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ECONOMIC RESEARCH SERVICE

Statement of Dr. Mary Bohman, Administrator
Before the Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to present the Economic Research Service (ERS) budget recommendations for fiscal year (FY) 2016.

The mission of ERS is to inform and enhance public and private decision making on a broad range of economic and policy issues related to agriculture, food, the environment, and rural development. ERS is a trusted, go-to resource for objective information, data, and unique economic and social science analysis on these topics. The ERS program anticipates the needs of decision makers by applying economic and social science research to address emerging issues of the day.

ERS shapes its research program and products to serve those who routinely make or influence public policy and program decisions. Key clientele include White House and USDA policy officials and program administrators/managers; the U.S. Congress; other Federal agencies and State and local government officials; and organizations, including farm and industry groups interested in public policy issues.

ERS develops its research program in coordination with other REE and USDA research agencies, as well as other external collaborators. Our activities support the goals and objectives of the REE Action Plan by providing an economic perspective to USDA science research that addresses key priority issues, such as pollinators and bee health, antimicrobial resistance, and human nutrition. Our proposed budget supports agricultural research investments that are critical to long-term U.S. economic growth and job creation.

Investment in effective delivery of our work products is a high priority. ERS continues to invest in making our information more accessible. For example, in 2014 ERS introduced data visualization tools on the Agency website to provide users with interactive charts and graphics that are more meaningful and easier to use. As part of USDA's Open Data Initiative, ERS

provides services that enable developers, bloggers, and other digital professionals to access the Agency's web content to build applications and provide ERS information on their sites.

ERS research that informs programs and policies eventually touches the individual citizens who breathe the air, drink the water, live and work in rural towns, and plan their diets and food budgets. Our research, moreover, touches those who depend on school lunches, on SNAP and WIC, and on Federal and State rural development programs. It benefits farm and rural businesses from small to large, as they are affected by policies and programs.

The President's FY 2016 budget request for ERS programs of $86,023,000 represents a net increase of $650,000 from the Agency's FY 2015 enacted budget. Funding is requested to continue ERS's highest priority core programs. These include research, data, and market outlook on the following: the extent to which investments in rural people, businesses, and communities affect the capacity of rural economies to prosper in a changing global marketplace; economic issues related to developing natural resource policies and programs that respond to the need to protect the environment and the challenges of climate change while enhancing agricultural competitiveness; production agriculture, domestic and international markets, trade, and Federal farm policies, to understand the U.S. food and agriculture sector's performance in the context of increasingly globalized markets; the Nation's food and nutrition assistance programs, to study the relationships among factors that influence food choices and health outcomes, including obesity; and methodologies for valuing societal benefits associated with reducing food safety risks.

The request includes two increases to fund program enhancements that support key Administration priorities. An increase of $1—million supports *Research on Barriers to Entry for New Farmers and Ranchers*. The funding will support new analysis to characterize beginning farmers and ranchers by farm type; analyze barriers to entry; and analyze strategies that successful beginning farmers and ranchers use to build their businesses and overcome potential barriers. The results will identify successful strategies that can be used by new farmers and ranchers and supported by USDA programs. The analysis will also provide information on the potential effectiveness of options for USDA programs and other government policies to reduce those barriers.

In addition, an increase of $1 million expands research on *Increasing Drought Resilience: Economic and Policy Drivers*. ERS will continue to build a strong evidence base on public and private drivers of farm-level water use and farmers' responses to drought incidence

and risk. The additional funding will provide new information about farm practices by expanding the number of farmers contacted to respond to the Agricultural Resource Management Survey (ARMS) in drought-prone areas. This will enable ERS to better understand the range of risk management and adaptive decisions in these susceptible areas as well as the most commonly adopted strategies. A better understanding of these responses can help inform the design of Federal programs to help farmers improve their resilience in drought conditions, and can strengthen the Nation's ability to sustain agricultural productivity growth and moderate food price increases.

Addressing the Needs of Decision Makers

The Agency's research program both anticipates and responds to decision makers' information needs through direct analyses and the development of analytic methods and supporting data. We consult with stakeholders on an ongoing basis about research needs. We conduct regular external evaluations of the quality and relevance of the Agency's programs. In FY 2014, ERS completed a review of its Market Outlook Program—an objective assessment of the demand for market outlook analysis across stakeholder groups that identified program options to best meet these demands. Also in FY 2014, ERS launched a 5-year cycle of program reviews to ensure the quality and effectiveness of its programs. The first of these, a review of the economics of food access, food choices, and nutrition, will be completed in March, 2015...

ERS conducts research on specific topics at the request of Congress and USDA policy officials to assess the socio-economic consequences of public policies, regulations, and programs. These studies build on the Agency's analytic methods, data resources, and highly skilled staff. Recent examples include research on the economics of pollinators, local foods, and an ERS analysis of the Agricultural Act of 2014.

ERS provided a report to Congress that responded to a request to examine pollinator markets and the economic importance of pollinators. The report provided economic insights on the U.S. pollinator services market, measured the value of pollination services, and included an updated pollinator route map. To identify research gaps and lay the foundation for future economic research on pollinators, ERS, the U.S. Environmental Protection Agency (EPA), and the University of Illinois jointly held a workshop in July 2014 on the economics of pollinator health as a side event to the annual meeting of agricultural economists.

Local food has been the subject of Federal, State, and local government policy in recent years as consumer interest in and demand for local foods has grown. ERS recently published a

congressionally mandated study that explores the evolution and effects of local and regional food systems across the country. The study reports trends in direct-to-consumer sales and growers, looks at the characteristics of farmers participating in local food systems, and examines local food prices, sources of consumer demand, and links between local foods and local economies, as well the implication of the Food Safety Modernization Act (FSMA) for local food producers.

ERS published multiple products providing highlights and economic implications of the new programs and provisions of the Agricultural Act of 2014 (2014 Farm Bill). Within a month of the signing of the 2014 Farm Bill, ERS published on its website "Agricultural Act of 2014: Highlights and Implications." The webpage provided an overview of the major provisions of the 2014 Farm Bill, along with ERS research findings and data that illustrated some of the potential economic implications of these provisions. ERS also published several articles in the Agency's online magazine, *Amber Waves*, that provide an economic perspective on conservation, nutrition, and crop commodity aspects of the 2014 Farm Bill.

ERS expanded research to improve policy effectiveness by implementing a budget initiative authorized and funded by the FY 2014 and FY 2015 appropriations Acts, to scale up research that applies two new economic research methods. The new research applies behavioral economics to improve USDA policy design and use administrative data for statistical analysis of USDA programs. Program areas targeted for analysis include improving nutrition in school meals, improving the design of environmental programs and coordination and provision of SNAP and other safety net programs. The initiatives received a total increase in funds of $3.5 million across FY 2014 and 2015 and support collaboration with USDA program agencies, and fund research partnerships with extramural agencies.

As a result of the initiative, ERS has developed partnerships with USDA program managers in the Food and Nutrition Service, Farm Service Agency, and Natural Resources Conservation Service to provide evidence on the effectiveness of alternative program designs, outreach methods, and implementation strategies. These managers have used ERS's experimental findings to encourage healthier food choices by participants in school meal programs. Ongoing research will inform strategies to encourage healthy food choices for other food and nutrition assistance programs such as SNAP and WIC, expand conservation activities aimed at improving water quality in the Chesapeake Bay watershed, increase the effectiveness of technical service providers, and improve target populations' (beginning farmers, veterans, women, and underserved populations) participation in micro-loan programs.

The funding provided in FY 2014 and FY 2015 enabled ERS to establish two new extramural partnerships through a competitive grant process. The Center for Behavioral and Experimental Agri-Environmental Policy Research hosted by the University of Delaware, Georgia State University, and Cornell University will use behavioral and experimental economics to provide insights on the design of policies and programs that can influence the provision of ecosystem services from agricultural lands. The Duke-University of North Carolina-USDA Center for Behavioral Economics and Healthy Food Choice Research was jointly funded by FNS and will conduct and fund innovative research on the application of behavioral economic theory to healthy food-choice behaviors that would enhance the nutritional intake, food security, and health of Americans.

While ERS' research program addresses specific policy requests, it also anticipates the needs of decision makers and conducts research that is then available to respond to the issues of the day. The examples that follow document how customers and stakeholders in USDA, Congress, related government agencies, and the public use ERS information to make decisions

Monitoring Farm Sector Structure and Performance

ERS plays a leading role in monitoring the financial health of the farm sector, including the performance of farm businesses and the well-being of farm households. These core statistical indicators provide guidance to policymakers, lenders, commodity organizations, farmers, and others interested in the financial status of the farm economy. ERS's farm income statistics also inform the computation by the Bureau of Economic Analysis in the Department of Commerce of agriculture's contribution to the gross domestic product for the U.S. economy.

The vast majority of farms are operated by families and they account for 85 percent of farm production. But these statistics mask great diversity in the production, financial, and demographic characteristics of family farms. ERS regularly publishes these statistics through our family farm report, which provides information on family farm size and type, commodities grown, operator age and other demographic traits, financial performance, income, and government program participation. The latest report, published in 2014, documents the concentration of production in midsize and large-scale family farms (though most family farms are small) and the increasing importance of Federal crop insurance for all family farms.

The Impacts of Reducing Trade Barriers

ERS research examined the potential for the expansion in trade if the proposed Trans-Pacific Partnership (TPP) completely eliminated tariffs. A suite of reports presented a

comprehensive view of the agreement's economic impacts, carefully accounting for the other numerous trade agreements already place among the 12 countries negotiating the agreement, and research findings have been used in ongoing TPP negotiations. Japan could import more rice, beef, and dairy products from the United States and other TPP countries under an agreement while maintaining most of its domestic production. Vietnam has strong growth potential, with projected gains for U.S. exports of meats, dairy products, fruits, and high-valued consumer food products.

Menu Labeling

Restaurant foods are typically higher in calories than meals consumed at home. Menu labeling regulations by the U.S. Food and Drug and Administration (FDA) aim to inform consumers about the calorie content of menu items. However, some consumers may already be making at least partially informed decisions. ERS recently published a study that examined how consumers can employ rules-of-thumb nutrition knowledge to judge the calorie content of restaurant foods when explicit information is unavailable and then investigated whether rules of thumb accurately predict the calorie content of restaurant meals. Results showed that some simple rules of thumb are fairly reliable predictors of actual calorie content. Nonetheless, menu labeling still imparts substantial new information to help consumers make finer adjustments in their food choices and behavior. As FDA's menu labeling rule goes into effect in the near future, ERS research provides insights on what types of changes consumers may make in their food choices.

Food Safety in the National School Lunch Program

ERS research examined the food safety performance of suppliers of ground beef to the National School Lunch Program (NSLP). Establishments that bid on contracts to supply NSLP displayed better food safety performance—in terms of the numbers of meat samples testing positive for *Salmonella spp.*—than other establishments supplying ground beef to the commercial market. Results also show that the difference in food safety performance between the types of establishments may have narrowed in recent years. Some establishments use information about their past food safety performance to decide whether to bid on contracts to supply NSLP. These types of analyses provide insight into the outcomes of USDA food safety efforts.

Nutrition Research

ERS research explored the structure and function of the U.S. nutrition research system and associated Federal support. Nutrition research is used for nutrition education and communication, but also for regulation and food assistance. ERS analysis of long-term trends revealed that Federal investments in nutrition research grew while the portfolio of research changed. Over time, the share of Federal support by the Department of Health and Human Services increased while that of USDA decreased. This shift changed how research topics were selected and funded within the Federal portfolio. As a result, more research is funded through competitive grants than through intramural or formula funding, and a broader set of academic institutions now participate in nutrition research.

Examples of Research Proposed for Funding in FY 2016

ERS intends to look beyond the immediate horizon to conduct anticipatory research, the findings of which will be available when a topic "heats up." The research, data, and market analysis will continue to provide information to support and improve decisionmaking and problem solving. This research supports the REE Action Plan and is often planned in concert with USDA research partners, such as research for pollinators through the Federal Pollinator Research Action Plan and anti-microbial resistance through the USDA Antimicrobial Resistance Action Plan Committee. Other ERS priorities for research that will deliver findings in 2016 and beyond include the role of SNAP in the rural economy, regional employment effects of increased trade, and impact of new farm risk management programs.

Characteristics Associated with Rural Manufacturing Resilience. Manufacturing jobs have generally been good jobs in rural areas—paying well and providing full-time year-round employment. Other things being equal, higher proportions of manufacturing jobs are generally associated with lower county poverty rates. However, rural manufacturing has been hard hit by globalization and recession, and much production has shifted off-shore. ERS research will examine the causes of, and barriers to, manufacturing plant survival and growth in rural communities since the 1990s.

Rural Child Poverty: Rural child poverty began to rise after 2001 and accelerated after the recent recession. Today over 1 in 4 rural children are in households with incomes below the poverty line, up from 1 in 5 at the turn of the most recent century. Poor children are far more likely to become poor adults, and so this increase in poverty has long-term implications for the economic and social well-being of our Nation's rural population. ERS will analyze possible

sources of rising child poverty, including higher unemployment and depressed wages among low-income workers, as well as changes in family structure and young adult education. Since growing up poor in a low-income community is doubly disadvantageous, ERS will also examine the conditions enhancing or discouraging the concentration of poor children into communities of disadvantage.

Dairy Structure, Price Risks and Policy. In 2014, Congress undertook a major reorganization of dairy policy by creating a new program, the Dairy Margin Protection Program that will provide farmers who elect to participate in the program with financial protection against adverse movements in milk and feed prices while eliminating two existing programs. The policy changes were carried out against a backdrop of increased price risks facing dairy farmers and ongoing structural changes of milk production towards larger farms. The research will describe and explain structural change, evaluate the sources and impacts of price risks, and also assess potential effects of the new dairy program.

Antibiotic Use in Livestock Agriculture: There is growing concern that widespread use of antibiotics has led to the emergence of organisms that are resistant to most or all antibiotics, thus posing a significant human health risk. As a result, pressure is growing to reduce the use of antibiotics in livestock agriculture for purposes of disease prevention and growth promotion. USDA plays a dual role in protecting animal agriculture and public health. ERS research is supporting this effort by examining the uses of antibiotics in livestock agriculture. Drawing from USDA's ARMS and new surveys to be conducted by NASS, ERS is exploring the extent of antibiotics use by livestock species, stage of production, and purpose, and the degree to which restrictions on antibiotics use would affect producers and markets.

Changing Land Values and Ownership: Farm real estate values reached record highs in 2014, but forecasts suggest a slowing rate of appreciation, or possibly even a decline in land values caused in part by lower commodity prices and rising interest rates. Since farm real estate represents the vast majority of the value of farm sector assets, large changes in farmland values can affect the financial well-being of agricultural producers. ERS research will examine the potential vulnerability of the farm sector to changes in agricultural land values, interest rates, and commodity prices. Both owner-operated and rented lands will be affected by the trends in prices and interest rates. ERS' assessment of responses to a changing economic and policy environment for both owner operators and renters will be strengthened by new data gathered in 2015 from the NASS-ERS Tenure, Ownership and Transition of Agricultural Lands (TOTAL) survey.

National Household Food Acquisition and Purchase Survey (FoodAPS): FoodAPS, USDA's national survey of household food purchases and acquisitions, provides data about household food choices that are not available from any other current government survey. The data are now available for researchers to examine a number of issues related to consumer food choices Descriptive reports of key survey measures will be published in the first half of 2015. Analytical policy-relevant research reports will be published in FY 2016. ERS' first analysis of the data will examine differences among income groups in where they shop and how they get to their food stores of choice. In FY 2016, ERS will hold a conference highlighting findings from its own and academic research using the data. Researchers will use FoodAPS to probe the relationship between food choices and nutritional quality.

How State Policies Influence the Antipoverty Effect of SNAP Benefits: ERS will examine how state policies influence the extent to which SNAP benefits reduce the state-level rate and severity of poverty. SNAP is one of the largest means-tested transfer programs in the United States, providing benefits to millions of Americans. Program expenditures have increased over the past decade while the policy environment has shifted to greater emphasis on fiscal austerity - although recently SNAP program costs have started to fall. In an era of tightening budgets, it is essential to examine the program's effectiveness as part of the social safety net. An important indicator of SNAP's effectiveness is the extent to which it reduces poverty. ERS will estimate the effect of SNAP on poverty by calculating the percent reduction in state-level poverty due to SNAP. This reduction in poverty due to SNAP will depend on a number of factors, including program structure and macroeconomic conditions.

Economic Evaluation of the Food Safety Modernization Act (FSMA): ERS will examine the effects of FSMA across the fresh produce and animal feed supply chains, including the guidance issued by FDA as it relates to the development of a risk-based food safety system. Detailed information about food safety practices of U.S. produce growers and packers will be collected through nationally representative surveys. The detailed data will be made available for researchers FY 2016 to evaluate pre-FSMA food safety practices, costs of implementing and maintaining food safety practices, and extent of FSMA adoption among produce firms. In-depth case studies of select animal feed and fresh produce supply chains will supplement the survey data to identify farm-to-retail factors that will influence FSMA economic outcomes.

Mr. Chairman, this concludes my statement of ERS's budget recommendations for FY 2016. I will be happy to answer any questions that the Subcommittee may have.