

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 2015 President's Budget request for the Economic Research Service (ERS).

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 important emerging issues of the day. Our research touches the obesity epidemic, child nutrition, drought adaptation, trade talks, changing farm structure, climate change, and rural population loss.

The key decision makers served by ERS's research program and products are those who routinely make or influence public policy and program decisions. ERS shapes its program to serve the needs of this clientele, which includes White House and USDA policy officials and program administrators/managers; the U.S. Congress; other Federal agencies and State and local government officials; and domestic and international agricultural, environmental, consumer, and other public organizations, including farm and industry groups interested in public policy issues.

The President's FY 2015 budget request for ERS's research programs of \$83,446,000 represents a net increase of \$5,388,000 from the agency's FY 2014 enacted appropriation. The budget request funds ERS's core programs and expands by \$1,000,000 an FY 2014 program enhancement, *Research Innovations for Improving Policy Effectiveness*, which is related to key Administration priorities. The budget request includes \$7,727,000 for decentralized GSA and security payments. Formerly these costs had been funded centrally. Our proposed budget

supports agricultural research investments that are critical to long-term economic growth and job creation.

Funding is requested to continue ERS's highest priority core programs. These include research, data, and market outlook on the following: How 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 to enhance methodologies for valuing societal benefits associated with reducing food safety risks.

ERS develops its research program in coordination with other REE and USDA research agencies. 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. Looking forward, ERS will collaborate with partners on these and other issues through the new, multidisciplinary innovation institutes mentioned by Dr. Woteki.

Investment in effective delivery of our work products is a high priority. We continue to improve how our customers can access our information. For example, our new web publication *Charting the Essentials* tells the story of the American agricultural and rural economies, food spending and prices, and the interaction of agriculture and natural resources through charts and key indicators. As part of USDA's Open Data Initiative, ERS recently launched new services that enable developers, bloggers, and other digital professionals to access the agency's web content to build applications and provide ERS content 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

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.

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. During FY 2013, ERS conducted a comprehensive review of its data and dissemination methods to develop a forward-looking vision that provides high-quality, objective, timely, and useful statistics, indicators, and research data. In FY 2013, ERS launched a review of its Market Outlook Program to obtain an objective assessment of the demand for market outlook analysis across stakeholder groups and identify program options to best meet these demands. In FY 2014, ERS will launch a 5-year cycle of program reviews to ensure the quality and effectiveness of its programs, starting with a review of the economics of diet, nutrition, and health.

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 analyses of child nutrition programs and immigration. Looking forward, in response to Congressional requests ERS will deliver research on the economics of pollinators and local foods.

School lunches have had to meet new nutrition standards under the Healthy Hunger-Free Kids Act of 2010 since fall 2012. ERS has provided research to support the Food and Nutrition Service rule-making process and to understand the potential implications. ERS examined whether students who attended schools serving more fruits and vegetables, in amounts that would meet the new standards, actually ate more of them than students in schools that did not. Another study examined U.S. students' selections of competitive foods, their contribution to school foodservice revenues, and how stricter nutrition standards would change that contribution. ERS-supported behavioral economics research on USDA school meal programs found that creating a "healthy express" school lunch line raised sales of healthy items and lowered sales of unhealthy foods.

In 2013, immigration reform was a policy issue for Congress, the Administration, and USDA. ERS tracks demographic and economic trends for hired farm workers, and the importance of international migration to the size and composition of the U.S. farm labor population. In collaboration with the Office of the Chief Economist, ERS continued to update a model of the U.S. economy used to evaluate how changes in the supply of foreign-born labor might affect agricultural output and exports, wages, employment, and national income, and to implement simulation of specific policy proposals. Findings from published research and analysis were used in briefings to support decision making on immigration policy and in a Federal Government report on the benefits of international migration for agriculture and rural communities.

While ERS's 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.

Improving the Effectiveness of Outreach on the SNAP Program

In 2013, ERS published a study linking Supplemental Nutrition Assistance Program (SNAP) data from Texas with socioeconomic data from the American Community Survey to estimate SNAP access rates for demographic subgroups at both the State and county level. The findings help the Food and Nutrition Service better target outreach. This research employed an innovative methodology to link administrative data from SNAP with other socioeconomic datasets; this project represents the kind of initiative that will be expanded using funds from the FY 2014 budget initiative that we propose expanding in FY 2015.

Monitoring Farm Sector Financial Health

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.

Agricultural Structure and the Changing Face of Farming

U.S. crop production has been shifting to larger farms for most crops during the past three decades. ERS research shows that, despite this shift, family farms continue to dominate U.S. crop production, accounting for 87 percent of the total value in 2011. Technology has helped drive cropland consolidation and will play a continuing role in the future structure of farming. As U.S. agriculture evolves, who will farm in the future? ERS research finds that beginning farmers and ranchers have declined as a share of all farmers and that their average age has risen. They tend to operate smaller farms and are more likely to work off the farm than established operators. Beginning farmers often report that their biggest challenge in getting started in farming is to access enough capital and farmland to operate at a profitable size. This research informs the types of programs that could increase the probability of success by beginning operators.

China's Role in U.S. Agricultural Exports

China continues to be an important market for U.S. agricultural products. ERS research has identified China as the most prominent example of a developing country that has transitioned from taxing to supporting agriculture and examined how World Trade Organization commitments shaped China's agricultural policies over the last decade. Research findings suggest that China's agricultural subsidies and price supports may actually improve prospects for U.S. agricultural exports by raising the costs and prices of Chinese commodities above international levels. The emergence of agricultural support in developing countries like China poses a challenge to efforts to reduce global distortions in agriculture.

Diet Quality

Research has shown that SNAP effectively reduces food insecurity, but questions remain about the extent to which program participation affects the diet quality of adults. A new ERS research report finds mixed evidence as to whether SNAP participation is beneficial or adverse regarding diet quality: the study found that SNAP increases the likelihood that participants will consume whole fruit but also induces participants to decrease their intake of dark green/orange vegetables by a modest amount.

The size and severity of the Great Recession provided an opportunity to examine how relatively large changes in employment and income affect food purchase decisions and, in turn, diet quality. ERS research found that in response to the 2007-9 recessions, U.S. households cut spending on a number of consumables, including meals and snacks away from home. Working-

age adults ate less food prepared away from home, cut caloric intake, and improved their diet quality. However, improved diet quality is not attributed only to a decrease in eating out; greater focus on nutrition and perhaps improved nutritional quality of available foods also contributed.

Food Security and Disability

Recent ERS research analyzed the prevalence of food insecurity by individuals with a range of types of disabilities. Food insecurity was most prevalent among households with an adult who was not in the labor force due to a disability, followed by households with a working-age adult with other reported disabilities. Households with no working-age adult with a disability had a much lower prevalence of food insecurity. Close to two in five households with very low food security included an adult with a disability. The study findings demonstrate the importance of disabilities as a determinant of food insecurity.

Rural Veterans

Nearly 4 million veterans reside in rural America, over 10 percent of the rural adult population, according to a recent ERS report. The rural veteran population is older on average than the rural adult population as a whole, and the share of women and racial/ethnic minorities among the veteran population is increasing. Although some rural veterans face employment obstacles due to health issues, they tend to have more education and higher incomes than their nonveteran peers and are more likely to work in higher skill industries such as professional and business services, transportation and utilities, and manufacturing. ERS analysis and data support USDA's outreach efforts to rural veterans and in particular, to those new farmers and ranchers who are veterans and returning veterans. ERS' research provides policy makers and the farm community with information on the financial performance and farm structure of beginning farms, relative to established farms. Our research also identifies the challenges faced by beginning farmers and beginning veteran farmers in today's agricultural economy.

Conservation and Drought

Programs like the Conservation Reserve Program (CRP) and the Environmental Quality Incentives Program play a role in drought preparedness and climate adaptation even if they do not directly target such activities. ERS research finds that a significant reason farmers participate in USDA conservation programs is to help mitigate risks from drought. If climate change increases drought risk, demand from farmers to participate in the programs may increase.

Examples of Research Proposed for Funding in FY 2015

ERS received funding for its FY 2014 initiative, *Research Innovations for Improving Policy Effectiveness*, which will strengthen its ability to conduct 21st-century research that supports improving USDA policy effectiveness. The initiative adopts two innovative strategies—the use of behavioral economics and the statistical use of administrative data that are collected for programmatic or regulatory purposes—to address critical information gaps that hinder policy effectiveness. In FY 2015, ERS proposes to expand internal expertise, support collaboration with USDA program agencies, and form partnerships with extramural researchers to: (1) fund experiments that incorporate concepts from behavioral economics, identifying high (and low) performing options without the costs associated with new program implementation; and (2) create and evaluate unique merged administrative data systems by linking multiple sources, assessing statistical properties, and analyzing the merged data for policy-relevant research. Results of the initiative will provide science-based evidence that informs decision making by policymakers and program managers in Congress, USDA, and across Federal and State governments.

ERS intends to look beyond the immediate horizon to conduct anticipatory research, the findings of which will be available when a topic “heats up.” This research supports the REE Action Plan and is often planned in concert with USDA research partners, such as for pollinators through the USDA Honey Bee Health/Colony Collapse Disorder Steering Committee and anti-microbial resistance. Other ERS priorities for research that will deliver findings in 2015 and beyond include drivers of job creation in rural America, issues arising from debate and deliberation on the 2014 Farm Bill, and the impact of globalization on U.S. agriculture.

Research on the Economics of Pollination: Pollinators are critical for a sustainable ecosystem and the pollination of crops across the country. ERS participates in USDA’s Pollinator Working

Group and provides research and analysis on the economics of pollination and alternative approaches to protect and improve pollinator health. Topics under investigation include the role of land under the CRP and the economics of alternative management systems.

Antibiotics 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. The Food and Drug Administration (FDA) has announced a new guidance intended to phase out uses for growth promotion, and food retailers are separately imposing their own limits. Drawing on data from USDA's Agricultural Resource Management Survey (ARMS), ERS will assess how restrictions on antibiotics use will affect producers and markets.

National Household Food Acquisition and Purchase Survey (FoodAPS): FoodAPS is a national survey of household food purchases and acquisitions that provides data about household food choices that are not available from any other current government survey. Information was collected about foods purchased for consumption at home and away from home as well as foods acquired through food and nutrition assistance programs (both public and private). The data will be made available for researchers beginning in 2014, and reports of Americans' eating habits will be published by late 2014. In FY 2015, ERS plans to hold a conference highlighting findings from its own and academic research using the data. Researchers will continue to use FoodAPS to probe the relationship between food choices and nutritional quality.

Innovation in Rural Businesses: Innovation is regarded as the key to economic prosperity. Conventional wisdom is skeptical of the innovative capacity of rural areas. Analysis of the Rural Establishment Innovation Survey data that will be collected in 2014 will provide the first robust estimates of substantive innovation in rural and urban tradable sectors. Analysis of establishment and community characteristics associated with substantive innovation such as human capital and the availability of broadband will inform programs and policies for creating jobs, developing new markets, and increasing competitiveness for rural businesses and communities.

Impacts of "Shallow Loss" Support Payments on the Demand for Federal Crop Insurance: ERS will examine how the availability of shallow loss supports in the 2014 Farm Bill may affect

producer demand for Federal crop insurance. The new Revenue Loss Coverage and Supplemental Coverage Option programs may affect both the number of acres insured and insurance coverage rates. Research will assess the potential for overlap in coverage between the new programs and crop insurance programs.

Agricultural Productivity Growth in the United States and Abroad: Comparison of Metrics and Drivers: Continued productivity growth is essential to avoid substantial price increases and environmental stresses in the face of increasing global demand for agricultural commodities. ERS produces annual estimates of agricultural productivity for the U.S. and works with allied groups to produce consistent international measures for a panel of countries. In FY 2015, ERS will provide estimates of productivity growth across countries, evaluate performance relative to the U.S., and investigate the sources of differences across countries.

Agricultural Trade and Trade Partnerships: ERS will examine how a Trans-Pacific Partnership (TPP) agreement could affect both U.S. and third-country beef exports to Japan. Japan is one of the largest meat importing countries in the world and a major market for U.S. exports. Japan currently imposes relatively high tariffs on beef to protect domestic producers, and officials have identified this sector as one of the five most sensitive sectors in the ongoing TPP negotiations. ERS will also examine the potential benefits from reducing domestic and trade policy distortions under the Transatlantic Trade and Investment Partnership between the U.S. and the European Union.

Policy Options for Increasing the Provision of Ecosystem Services from Agriculture: ERS has a broad program of research on the design and implications of markets for ecosystem services, such as greenhouse gasses and water quality. Research will examine the economic and environmental implications of alternative approaches to designing environmental markets. Specific projects will focus on the potential role of auctions, bidding, and other forms of economic and informational incentives in increasing environmental benefits obtained through conservation programs. A second set of projects will focus on behavioral interventions to increase farmer enrollment offers in conservation programs.

Findings from USDA Economic Surveys of Certified Organic Field Crop Producers: ERS will examine the structure and profitability of organic grain production using national producer

surveys, each including a targeted sample of organic growers. Despite numerous experimental field trials, little information is available about the relative costs and returns of organic grain (corn, wheat, soybeans) production. This research will identify similarities and differences in the characteristics and production costs of commercial organic and conventional field crop producers and shed light on whether certified organic production offers alternatives to generate higher returns for commodity producers with a limited resource base, who might otherwise exit.

How Much Do Americans Pay for Fruits and Vegetables? ERS maintains the Fruit and Vegetable Prices database. In FY 2015, average prices per pound or pint for over 150 products as purchased at retail stores will be estimated using 2012 scanner data to update the previous 2008 estimates along with the costs for a cup-equivalent of each of these same fruits and vegetables as consumed. These new estimates will inform the committee currently planning the update of the *Dietary Guidelines for Americans for 2015*.

Effects of Expanded Categorical Eligibility, Income Volatility, and Other Policy Changes on SNAP Access: In the 2000s, many States expanded the definition of SNAP eligibility to include individuals who qualified for noncash assistance from Temporary Assistance for Needy Families or related programs. These policies raised the gross income limit and removed the asset limits in many States. Some ascribe the large rise in SNAP caseloads since 2008 to these policies, while others find that changes in unemployment explain most of the increase. This research will use SNAP administrative data from States and link it to a longitudinal household survey that includes a fuller set of variables to estimate eligibility than previous data applied to answer this question.

Food Safety Modernization Act (FSMA) and the Fresh Produce Industry: FSMA is the most extensive food safety legislation since the 1950s for FDA-regulated food. It includes onfarm regulation of produce production, extends Hazard Analysis and Critical Control Points (HACCP)-like requirements to food and animal feed facilities, and addresses import safety through a combination of third-party certification and government audits. ERS will examine the effects of FSMA across the fresh produce supply chain, including the guidance issued by FDA as it relates to the development of a risk-based food safety system.

Mr. Chairman, this concludes my statement of ERS's budget request for FY 2015. I will be happy to answer any questions that the Subcommittee may have.