

**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 2013 Budget. I am joined today by Deputy Secretary Kathleen Merrigan, Joseph Glauber, USDA's Chief Economist, and Michael Young, USDA's Budget Officer.

When I made my first appearance before this Subcommittee, our country and the Department of Agriculture faced historic challenges. The economy had deteriorated significantly. It was a crisis that cost the United States more than eight million jobs and plunged the economy and the world into a crisis from which we are still fighting to recover. Three years later, thanks to the President's bold actions, the economy is growing again and creating millions of jobs in the private sector. Over the past 22 months, the Nation's businesses have created 3.2 million jobs. Last year, we added the most private sector jobs since 2005.

I am proud to say that America's farmers, ranchers, and producers have helped fuel the beginnings of the recovery. The establishment of the Department 150 years ago underscored the importance of agriculture and rural America to the country. What was true then remains true today - agriculture and rural America matter. Agriculture plays a fundamental role in our economy - responsible for 1 in 12 jobs. That's not surprising, because at the time the Department was created, the Morrill Act established the partnership between USDA and the land

grant universities. Because of this partnership, these institutions have graduated 20 million people, people who went on to jobs that built our economy. So, when American producers earn record income, as they did last year, everyone benefits through the creation of more jobs and higher wages, whether in food processing, packaging, or farm equipment manufacturing, the reduction of our dependence on foreign oil supplies, or the increased availability of more nutritious food.

On February 10, 2012, I announced another record-breaking calendar year for farm exports. Total agricultural exports for calendar year 2011 were a robust \$136.3 billion. We saw a rise in both the value and volume of U.S. agricultural exports worldwide in 2011, as international sales rose \$20.5 billion over the previous record set in calendar year 2010. Agricultural exports have supported the creation of over a million jobs. USDA has expanded markets for American goods abroad by working aggressively to break down barriers to trade and provide U.S. businesses with the resources needed to reach consumers around the world. Last year, we exported an all-time high of \$5.4 billion worth of beef and beef products, surpassing the previous record by more than \$1.6 billion. The volume of shipments also surpassed the 2003 levels, the last year before a detection of bovine spongiform encephalopathy (BSE) disrupted U.S. trade. The return to pre-2003 levels marks an important milestone in USDA's steadfast efforts to open and expand international markets. The ratification of the trade agreements with South Korea, Colombia and Panama will increase U.S. farm exports by an additional \$2.3 billion—supporting nearly 20,000 American jobs—by eliminating tariffs, removing barriers to trade and leveling the playing field for U.S. producers.

Agriculture has also led the development of our bio-based economy, where what we grow and raise is used to make fuel, chemicals and polymers to complement our traditional production

of food, feed, and fiber. Resilient, hard-working rural residents provide a model for creating economically thriving communities, which underscores why the unemployment rate is dropping more quickly in rural America than anywhere else in the country.

At USDA we have been working to fulfill President Obama's vision for a nation where everyone gets a fair shot and an economy that makes, creates and innovates. We have been working to implement the President's vision by laying a foundation for sustainable economic growth and job creation. USDA is at the forefront of developing the technology and tools necessary to transform rural America so that it can create and take advantage of new economic opportunities.

We have generated rural wealth with our conservation and rural development programs. These programs help create green jobs, improve recreation and tourism, and facilitate the production of renewable energy. We have maintained a strong agriculture safety net through a system of income support, disaster mitigation, and a record number of farm loans.

The Department has programs to help people in need by ensuring that they have access to a plentiful supply of safe and nutritious food. This is fundamental to the healthy development of every child in America and to the well-being and productivity of every family. In recent years, the Supplemental Nutrition Assistance Program (SNAP) has helped millions of families meet basic nutritional needs. The Program currently serves as a bridge to recovery for over 46 million Americans who are at risk of being hungry when they face challenging economic times. More than half of those who rely on the Program are children, elderly or the disabled, and many participants are newly unemployed who may have never thought they would need this assistance.

While SNAP has increased steadily since its last low point in 2000, and sharply during the recent economic downturn, the rate of increase has been declining since January 2010. And

now, we estimate that rising employment and household income will reduce participation in SNAP in 2013, even as the program serves a larger share of those eligible. This is how the program is designed to work; participation rises during difficult economic times and falls in better times. Even under this period of rapid growth in participation, this Administration has achieved historically high accuracy rates in SNAP, saving the taxpayer billions of dollars. We will continue to make improvements that protect program integrity, even as Federal and State budgets for oversight of the Program are declining.

We have accomplished a critical step on the road to deliver healthier, more nutritious food to our Nation's schoolchildren and to help them develop healthy eating habits for life. On January 26, 2012, we published the final rule that refines and improves the standards for meals available to over 51 million school children across the country every day. The new rule implements provisions of the Healthy, Hunger-Free Kids Act of 2010 that are simpler and less burdensome than the ones they replace. The rule substantially increase offerings of fruits, vegetables, and whole grains; reduce saturated fat, trans fats and sodium; and set sensible calorie limits based on the age of children being served. Our understanding of the nutritional quality of food is built upon USDA science. We have seen the connection between what our kids eat and how well they perform in school. And we know that America's success in the 21st century is dependent on having the best-prepared and best-educated workforce in the world. So it is critical that that all children have the basic nutrition they need to learn, to grow, and to pursue their dreams.

These are just a few of the ways that USDA is helping to create jobs and work towards an economy built to last. But it's going to take more to keep moving forward, and that's the goal of President Obama.

I share the President's vision for investing in activities that promote economic growth, while reducing our deficits over the long-term. We need to cut what we can't afford in order to pay for what really matters, but in a way that does not hamper growth or prevent us from helping businesses and American families that need assistance. At USDA we recognized, like families and businesses across the country, that we could not continue to operate as we did in the past and that we must innovate, modernize, and be better stewards of the taxpayers' dollars.

Over the past decade, USDA has seen an increase in program complexity and demand for services while staffing has decreased. Therefore, for fiscal year 2012, I led a Department-wide review of operations to make USDA work better and more efficiently for the American people. Agency leaders took a hard look at all their operations, both in headquarters and field offices. The result was our Blueprint for Stronger Service. The plan identifies administrative efficiencies, office closures and targeted staffing reductions, to help us deal with reductions in funding. This plan will create optimal use of USDA's employees, better results for USDA customers, and greater efficiencies for American taxpayers.

Under the Blueprint for Stronger Service, USDA is reducing expenditures for certain IT products, supplies, travel, printing, and other services. The Blueprint also calls upon USDA to strengthen its administrative services. Under this initiative, the Department identified 379 recommendations for improving USDA's office support and operations, which includes ways to streamline the provision of administrative services, such as civil rights, information technology, finance, human resources, homeland security, procurement, and property management. Twenty seven initial improvements have been identified for first-phase implementation of this project that will realize efficiencies through improved administrative services, such as leveraging

USDA's size through strategic and volume purchases as is demonstrated by the consolidation of over 700 cell phone plans down to approximately 10.

To realize further efficiencies, USDA has proposed closure of 259 domestic offices, facilities and labs across the country, as well as 7 foreign offices while ensuring that the vital services they provide are not diminished. In some cases, the offices being closed are no longer staffed or are staffed by one or two people; many are within 20 miles of other USDA offices. In other cases, technology improvements, advanced service centers, and broadband service have reduced the need for brick and mortar facilities.

Last year, many agencies put hiring controls in place, followed by voluntary early retirement programs and targeted separation incentive programs. We have offered these programs on a broader basis in fiscal year 2012. Over the last 15 months, nearly 7,800 people have elected to take advantage of regular and early retirement opportunities. These departures have provided agencies the flexibility to eliminate or restructure positions to be more relevant to customer needs. Many of the vacated positions will not be refilled, and many of those refilled will be at lower grades than before. We opted to manage change rather than implement reductions-in-force or furloughs, which would have disrupted services that matter to the public.

When fully implemented, these immediate actions along with other recommended changes will generate efficiencies valued at about \$150 million annually. Further improvements are expected based on the realignment of the workforce. Most important, these actions will ensure that USDA continues to provide an optimal level of service to the American people within available funding levels. Ultimately, the Blueprint for Stronger Service will allow us to

manage change in a way that allows us to provide a high level of services despite reduced operating budgets.

I have made it a priority to transform USDA into a high-performing and diverse organization. Under our Cultural Transformation initiative, we are focusing on improving several aspects of employee culture, including leadership accountability, employee development, talent management, labor relations, customer focus, and diversity of the workforce. By strengthening management operations and engaging employees, USDA will also improve customer service; increase employment satisfaction; and implement strategies to enhance leadership, performance, diversity, and inclusion.

This in-depth evaluation and improvement of our operations provided a firm foundation for us to develop the fiscal year (FY) 2013 budget. For 2013, the budget we are proposing reflects the difficult choices we are making to control spending, while maintaining investments that are critical to long-term economic growth and job creation.

In total, the 2013 budget we are proposing before this Subcommittee is \$141 billion, an increase of \$6.9 billion above the 2012 estimate. Of the increase, \$6.4 billion is for mandatory programs, due primarily to a one-time shift in the timing of certain crop insurance costs mandated by the 2008 Farm Bill. The budget also increases funding for the nutrition assistance programs to fully fund estimated participation levels. As we continue to create jobs and grow the economy, fewer families will need nutrition assistance.

For discretionary programs, our budget proposes \$19.3 billion, approximately \$478 million above the 2012 level. The majority of the increase is for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and agricultural research. The

discretionary funding request reflects the Department's continued efforts to innovate, modernize, and be better stewards of the taxpayers' dollars. Discretionary spending is partially offset through about \$1 billion of proposed limits on selected mandatory programs and other adjustments. For 2013, further administrative efficiencies, realignment of staff, and other actions are proposed to reduce costs. In addition, the budget proposes to reduce or terminate selected programs and reallocate resources to fund targeted investments in priority programs and infrastructure to provide a foundation for sustainable economic growth.

This budget provides the resources we need to effectively deliver the level of service our customers and your constituents expect from USDA -- whether it is applying for a farm operating loan, enrolling more acres into conservation programs, supporting business creation, seeking nutrition assistance, or any of the multitude of services provided by our dedicated workforce. Any further reduction in funding for our back office operations would significantly impair our ability to deliver critical services and would imperil our efforts to manage an increasingly complex workload with less money and fewer workers.

Reducing the deficit is a critical part of the President's economic plan. The long-term stability of the economy depends on whether we have the will to act now. Farmers and ranchers know the importance of a healthy economy, which raises incomes and increases demand for their products. Therefore, the 2013 budget reflects the President's Plan for Economic Growth and Deficit Reduction. The President's plan reduces the deficit by \$32 billion over ten years by eliminating direct farm payments, decreasing crop insurance subsidies, and better targeting conservation funding to high priority areas.

As Congress initiates its deliberations on the reauthorization of the Farm Bill, we must remember that American agriculture has achieved its success today because of the policies and the investments that have been made over many decades. We are here because we've maintained a strong safety net so there is adequate financial help when times are tough and disaster strikes. We have supported research that has led to a significant increase in agricultural productivity and promoted vibrant markets. We are also here because policies in the Farm Bill for research, renewable energy, and broadband are providing rural America the tools to take advantage of new economic opportunities. Statutory authority for all disaster programs expired on September 30, 2011; accordingly, USDA cannot provide assistance through these programs to producers for losses due to natural disasters occurring after that date. As the Farm Bill is drafted, I encourage Congress to provide USDA the tools and the flexibility needed to address the challenges faced by American producers.

Our 2013 budget protects the farm safety net, while achieving the President's goal for deficit reduction. Income support programs, including 2012 direct payments, 2013 counter-cyclical payments, and Average Crop Revenue Election (ACRE) payments, are expected to total about \$4.9 billion and outlays under the Federal crop insurance program are projected to reach \$9.3 billion. Despite a strong farm economy, demand for USDA farm loans remains strong due, in part, to tighter private credit standards including higher down-payment requirements. The 2013 budget provides nearly \$4.8 billion for loans to meet the expected demand for financing. The requested loan levels will serve nearly 30,000 farmers.

In order to better serve producers with faster and simpler service, the budget continues to fund IT modernization activities of our Farm Service Agency (FSA). This investment will improve the agency's ability to deliver increasingly complex farm program benefits, securely,

reliably, and rapidly. Since 2003, staffing levels at FSA have declined over 30 percent, making investments in IT infrastructure even more important.

One of USDA's most important objectives is to protect our abundant natural resources. Over the last three years, we enrolled a record number of acres of private working lands in conservation programs. These programs help to preserve the soil, improve water quality, and promote wildlife diversity and add hundreds of millions of dollars to local economies in rural areas. For 2013, the budget provides approximately \$6.2 billion to support approximately 358 million acres in Farm Bill conservation programs.

For the Natural Resources Conservation Service (NRCS), the 2013 budget proposes \$828 million for conservation operations. NRCS will continue efforts to leverage technical assistance funds through agreements with its traditional partners, such as conservation districts, as well as with non-profit organizations and state and local agencies. This approach of voluntary conservation works. That is why we are embracing locally-driven conservation programs and entering partnerships that focus on large landscape-scale conservation programs, such as the Chesapeake Bay, the Bay-Delta region in California, the Mississippi River Basin, Gulf Coast, and the Great Lakes.

Our budget for 2013 contributes significantly to the economic growth goals of the White House Rural Council by continuing to fund programs that promote renewable energy, job training, infrastructure investment, access to capital, and green jobs throughout rural America. Approximately \$6.1 billion in direct loans will be made available to support the transformation from fossil fuels to cleaner technologies. Allowing financing for environmental upgrades will support the continued development of a national clean energy strategy. Almost \$1 billion in

loans will be used to support rural business and entrepreneurs, which will put more people back to work. USDA's efforts, including a regional approach to wealth and job creation, is one reason why the unemployment rate is dropping more quickly in rural America than anywhere else in the country. We are giving renewed opportunity to the nearly 50 million people who live in those areas who don't necessarily farm.

Cutting edge research remains key to the United States retaining its competitive edge and global leadership in agricultural productivity - estimated to need to increase 70 to 100 percent by 2050 to meet growing global demands for food. The correlation between research and improved productivity could not be clearer. As a result of research at USDA, our land grant universities, and the private sector, American agriculture ranks second in productivity gains of all segments of the US economy since 1980. Over the past 60 years, yields per acre of major crops – corn, soy, wheat, and cotton – have doubled, tripled, and in some cases even quadrupled. At the same time, livestock production and specialty crop production have become far more efficient. These incredible productivity gains were achieved through a sustained investment in research. We will continue to support a robust research program that will ensure sustainable agricultural production, economic growth for growers and greater choice for consumers. The 2013 budget proposes funding of \$325 million for the Agriculture and Food Research Initiative (AFRI), an increase of \$60.5 million, and \$1.1 billion for our Agricultural Research Service (ARS). We will continue to focus additional research dollars in key areas, such as biofuel feedstocks, livestock and crop production and protection, and enhancing American agriculture's ability to meet growing global demand sustainably.

Because we are still in a recovering economy, USDA recognizes the need to support those in need by ensuring access to safe and nutritious food, which is essential to the healthy

development of every American child and to the well-being and productivity of every American family. The budget fully funds the expected requirements for the Department's three major nutrition assistance programs – WIC, the National School Lunch Program, and SNAP.

The Department has had great success in promoting healthy eating habits and active lifestyles. Too many adults and children have poor diets and gain excessive weight contributing to poor health and increased medical costs. The Centers for Disease Control and Prevention data show that the prevalence of obesity among children tripled from 1970 to 2008 and it doubled among adults. However, data for 2009-2010 show the obesity rate for both children and adults has stopped increasing. Policies aimed at increasing access to more nutritious diets, promoting eating habits consistent with the Dietary Guidelines and encouraging healthy lifestyles are partly responsible for this change.

One of the key challenges for providing healthier school meals is to modernize cafeteria equipment appropriately so schools can prepare attractive, wholesome meals with more whole grain, fruit and vegetables and less fat and saturated fat. Helping schools to upgrade the nutritional quality of meals served is essential. So an important part of the budget request is \$35 million to continue competitive grants to help schools purchase equipment to serve healthier meals as well as to expand the breakfast program. These grants will help about 10,000 schools across America.

The budget not only supports domestic food assistance, but also provides \$1.4 billion to support programs that further the Administration's global food security objectives, including those supporting preschool and school feeding programs carried out under the McGovern-Dole International Food for Education and Child Nutrition Program. In fiscal year 2013, the

McGovern-Dole program is expected to benefit more than 4 million women and children. Through the U.S. government's leadership in global food security, we advance global stability and prosperity by improving the most basic of human conditions – the need that families and individuals have for a reliable source of quality food and sufficient resources to purchase it.

The Obama Administration and USDA are committed to partnering with rural communities to increase their economic competitive by helping them provide residents access to quality health care services, modern library facilities and school buildings, and reliable emergency equipment and services. Financing totaling \$2 billion, an increase of approximately \$700 million, will provide assistance to over 1,700 rural communities. Investing in rural communities is essential for growth and job creation.

Helping rural residents obtain safe and affordable housing is also a key to maintaining stable communities and creating jobs. The 2013 President's budget requests a significant level of funding for housing programs. USDA continues to request that single family housing assistance be provided primarily through loan guarantees. The 2013 budget includes funding to support \$24 billion for guaranteed loans. USDA's single family housing direct loan program is funded at \$653 million, and will be targeted to teachers in rural areas, and very-low income recipients of mutual and self help grants. These funds will create job opportunities and make the dream of home ownership a reality for over 184,000 families in rural America.

Since the founding of President's Obama's Food Safety Working Group in 2009, USDA has collaborated extensively with other Federal partners to safeguard the food supply, prevent foodborne illnesses and improve consumers' knowledge about the food they eat. USDA is working to strengthen Federal efforts and develop strategies that emphasize a three dimensional

approach to prevent foodborne illness: prioritizing prevention; strengthening surveillance and enforcement; and improving response and recovery. Between 2000 and 2010, USDA reached a national goal of reducing *E. coli* rates by 50 percent, largely because of strengthened beef safety policy and enforcement. In 2011, stricter *Salmonella* and *Campylobacter* performance standards were implemented to reduce these pathogens in turkeys and young chickens, which are expected to prevent as many as 25,000 foodborne illnesses annually.

Despite this success, we can and must do a better job of ensuring the safety of meat and poultry products regulated by USDA, but we need to do it more efficiently and effectively. The Food Safety and Inspection Service (FSIS) recently published a proposed regulation that will prevent thousands of food-borne illnesses, streamline poultry inspections, and reduce spending by approximately \$90 million over the first three years of implementation. We will revise current procedures and remove outdated regulatory requirements that do not help combat foodborne illness. The new procedures will use taxpayer dollars more effectively and efficiently; even with these program efficiencies, the budget includes approximately \$1 billion for FSIS.

The economic vitality and quality of life in rural America and the U.S. economy at large depends on a competitive, efficient, and productive agricultural system. In an era of market consolidation and intense competition, producers rely on fair and open access to markets and control over their decisions to thrive. Producers also rely on animal and plant resources being protected against the introduction of foreign agricultural pests and diseases. For 2013, the budget includes over \$880 million in discretionary funding to improve agricultural market competitiveness and production for the overall benefit of consumers and producers.

We have taken a close look at the budget for the Animal and Plant Health Inspection Service and have proposed a number of program reductions and implemented identified program efficiencies to ensure that scarce resources are being used efficiently. The budget achieves savings through a variety of means. It includes decreases for activities where eradication campaigns have been successful, such as boll weevil, and for pests and diseases where management is currently more prudent than eradication, such as emerald ash borer. Savings are also possible in animal disease testing while still meeting international standards. Further, the budget achieves other savings by acknowledging the role of the producer and other cooperators to directly reduce certain pests and diseases, such as Johne's disease. The budget also proposes modest increases to improve overall animal disease traceability and to provide protections against animal diseases that could impact human health. At the requested budget level, we estimate we will prevent and mitigate about \$1.18 billion in damages as a result of selected plant and animal health monitoring and surveillance efforts.

USDA's central Departmental Management provides human resource, procurement, information technology, and financial management oversight and services to agencies. Departmental staff offices provide legal and economic support, communications coordination, and program appeal hearings for the Department's program activities. These activities are vital to USDA's success in creating opportunities for America's farmers, ranchers, and rural communities. The 2012 appropriations act made deep cuts in funding for these offices. Under these reduced funding levels, we took prudent actions to maintain critical functions needed to support the agencies' effective delivery of program operations. But further reductions in these areas cannot be sustained without deterioration in service. For 2013, the budget proposes funding to ensure that these offices maintain the staffing levels needed to provide leadership,

oversight, and coordination. These efforts are critical to making the Department an efficient and effective organization.

Since coming to USDA, I have made it a priority to resolve all of the civil rights cases facing the Department which the Administration inherited. During this time, we have resolved large-scale class action lawsuits involving allegations of past discrimination by Black and Native American farmers and ranchers and provided an additional path to justice for women and Hispanic farmers and ranchers who allege discrimination. We have corrected past errors, learned from mistakes, and charted a stronger path for the future where all USDA employees treat all Americans with dignity and respect. The 2013 budget builds upon our progress by increasing funding for selected key priorities that will improve USDA's handling of civil rights matters and will address claims of potential discrimination in the delivery of programs.

In conclusion, the President is deeply committed to reducing the deficit so that the economy can continue to grow over the longer term. This is a responsible, balanced budget that continues to meet key priorities and is consistent with the President's commitment. We will continue to achieve significant progress in administering more complex programs with fewer staff and resources by adopting reforms that will improve our programs and service to our customers.

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