The budget also includes about \$4 million to help new and beginning farmers and ranchers overcome the barriers they face when entering agriculture. In addition to providing funding to establish a Military Veterans Agricultural Liaison as authorized by the 2014 Farm Bill, the budget also establishes a

\$2.5 million program to help veterans develop farming and ranching skills needed to become producers.

The rural economy will be even stronger because of the investments in rural infrastructure made by USDA. We will make over \$1 billion in investments in rural businesses estimated to provide approximately 32,000 jobs in rural areas. Over \$2.2 billion targeted to community facilities will expand educational opportunities for students, facilitate delivery of affordable health care, and ensure the availability of reliable emergency services. Funding for broadband is more than doubled. Through a pilot called Rural Corps, USDA will work in partnership with local organizations to deploy highly trained staff and increase the likelihood that investments in infrastructure and economic development are strategic, creating jobs and long-term economic benefits. In 2016, USDA will provide over 170,000 rural residents the assistance needed to become homeowners by making available nearly \$25 billion in loans to increase housing opportunities in rural area. Approximately \$900 million in direct loans will ensure that the very-low and low-income borrowers with the ability to repay mortgage debt are provided with a vehicle to access mortgage financing for homes located in rural areas.

Despite these investments, 85 percent of America's persistent poverty counties are in rural areas and rural childhood poverty rates are at their highest point since 1986. To address this need, \$20 million is provided for a Rural Child Poverty initiative, which would support innovative strategies to combat rural child poverty through a demonstration program. Additionally, funding is more than doubled for the Community Facilities Grant Program, which enables USDA to support investments in high-need areas and also leverage partnerships aimed at reducing child poverty, such as co-locating healthcare, nutrition assistance, and job-training programs. . In both cases, this funding will be used in rural areas experiencing severe economic distress, such as StrikeForce, Promise Zones, and Tribal areas.

Access to a plentiful supply of safe and nutritious food is essential to the well-being and productivity of all Americans. As many as 200,000 families with children could benefit each year, beginning in the summer of 2016, from the proposed expansion of summer EBT demonstration projects, including \$67 million to support the second year of the Summer Electronic Benefit Transfer (EBT) pilot to reduce food insecurity among urban and rural children during the summer months when school meals are not available. The budget also includes \$35 million in school equipment grants to aid schools in serving healthy meals and provides

continued support for other school-based resources. The budget proposes an additional \$25 million to bolster SNAP Employment and Training programs, which will allow some of our nation's poorest individuals to work toward self-sufficiency and continue to receive critical food assistance while doing so. Nationwide, USDA estimates that 23.5 million people, including 6.5 million children, live in low-income areas without easy access to a supermarket. To expand access to nutritious foods, the budget invests \$13 million in a newly authorized Healthy Food Financing Initiative that will provide funding for developing and equipping grocery stores and other small businesses and retailers selling healthy food in communities that currently lack these options. Americans will be better protected from foodborne illness with nearly 23,000 fewer illnesses projected in 2016 from 2014 as a result of improved food inspection.

Food for Progress and the McGovern-Dole International Food for Education and Child Nutrition Program will continue to provide benefits to millions of people overseas. These programs have helped to engage recipient countries not only by delivering food assistance, but also by fostering stronger internal production capacity and infrastructure, generating employment, boosting revenue, and developing new markets and productive economic partnerships. The budget provides \$20 million to support the local and regional procurement of food aid commodities for distribution overseas to complement existing food aid programs and to fill in nutritional gaps for targeted populations or food availability gaps caused by unexpected emergencies. Also, 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.

USDA research plays a key role in fostering innovation and advancing technologies that increase the efficiency, sustainability, and profitability of American agriculture. Economic analysis finds strong and consistent evidence that investment in agricultural research has yielded high returns per dollar spent. The budget includes an increase of \$125 million for the Agriculture and Food Research Initiative. Funding for USDA's role in Federal efforts combatting anti-microbial resistant bacteria and improving pollinator health totals \$77 million and \$79 million, respectively. As part of the Administration's multi-agency initiative to support continued investment and innovation in the manufacturing sector, the budget also includes \$80 million to support two new Federal-private manufacturing institutes, with one dedicated to advanced biomanufacturing, while the other will focus on development of nanocellulosics. Investments to

upgrade the Department's aging laboratory infrastructure include \$206 million to fully fund five priority construction and renovation needs, as identified in the Congressionally-mandated report issued by the Department in 2012.

To enhance resilience to climatic events, the budget provides \$200 million for the Watershed and Flood Preventions Operations (WFPO) to help communities adapt to changing natural resource conditions and climate change, and to minimize the impacts of natural disasters, including coastal flooding. USDA will utilize the broad authorities of WFPO to help communities create more resilient infrastructure and natural systems.

To protect the integrity of the programs we administer, we continue to work aggressively to identify and eliminate waste, fraud, and abuse. Program integrity is critical to the overall success of the programs we administer and funds must be used properly to earn America's trust that these programs deliver results while protecting taxpayer dollars. The budget builds on existing efforts and provides strategic increases, including an increase of \$14.5 million to automate and streamline reporting, increase operational efficiency, reduce improper payments, and otherwise enhance program integrity for Child Nutrition Programs. The budget requests an additional \$4 million to ensure that States are meeting the highest standards of program integrity in administering SNAP. The budget also includes \$2.1 million for the Risk Management Agency to enhance regulatory compliance, with a focus on improving error rate sampling for improper payments.

While providing record levels of service to rural America, USDA has improved management operations. Through the Blueprint for Stronger Service, USDA has taken proactive steps in recent years to reduce spending, streamline operations and cut costs. Our savings and cost avoidance results for the American taxpayer through the end of FY 2014 were recently revised upward to \$1.368 billion from the previous \$1.197 billion figure reported in January 2014. I appreciate the Subcommittee's approval of authority allowing the Department to establish a nonrecurring expense fund for facilities infrastructure capital acquisition. This fund will provide much needed resources in future years for USDA's infrastructure modernization.

The President is again asking Congress for authority to submit fast-track proposals to reorganize or consolidate Federal programs and agencies to reduce the size of Government or cut costs. Granted the authority, the Administration is proposing to consolidate the FSIS and the food safety components of the Food and Drug Administration to create a single new agency

within the Department of Health and Human Services. The President also proposes the consolidation of certain business programs in a new department dedicated to promoting U.S. competitiveness and exports.

The Farm Bill included several reforms to the Federal crop insurance program; however, there remain further opportunities for improvements and efficiencies. The President's 2016 budget includes two proposals to reform crop insurance, which are expected to save \$16 billion over 10 years. This includes reducing subsidies for revenue insurance that insure the price at the time of harvest by 10 percentage points and reforming prevented planting coverage, including adjustments to payment rates. These reforms will make the program less costly to the taxpayer while still maintaining a quality safety net for farmers.

I believe that the future is bright for America and in particular for rural Americans. The investments we make today are having an impact and creating a future full of opportunity. The budget presented to you will achieve the President's vision for the middle class by restoring the link between hard work and opportunity and ensure that every American has the chance to share in the benefits of economic growth. At this time, I will be glad to answer questions you may have on our budget proposals.