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House Committee on
Appropriations

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Before the House Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today in order to present the 2015 Budget and program proposals for the Farm and Foreign Agricultural Services (FFAS) mission area of the Department of Agriculture (USDA). I am accompanied by the Administrators of the three agencies that comprise our mission area: Brandon Willis, Administrator of the Risk Management Agency; Phil Karsting, Administrator of the Foreign Agricultural Service; and Juan Garcia, Administrator of the Farm Service Agency. We also are accompanied by Michael Young, Director of the Office of Budget and Program Analysis, and Jason Weller, Chief of the Natural Resources Conservation Service.

Statements by each of the Administrators and the NRCS Chief providing details on the agencies' budget and program proposals for 2015 have been submitted to the Committee. My statement will summarize the FFAS agency proposals, after which we will be pleased to respond to your questions.

The FFAS mission area carries out a diverse array of programs and services that support a competitive agricultural system and provide the foundation for prosperity throughout rural America. Income support, farm credit assistance, disaster programs, conservation and environmental incentives, risk management tools, and trade expansion and export promotion– provide a critical safety net for our producers and have spurred record exports. The importance of this safety net has been apparent particularly during the recent drought years.

Today, American agriculture is strong, with record income and exports over the past four years. During that period, our mission area has worked hard to do more with less, to manage current and future budget challenges, and to ensure that critical investments in rural America continue. USDA has made substantial gains in extending credit opportunities for farmers. The 2015 Budget supports an estimated 40,000 farmers and ranchers by financing operating cost expenses and providing opportunities to acquire a farm, or keep an existing one. Approximately 85 percent of the funding will be targeted to new and beginning farmers and ranchers, including our nation's veterans. Crop insurance continues to be the critical tool used to protect producers from natural disasters, as well as the risk of price fluctuations. FFAS has expanded crop insurance to more than 400 crop types and provided risk management opportunities to specialty crops and organic crops. On April 15, we will start sign-up for the four permanent disaster programs. These programs are retroactive to October 1, 2011 and we are expecting over $1 billion in losses to be paid retroactively, largely due to significant drought losses in 2012 and the 2013 Atlas blizzard in South Dakota.

For 2015, we will improve our capacity to help producers and rural communities that we serve. We will continue efforts to modernize the farm program delivery system through a model service center concept to ensure offices are strategically located and have adequate staffing and equipment to strengthen services to producers. The FY 2015 Budget includes $5 million in savings from the consolidation of Farm Service Agency county offices which will be re-invested in the modernization effort.

Farm Service Agency

FSA provides producers with a broad range of services, such as farm ownership and operating loans, disaster assistance, income support payments, commodity marketing assistance loans, and certain conservation programs, such as the Conservation Reserve Program (CRP). FSA administers discretionary programs as well as mandatory programs that are funded through the Commodity Credit Corporation (CCC).

The Agricultural Act of 2014 (the 2014 Farm Bill) was signed on February 7, 2014, and we are quickly moving forward with its implementation. The Farm Bill repeals certain FSA programs, continues others with modification, and authorizes several new programs. Most are authorized and funded through 2018. We are taking important steps to modernize our operations to operate within the current budget and will increase efficiencies to help us meet our goals in implementing the 2014 Farm Bill. This is a top priority for the agency.

Salaries and Expenses

The FY 2015 Budget requests $1.449 billion from appropriated sources for Salaries and Expenses, including credit reform transfers. FSA Federal and non-Federal staff year usage totaled 11,942 at the end of FY 2013 and over 80 percent of these are in State and County Offices. This represents a 5 percent reduction in FSA's staff levels from FY 2012. Over the last several years, we've reduced our workforce by 20 percent.

Over the coming years, FSA will be challenged by the need to implement 2014 Farm Bill policies under tight timeframes while taking steps to continue to reshape and restructure our workforce and county office footprint. Our goals will be achieved through implementation of the new Model Service Center concept that the agency is developing. We will modernize and consolidate the way service is delivered in order to achieve efficiencies and consolidate offices with limited to no impact to customer service levels. The President's Budget includes a proposal to consolidate 250 field offices. However, there are steps that need to be taken to reshape and restructure our county offices and workforce before we can begin actively planning any office consolidation plan. So far, the agency has not identified any specific offices for closure and implementation of these changes will carry over beyond FY 2015. FSA is proposing to reduce non-federal staff by 815 FTEs, saving $61.6 million, and realigning approximately 300 federal headquarters and state office oversight staff to the county offices, saving $6.8 million.

To promote increased efficiency, the IT request includes base funding to continue contract services that support modernization, development and maintenance of applications systems, and deployment support (e.g. data and database administration, testing and certification, and security). These funds will enable FSA to maintain essential program delivery and operations in the field, as well as provide support for improvements. This funding includes 65.0 million for MIDAS.

Commodity Credit Corporation

The farm commodity price and income support programs are financed through the CCC, a Government corporation for which FSA provides operating personnel. CCC also provides funding for conservation programs, including the Conservation Reserve Program (CRP) and certain programs administered by the Natural Resources Conservation Service. CCC also funds some export promotion and foreign food aid activities administered by FAS. These mandatory programs were reauthorized by provisions of the 2014 Farm Bill.

CCC FY 2015 baseline expenditures are projected to be $4.9 billion, a decrease from approximately $9.7 billion forecast for FY 2014, which is primarily due to the repeal of Direct Payments. In FY 2013, $9.2 billion was expended, roughly the average CCC expenditure under the 2008 Farm Bill.

Conservation Reserve Program (CRP)

CRP is a voluntary program that provides annual rental payments and cost-share assistance to agricultural producers in return for establishing long-term plant cover on highly erodible and other environmentally sensitive farmland. CRP assists farm owners and operators to conserve and improve soil, water, air, and wildlife resources. Since CRP began in 1985, over eight billion tons of soil has been prevented from eroding, with an estimated 280 million tons in 2012 alone. Approximately 200,000 stream miles are protected with CRP riparian and grass buffers.

CRP continues through 2018 with an incremental decreasing annual enrolled acreage cap—from 32 million acres under the 2008 farm bill to 24 million acres beginning in fiscal year 2017. The eligibility criteria are changed to allow enrollment of grasslands that had been eligible under the Grassland Reserve Program, which was repealed. Grassland enrollment is capped at 2 million acres. Currently, 25.6 million acres are under contract, including 19.8 million acres under general signup and 5.8 million acres under continuous signup. CRP contracts on 2 million acres are set to expire September 30, 2014. Given the reduced enrollment caps, we expect general signups to become much more competitive in the future, which will likely increase the environmental benefits on a per-acre basis. We will also continue to pursue continuous signup options to target the most environmentally sensitive acreage.

Farm Loan Programs

FSA plays a critical role for our Nation's agricultural producers by providing a variety of direct loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations. A substantial portion of the direct and guaranteed loan funds are reserved each year to assist beginning, limited resource, and socially disadvantaged farmers and ranchers. In 2012, 70 percent of direct loan funds went to beginning farmers. To further assist small and socially disadvantaged farmers, FSA has implemented a streamlined microloan program, under the authorities of the direct operating loan program.

The 2015 Budget proposes a total program level of about $6.4 billion. Of this total, nearly $2.9 billion is requested for direct loans and about $3.5 billion for guaranteed loans offered in cooperation with private lenders. Due to the excellent performance of the farm loans portfolio, we will be able to provide this level of assistance with just $81 million in budget authority. With this funding, we will be able to serve about 40,000 farmers and ranchers.

Risk Management Agency

The Federal crop insurance program represents a vital risk-mitigation tool available to our Nation's agricultural producers. It provides risk management tools that are market driven and reflect the diversity of the agricultural sector, including specialty crops, organic agriculture, forage and rangeland, as well as traditional row crops.

Over its 76 year history, the value of the Federal crop insurance program to American agriculture has grown. In FY 2013, the crop insurance program provided coverage on more than 295 million acres of farm and ranch land and protected nearly $124 billion of agricultural production. This represents over a 10-fold increase from the $11 billion in crop insurance protection provided just two decades ago. We currently project that indemnity payments to producers on their 2013 crops will be just under $12 billion on a premium volume of about $12 billion. Our current projection for the 2014 crop year shows the value of protection will decline, to about $83 billion. The decline is based on the Department's estimates of planted acreage and expected changes in market prices for the major agricultural crops.

The 2015 Budget requests an appropriation of "such sums as are necessary" as mandatory spending for all costs associated with the program, except for Federal Salaries and Expenses. This level of funding will provide the necessary resources to meet program expenses at whatever level of coverage producers choose to purchase. In addition to that, the 2015 Budget includes proposals to reduce premium subsidies to farmers, as well as crop insurance companies. These proposals will modify the structure of the crop insurance program so that it is less costly to the taxpayer yet still provides a quality safety net for farmers. Collectively, these proposals are expected to save $14 billion over 10 years. For Salaries and Expenses of the RMA, $77 million in discretionary spending is proposed to support 467 employees.

Foreign Agricultural Service

Agricultural trade significantly contributes to the prosperity of local and regional economies across rural America through increased sales and higher commodity prices. USDA estimates that every $1 billion of agricultural exports generates $1.3 billion in economic activity and supports 6,600 American jobs throughout the economy. The Department plays an important role to remove agricultural trade barriers, develop new markets, and enhance the competitive position of U.S. agriculture in the world marketplace.

U.S. farm exports reached $140.9 billion in FY 2013, the highest total on record, and the agricultural trade surplus reached $37.1 billion. The FY 2014 forecast for U.S. agricultural exports was recently revised to $142.6 billion. In 2014, agricultural exports are expected to contribute a positive trade balance of $32.6 billion to the Nation's economy. For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live.

Fiscal years 2009 through 2013 represent the strongest five years in history for agricultural trade. To achieve this, USDA worked with the Office of the U.S. Trade Representative, the Department of Commerce, the White House, Congress and industry stakeholders to gain approval for new trade agreements with Panama, Colombia, and South Korea. In FY 2013, combined agricultural exports to these countries reached $7.3 billion, supporting almost 50,000 American jobs.

Today, FAS trade negotiators are involved in two major negotiations: the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). The TPP is an opportunity to shape a high-standard trade agreement in a region that represents more than 40 percent of global trade. Key objectives in the TTIP negotiations are to eliminate duties on agricultural goods and eliminate or reduce trade distorting non-tariff barriers between the United States and the European Union, currently our fifth largest agricultural export market. Expanding markets abroad creates more jobs and boosts the bottom line for companies all along the supply chain.

To help bring about the conclusion and approval of TPP and TTIP, FAS is working with Congress to support passage of Trade Promotion Authority (TPA). Through TPA, Congress outlines high standard objectives and priorities for U.S. negotiators, which helps build consensus on U.S. trade policy. Updating TPA will show our Asian and European trading partners that U.S. negotiators have the support of Congress when they call for greater ambition and stronger, high standard agreements that will knock down trade barriers to markets representing two-thirds of the global economy.

As we work to open new and maintain existing markets overseas, we face many challenges and barriers that must be addressed. In the past year, FAS and has been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. USDA efforts to remove trade barriers led to billions of dollars in additional U.S. exports around the world in FY 2013. U.S. beef exports to Mexico, Japan, and Hong Kong grew to nearly $2.8 billion after substantial market openings last year. USDA efforts were instrumental in convincing the European Union to begin permitting the use of lactic acid on beef carcasses as a pathogen reduction treatment last year. U.S. beef exports to the European Union reached a record $217 million in fiscal year 2013. Potato exports to several Asian countries are up 13 percent due to FAS assistance to open and expand market access.

The FFAS mission area also makes a significant contribution to the Department's strategic goal of enhancing global food security. Through foreign food assistance, technical assistance, training, and capacity building activities, we are working closely with other U.S. departments and agencies to address global food insecurity. USDA is well positioned to encourage the adoption of new technologies and production practices that can help increase the availability of food and improve its marketing and distribution.

Salaries and Expenses

FAS is the lead agency for the Department's international activities and is in the forefront of our efforts to expand and preserve overseas markets and foster global food security. FAS carries out its activities through a network of 96 overseas offices and its headquarters staff here in Washington. FAS overseas staff represents American agricultural interests world-wide.

The 2015 Budget is designed to ensure that FAS has the resources needed to continue to represent and advocate on behalf of American agriculture on a global basis and to create new market opportunities overseas. The budget provides a program level of $183 million. This level of funding is expected to be sufficient to maintain the agency's overseas presence near current levels. The Budget reflects FAS implementation of measures to increase efficiency.

In FY 2012, under the *Blueprint for Stronger Service*, FAS closed two overseas offices. The 2015 Budget provides an increase of $2.8 million for higher operating costs at the agency's overseas posts, including increased payments to the State Department for administrative and security services provided at overseas posts. FAS has no administrative staff overseas and, therefore, relies on the State Department for those services.

International Food Assistance

For the McGovern-Dole International Food for Education and Child Nutrition Program, the 2015 Budget provides funding of $185 million. The requested level is expected to assist more than 4 million women and children during 2015. About 28 million children throughout the world have now received benefits from the McGovern-Dole program.

The Budget proposes $1.4 billion for P.L. 480 Title II international food assistance in FY 2015. The request includes new authority to use up to 25 percent ($350 million) of the P.L. 480 Title II appropriation in emergencies for interventions such as local or regional procurement of agricultural commodities near crises, food vouchers, or cash transfers. This flexibility will allow food aid to reach those in dire need more quickly and efficiently. About two million more people annually will be assisted with the same level of resources due to cost savings.

Food assistance will also be provided through the Food for Progress program that FAS administers. The 2015 Budget includes an estimated program level of $240 million for this CCC-funded program, which supports the adoption of free enterprise reforms in the agricultural economies of developing countries.

Export Promotion and Market Development Activities

The CCC Export Credit Guarantee programs (GSM-102 and Facilities Guarantee) provide payment guarantees for the commercial financing of U.S. agricultural exports. The guarantees facilitate sales to buyers in countries where credit is necessary to maintain or increase U.S. sales. For FY 2015, the budget includes a program level of $5.5 billion for the CCC export credit guarantee programs.

For the foreign market development programs, the CCC budget includes a program level of $200 million for the Market Access Program, $34.5 million for the Foreign Market Development Program, $10 million for the Emerging Markets Program, and $9 million for the Technical Assistance for Specialty Crops Program. These programs, in partnership with private sector cooperator organizations, support the development, maintenance, and expansion of commercial export markets for U.S. agricultural commodities and products.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to present our 2015 Budget and program proposals. The Administrators and I would be pleased to answer any questions you and other members of the Committee may have.