

Statement by
Thomas Vilsack
Secretary of Agriculture
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Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to discuss the state of the rural economy. The U.S. Department of Agriculture (USDA), under President Obama's leadership, has helped to build a strong foundation for future economic growth in rural America. The potential in rural America is almost limitless. Expanded opportunities in the bioeconomy and renewable energy, rural manufacturing, and emerging markets for agricultural products are providing new revenue opportunities for farmers, ranchers and foresters, expanding the potential for job creation in rural small businesses, and spurring economic growth across the country.

The 2012 Census of Agriculture data, released in February, provide an important backdrop for this discussion. While the results reiterate what we have known for many years—that the farming population is aging—they also show growth in key areas. The number of young farmers has increased slightly. The number of minority farm and ranch principal operators increased dramatically, reflecting the changing face of America as a whole. The Census data also show that the number of small and very large farms held steady, but the middle—farms and ranches that are middle-sized and mid-income—has suffered in recent years.

We can and we must do more to support those living and working in rural America now, including a focus on assisting the middle-sized farms, while creating the kind of jobs and opportunity that encourage young people to get into the business of farming, and attracting and retaining the next generation talent in rural America.

Working with community and local government partners, our efforts have had a significant impact thus far. We have invested billions in critical infrastructure, essential nutrition assistance,

and land and water conservation. For hardworking rural families who need additional help putting healthy food on the table, USDA's nutrition assistance programs are available as they return to work and rebuild in the wake of tough times. The unemployment rate in rural America fell to 6.8 percent for the 4th quarter of 2013 – down from 9.0 percent during the same period in 2009. Moving forward, we must step up our efforts to invest in areas with high potential for growth, including expanding marketing opportunities for farm and ranch products both at home and abroad; investing in the emerging bioeconomy; advancing conservation efforts that preserve land and water resources; and supporting critical research that will prepare our farmers and ranchers to address modern challenges.

I would like to take this opportunity to thank the Committee for your hard work in crafting the newly-signed 2014 Farm Bill. The new farm bill provides certainty that has been lacking for several years and allows USDA to now move forward confidently with the tools and resources we need to accomplish our mission of serving America's farmers, ranchers and rural communities.

Supporting Production Agriculture

Farmers, ranchers and those working in supporting industries maintain an agriculture sector that has seen strong growth over the past five years. Agriculture accounts for about \$746 billion in economic activity, supports one out of every twelve jobs in the economy, and helps to maintain vibrant, thriving rural communities. They are expanding into new markets around the world, spurring innovation, and creating jobs and opportunity on and off the farm, even in the face of uncertainty.

The future of rural America depends on their continued leadership, and we must make sure they have the tools they need to continue to grow, and a strong safety net to support them during tough times. In the roughly eight weeks since the Farm Bill was signed into law, USDA is working diligently to implement the programs to ensure the effectiveness of the farm safety net going forward.

In the face of recent historic drought throughout the United States, USDA has provided

assistance to farmers, ranchers and rural communities, including conservation assistance, and grants to help rural communities improve access to fresh drinking water. The new farm bill also reauthorizes disaster assistance programs that have not been operational since 2011, allowing USDA to provide additional, much-needed relief to struggling farmers and ranchers. At the direction of the President, USDA has made the disaster programs our number one priority and expedited their implementation. Sign-up will begin on April 15, 2014.

Helping Farmers and Ranchers Access New Markets

USDA is supporting America's farmers and ranchers as they build on record agricultural exports.

In Calendar Year 2013, exports of U.S. food and agricultural products reached a record \$144.1 billion¹ and supported nearly one million American jobs. We are on track for another exceptional export year in FY 2014, with shipments of farm and food products forecasted to reach \$142.6 billion.

USDA has helped secure new agreements with Panama, Colombia and South Korea. These agreements will generate new markets for U.S. farmers and ranchers to the tune of more than \$2 billion per year in additional exports. USDA has also removed numerous barriers to trade. For example, since 2012, USDA, in partnership with the U.S. Trade Representative, has removed unwarranted restrictions to help farmers provide more U.S. apples to South Africa, beef to Japan, organic produce to the European Union, and more. For example, over the past year, USDA, working closely with the U.S. potato industry, expanded market access for U.S. potatoes in the Philippines, Taiwan and Korea. As a result of the removal of trade barriers, potato exports to these three markets rose 13 percent from the previous year, reaching nearly \$21 million.

The potential for agricultural exports is considerable, yet only a small percentage of American companies export, and, of those that export, 58% export to only one market. Recognizing the tremendous potential of U.S. exporters to reach additional markets, in February the Administration's White House Rural Council launched the Made in Rural America export and investment initiative, which brings together federal resources to help rural businesses access new customers and markets abroad. Thanks to resources in the new farm bill, USDA is also able to

¹ Figure reflects domestic exports and does not include re-exports.

continue funding for trade promotion and market expansion for U.S. agricultural products overseas. For example, through the Market Access Program we will be able to provide trade promotion and marketing funding to over 600 small companies annually.

At the same time, USDA is helping create strong local and regional supply chains and the rural jobs that come with them. In 2008, USDA estimates valued local food sales at \$5 billion nationally—a figure that industry estimates grew to approximately \$7 billion in just three years. Our research shows that money spent on local food often continues to circulate locally, creating demand for other businesses and services in rural communities. USDA’s investments in local and regional supply chains help producers break into new markets and meet consumer demand in underserved communities. As such, this strategy is a critical piece of USDA’s work to support rural economies more generally.

USDA has invested in local food infrastructure - from cold storage facilities, to processing plants, to farmers markets, to food hubs that aggregate products from many farms and help smaller producers reach larger buyers. There are over 230 food hubs in operation nationwide today, and more than 8,100 farmers markets registered with the AMS National Farmers Market Directory. The 2014 Farm Bill builds on this progress by expanding funding eligibility through the Farmers Market and Local Food Promotion Program to include both direct-to-consumer opportunities like farmers markets, and supply chain projects like food hubs, which will allow USDA to invest up to \$30 million annually in local and regional food systems.

Schools, hospitals, retailers and other institutional and wholesale buyers are a rapidly expanding market opportunity for local producers and an investment into local economies, and USDA has helped to connect farmers and ranchers to local buyers. For example, USDA's Farm to School efforts are working directly with producers and schools to supply nearly \$355 million in local food, reaching over 30 million students in school cafeterias and investing in the health of America's next generation.

The 2012 Census of Agriculture data indicate there is tremendous growth potential for small and mid-sized producers, but many need additional support in order to become competitive.

Accordingly, USDA has expanded efforts to connect small- and mid-sized farmers and ranchers with tools and resources to help them access capital, get information about land management and conservation practices, manage risk, find local markets, and other educational resources that will help them grow their operations and expand into new markets. For example, the hoop house cost share program, which began as a pilot in 2010 through the NRCS Environmental Quality Incentives Program, provides revenue opportunities by extending the growing season for high value crops, while also promoting conservation for small and mid-sized farmers. Since 2010, more than 10,000 hoop houses have been constructed, with projects in all 50 states.

Since its launch in January 2013, the Microloan Program has issued more than 6,000 microloans totaling \$116 million to beginning, small and mid-sized producers across the country. Housed within the FSA Direct Operating Loan program, the program allows farmers and ranchers to access of up to \$50,000 to help launch startup farm businesses, provide needed resources, and increase equity so farmers can graduate to commercial credit and expand their operations. This tool is especially helpful for new farmers, including veterans and women, and socially-disadvantaged farmers, such as those operating in Strike Force regions, as they tend to be under-capitalized and smaller.

Investing in Critical Research and Innovative Technology

Amazing scientific breakthroughs have helped our farmers, ranchers and growers increase production on the same amounts of land, using fewer inputs. Studies have shown that every dollar invested in agricultural research returns up to \$20 to the economy.

USDA continues to work with our Land-Grant University partners to deliver science-based knowledge and practical information to farmers, ranchers and forest landowners to support decision-making, innovation and economic opportunity in rural America. In the past five years alone, research by USDA scientists has led to nearly 400 patent applications covering a wide range of topics and discoveries. USDA also continues to aggressively partner with private companies, universities and others to transfer technology to the marketplace to benefit consumers and stakeholders. In 2013, for example, USDA entered into 1,924 cooperative research agreements, issued 23 licenses on patented technology, filed 134 patents, and received

46 patents on a variety of innovations to boost American agricultural productivity.

Looking ahead, we know that farmers, ranchers and foresters will be on the front lines when it comes to dealing with the impacts of a changing and shifting climate. That's why USDA has established a set of seven regional Climate Hubs and three subsidiary hubs. These hubs will help producers to get the latest information to help them mitigate the risks of climate change. The regional model ensures that the facts they're getting are geared toward what's happening in their part of the country. Each hub will serve as a repository for information on risks associated with climate change and deliver science-based, practical options for dealing with these challenges to farmers, ranchers, forest landowners and other stakeholders.

USDA is also helping farmers and ranchers to use what is already grown and raised on our farms and ranches in innovative and unexpected ways. New opportunities in advanced biobased products and renewable energy expand the potential to strengthen rural manufacturing, particularly of products made from renewable materials from our farms and forests. Rural America desperately needs those jobs, and every American benefits from our expanded competitiveness in this globally emerging market.

For example, USDA is helping to create markets for advanced biofuels from non-food, non-feed sources - from the farm field to the end user. In 2010, USDA established a program to incentivize hundreds of growers and landowners farming nearly 60,000 acres of advanced biofuel feedstocks for energy conversion facilities. To ensure those feedstocks are put to use, USDA has invested in the work needed to create advanced biofuels refineries. Since 2009, USDA has invested in efforts to create 9 new advanced refineries nationwide. We have also created six regional research centers across America to develop advanced biobased energy technology that's appropriate to every region. With the nearly \$900 million in mandatory money provided in the Energy Title of the Farm Bill, we can continue these efforts to expand the biobased economy and support economic development opportunities in rural America.

USDA scientists are also conducting research on the use of wood, helping companies meet green building design standards and creating jobs using forest products. Forest Service research into

wood-based nanotechnology is leading the way to plant-based construction materials, body armor, and more. Earlier this month, USDA also announced a new \$1 million partnership a nonprofit organization to educate architects, engineers and builders about the benefits of advanced wood building materials. We also have plans for a new prize competition to design and build high-rise wood demonstration projects, which we believe will help spur increased sustainability in construction and encourage builders to source materials from rural domestic manufacturers and domestic, sustainably-managed forests.

Expanding Opportunity in Rural America

USDA has made strategic investments in infrastructure, housing and community facilities to help improve quality of life in rural America. Since 2009, USDA has helped more than 800,000 families buy, repair or refinance a home; extended new or improved broadband service for more than 7 million Americans and 364,000 rural businesses; improved or constructed more than 90,000 miles of electric line; invested in 6,700 water and wastewater projects for nearly 20 million Americans; and provided grants and loans to assist nearly 75,000 small and mid-sized businesses in rural America, creating or saving an estimated 377,000 jobs. New tools provided in the 2014 Farm Bill will allow USDA to build on its investments in the prosperity of rural communities.

Even as we make these investments, rural America continues to face a unique set of challenges when it comes to combating poverty. While poverty is not limited to rural America, nearly 85 percent of persistent poverty counties are located in rural areas. In fact, one-third of rural counties have child poverty rates of over 30 percent, at a time when research increasingly demonstrates the negative effect of poverty on child development and educational attainment. The Administration believes that we must do more to create better futures for our children and families and those striving to reach the middle class.

That is one reason USDA has established the StrikeForce initiative. StrikeForce represents a broad commitment to grow economies, increase investments and create opportunities in poverty-stricken rural communities through intensive outreach and stronger partnerships with community organizations. From increasing access to healthy, affordable food; to closing farm loans; to

building housing, libraries, hospitals and clinics; to expanding the productivity of our farmers and ranchers, through StrikeForce, USDA is working in close partnership with communities to provide technical assistance and a hands-on approach to ensure that knowledge of USDA programs and assistance is accessible to anyone, regardless of education attainment, place of residence or local capacity.

In 2010, USDA started StrikeForce as a pilot in persistent poverty counties in rural Arkansas, Georgia and Mississippi. As we saw this community partnership strategy working, we expanded our efforts. Now, through StrikeForce, USDA has partnered with more than 400 community organizations, businesses, foundations, universities and other groups across 770 rural counties, parishes, boroughs, Tribal reservations and *Colonias* in twenty states. Through these partnerships, USDA has supported 80,300 projects and ushered more than \$9.7 billion in investments into poverty-stricken rural areas.

Conclusion

In closing, I want to reiterate the importance of the passage of the new farm bill. The tools and resources provided by the farm bill will help USDA to carry out its mission, but there is more to be done to ensure the long-term viability of America's farms and ranches. It is critical that Congress move on immigration reform to maintain a stable, productive agricultural workforce. Agriculture needs the surety of a stable and adequate workforce, and that is possible only through a comprehensive set of rules that enact a pathway to citizenship for many of the workers who help to drive the productivity of our farms and ranches.

Mr. Chairman and Members of the Committee, thank you for this opportunity to speak briefly about the state of the economy in rural America. I believe that rural America—and those who live, work and raise their families there—continues to remain strong. Thanks to their resilience and willingness to adapt and innovate, our farmers, ranchers and rural communities are prepared to take on the challenges that the coming years will bring and keep the rural economy moving forward.