SUPPLEMENTAL QUESTIONS FOR THE RECORD TO:

The Honorable Tom Vilsack, Secretary, U.S. Department of Agriculture, Washington, D.C.

PUBLIC HEARING

March 5, 2013

Committee on Agriculture Staff
Majority—Pelham Straughn
(202) 225-4916
Minority—Anne Simmons
(202) 225-1494

The following questions were submitted from Members of the Full Committee on Agriculture:

Chairman Frank D. Lucas, Oklahoma

1. The current Continuing Resolution expires on March 27th. In a letter to the Senate Committee on Appropriations dated February 5, 2013, you outlined the impact of $53 million in sequestration cuts, detailing the economic effects of a 15 day period of furloughs. Please provide a copy of all communications with the House Committee on Appropriations offering the Administration's proposed alternative to inspector furloughs.

   Response: *On February 5, 2013 USDA responded to a request from Senator Mikulski, Chair of the Senate Appropriations Committee, asking for additional information on impact of the potential sequester. This letter lists the FSIS furloughs as one impact. Subsequently, on February 15, 2013, USDA responded to a request from Representatives Sam Farr and Rosa DeLauro, both senior members of the House Agriculture Appropriations Subcommittee, asking for clarity on the impact that sequestration may have on USDA's ability to deliver its services. This response is similar to the response to Senator Mikulski, and also lists the FSIS furloughs as one impact. Both letters are enclosed with this response.*

2. According to the economic analysis USDA has conducted regarding the proposed Poultry Inspection Rule, what percentage of savings with respect to online inspection costs can be achieved while maintaining or exceeding the current level of food safety? What would be the percentage savings if a similar rule were implemented for other amenable species? What is the current status of the Poultry Inspection Rule and when do you anticipate it will be finalized?

   Response: *FSIS calculates that the savings attributable to the proposed Poultry Slaughter Modernization Rule, once it is fully implemented, will be approximately*

23% annually ($31 M). This type of savings will not be achievable with other amenable species. The agency is in the process of preparing a final rule on poultry slaughter after considering the comments received. It is not possible to provide a specific timeline.

3. In the current year, Congress and the President provided the Department $14 million of funds for the Watershed Rehabilitation Program that would be used to protect lives and property, while also creating jobs and repairing the Nation's infrastructure. We understand that OMB has blocked the distribution of the funding to NRCS.

    a. What actions are you taking to have OMB release these funds?

4. ***Response:*** *Under the terms and conditions of the Continuing Appropriations Resolution, 2013 (P.L. 112-175), which provided funding through March 27, 2013, $14.2 million would have been available for the Watershed Rehabilitation Program (after the reduction imposed by the sequester). However, under the terms and conditions of the automatic apportionment provided by OMB, these funds were not automatically apportioned since the Senate Appropriations Committee had reported a bill that would have zeroed out the funding for this program, thus preserving the prerogative of Congress to determine the funding levels for programs.*

The Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6) subsequently provided $13.5 million for this program (after reductions and rescissions). These funds have since been apportioned.

    a. Additionally, would you provide the Committee with a state-by-state break-down of the Watershed Rehabilitation projects that you intend to fund once the Department receives the funds?

    Response: *It is too early in the project selection process to provide a state-by-state break-down of selected projects. We are evaluating funding requests from the NRCS State offices. Project selection will be based on such factors as the project's risk index and project phase or readiness (i.e. planning, design or construction). We will provide the information requested after the funding is received by the agency.*

Representative K. Michael Conaway, Texas

1. The Committee has seen your response to Senator Grassley's letter, signed by seven additional Senators, asking for "any written legal opinions you have been provided by USDA attorneys, the White House, or the Office of Management and Budget, indicating you have the ability to disregard the requirements under FMIA and PPIAS and furlough inspectors." Many observers agree with Senator Grassley's public statement that your response was unsatisfactory. Please provide these documents for the Committee Record.

Response: *I consulted with the Office of the General Counsel (OGC) regarding the argument that the Federal Meat Inspection Action (FMIA) and Poultry Product Inspections Act (PPIA) require inspection regardless of appropriations available for that purpose. OGC informally advised that both Acts were subject to an authorization of appropriations (see, e.g., 21 U.S.C. §§ 469 and 680); and therefore the so-called mandate for inspection exists only to the extent appropriations are provided by Congress. Accordingly, to avoid an Antideficiency Act violation, if Congress had not provided additional appropriations for inspectors, USDA would have been required to furlough inspectors in order to live within the limits of its appropriations provided to carry out the FMIA and PPIA, as reduced by the Budget Control Act sequester. No formal legal opinions were prepared. Fortunately, Congress recognized the limit of the mandate and provided additional appropriations so that furloughs of inspectors will not occur.*

2. Please provide a legal analysis explaining the apparent contradiction between the Administration's decision to disregard its statutory obligations to conduct inspections under the FMIA and PPIA as a result of the Budget Control Act and the decision to delay the onset of furloughs in order to comply with a lengthy union consultation process.

   Response: *There was no relationship between the Department's decision to abide by the limits of its appropriations provided by Congress for carrying out the FMIA and PPIA, and to carry out the union consultation process required by FSIS collective bargaining agreements (CBAs), and hence there is no contradiction. Fortunately, the Department had sufficient remaining time left in the fiscal year that it could have complied both with the legal requirements of its CBAs and the Antideficiency Act and implemented furloughs to avoid a deficiency in the appropriation at the close of the fiscal year; however, as a result of additional funding provided in the Consolidated and Further Continuing Appropriations Act, 2013, Public Law 113-6, that became unnecessary.*

Representative Bob Gibbs, Ohio

1. Mr. Vilsack, you stated in your testimony that you, as head of the USDA, officially told the EPA that you did not think that they should be releasing private information on farmers who own CAFO's. Could you please provide us with the conversations you had with EPA regarding this matter?

   Response: *USDA staff discussed a number of issues with the EPA concerning the draft section 308 rule governing CAFOs. Because this was a deliberative, interagency rule-making process, we cannot share specific details of these discussions.*

Representative Erick A. "Rick" Crawford, Arkansas

1. I understand that on February 8th you met with FCC Chairman Genachowski to discuss the USF Transformation Order. I was pleased the Department supports fully

obligating two rounds of Connect America Funds in 2013 − that will do a great deal to immediately deploy broadband in unserved rural areas. But it appears the Department may have some concerns about the impact of the Transformation Order on broadband investment by RUS borrowers. Can you explain the Department's perspective? What impact have the FCC's USF reforms had on the RUS telecom loan portfolio and why? Is rural broadband buildout endangered? What must be done in order to promote a sustainable broadband future in rural America?

Response: *The economic stability of rural America depends on the availability of a resilient and robust broadband infrastructure capable of delivering advanced services to consumers and businesses in rural high cost areas. Rural-based industries that produce food, energy, technology, manufactured goods and other services consumed across the country rely on broadband, often provided by Rural Utilities Service (RUS) borrowers, to remain globally competitive.*

As the federal government's longest serving infrastructure lender in rural America, the USDA has an institutional interest the USF/ICC reform order and its potential impact on the ability of existing borrowers to complete their broadband investments across rural un-served areas. While the order and its effects are still being examined, there is little doubt that it will have a profound effect on future lending for rural telecommunications.

We remain committed to working with the Federal Communications Commission (FCC) to ensure that that the promise of Section 254 of the Telecommunications Act of 1996 be fully realized. Sufficient, predictable, and specific USF and Inter-Carrier Compensation (ICC) mechanisms can drive investment, improve the quality of life, create jobs, and increase economic opportunities in Rural America.

According to the FCC's Eighth Broadband Progress Report, nearly one-fourth of the rural population lacks access to high speed broadband. Yet, demand for RUS loan funds dropped to roughly 37% of the total amount of loan funds appropriated by Congress in FY 2012. Current and prospective RUS borrowers have communicated their hesitation to increase their outstanding debt and move forward with planned construction due to the recently implemented reductions in USF support and ICC payments.

Major portions of FCC's Universal Service Fund (USF) Reform Order took effect last July. To date, no RUS borrowers have defaulted on their loans specifically due to this action. Rural service providers, state public utility commissions and others are challenging the FCC's Order in the 10th Circuit Court of Appeals and many have contacted RUS to seek restructuring authority of their pending loans to accommodate for the shortfall in USF revenues going forward. To date, the FCC waiver process has yielded one partial waiver to Allband communications in Michigan and one full waiver with conditions to Accipiter Communications. RUS staff actively engaged with FCC staff in support of waiver relief sought by both. As of February, 13 petitions seeking relief from the FCC's USF/ICC rules are pending before the FCC, 9 of which *are from RUS borrowers. Each assert that default and possible bankruptcy will occur if waiver relief is not granted.*

This February, Secretary Vilsack met with the FCC Chairman to share his concerns and hopes for a path forward that ensures a successful outcome for existing borrowers and Recovery act awardees. The Secretary outlined his concerns in an ex parte filing that highlighted 4 key points needed to restore certainty and predictability for rural broadband investment to continue.

USDA urged the FCC to enhance as quickly as possible the level of broadband investment in rural communities served by mid-sized price-capped carriers, and redeploy the unused incremental CAF Phase 1 funds and combine it with $300 million in a second round of CAF Phase 1 for 2013. This effort would accelerate USF resources to rural price-capped carriers seeking to meet customer demand in their rural service areas.

USDA also urged the FCC to correct the structure and data integrity concerns of the Quantile Regression Analysis (QRA) benchmarks that caps USF support and apply those caps incrementally. Such fixes are necessary to ensure greater transparency, accuracy and predictability in the underlying cost model. Many RUS borrowers affected by the regression-based caps have suggested that the underlying data do not properly quantify costs. While the regression analysis may be helpful in focusing attention on certain categories of spending, in its current state, it should not be used as the sole determinate of costs. These points have been reiterated by RUS borrowers to the White House, Congress and the FCC since the Order was adopted in November 2011.

While the USF reforms continue to unfold, RUS is open for business. We want to press forward and continue the momentum of the Recovery Act. As a lender we are compelled to make conservative assumptions about all carrier revenue streams until the USF ecosystem becomes more certain.

We continue to focus our attention on addressing the challenges, namely cost, density, distance and economic hardship – in delivering affordable, high capacity bandwidth to the most rural and remote portions of our nation. Our ongoing commitment to expand broadband connectivity, capacity and to extend service to the millions of rural communities still lacking affordable access remains our primary objective.

RUS will continue to meet the high level of demand for affordable broadband access among rural and remote communities seeking to expand into new markets and create jobs that in-source the talent and creative spirit that has characterized rural America for over a century.

2. In your testimony, you outlined the importance of agriculture research, and explained USDA's commitment to further research investment. As you know, Arkansas is one

of the top 10 states in agriculture productivity. However, in recent years the ARS presence has been out of proportion relative to the size and the complexity of the issues affecting Arkansas producers. For instance, the Booneville small farms research center has been on the chopping block and deemed a lower priority, even though not long ago USDA proposed a large funding increase for biofuel research. Additionally, the former Delta Obesity Nutrition Research Unit was eliminated entirely. Can you please explain to the Committee how USDA goes about prioritizing ARS research funding, and explain why the Arkansas ARS centers have been dismantled at a more rapid rate than other states? Given the uniqueness of Arkansas and its important role in the agriculture sector, especially with respect to rice, poultry, and aquaculture, I have a hard time understanding why we've seen such a large-scale withdrawal of support in proportion to other states.

Response: *In FY 2011, USDA sustained a reduction of $5.2 million in research support in Arkansas due to the loss of earmark funds and rescissions. The loss to the Dale Bumpers Small Farms Research Center in Booneville, AR was substantial, totaling $3.1 million. With the loss of resources, Booneville is no longer financially viable and therefore the location is proposed for closure in the FY 2014 budget.*

USDA continues to have a strong research presence in Arkansas with programs carried out in the areas of poultry, rice, aquaculture, and nutrition. The FY 2014 budget proposes $16.9 million for these research programs in Arkansas. In 2012, ARS closed the Rice Research Unit in Beaumont, TX and transferred the resources to the Dale Bumpers National Rice Research Center in Stuttgart, AR. Accordingly, USDA's research presence in Arkansas is currently greater than it was in FY 2011.

3. I read recently that your Interagency Trade Enforcement Center is beginning the process of estimating all of the foreign subsidies and tariffs other countries like Brazil, China, and India use to give them an unfair advantage and may well violate their trade commitments under the WTO. I think this is an extremely important exercise. I know that there are a couple of academic studies out there on this as well. For example, according to a Texas Tech study, Brazil actually has a minimum support price for cotton of 75 cents a pound. Yet, Brazil was able to win a WTO case against the United States which has an equivalent marketing loan rate of 52 cents a pound: 13 cents lower than Brazil's. Brazil's case was essentially that the U.S. loan rate was suppressing the world market and harming farmers in Brazil even though U.S. production has been in decline while Brazilian production has skyrocketed. We are now hearing a lot about some of Brazil's other subsidy programs, including the "PEP program". Mr. Secretary, when do you expect this process of cataloguing foreign subsidies and tariffs to be completed and do you anticipate the Administration will be aggressive in filing WTO claims where they find violations?

   Response: *USDA is also concerned that our trading partners are increasingly using domestic subsidy programs, potentially in violation of their WTO commitments. Our attaches overseas publish public reports that include foreign country usage of domestic report programs. For example, Foreign Agricultural Service*

(FAS)/Brasilia issued a report entitled Cotton and Products, dated March 28, 2013. This report, available on the FAS website, is one of many with detailed information on Brazil's use of numerous support programs such as the Premium for Product Outflow (PEP) program.

USDA works very closely with the United States Trade Representative (USTR) on potential trade violations affecting U.S. agriculture to ensure that our trading partners adhere to the WTO and other trade agreements. We seek to address issues through negotiation when possible and litigation where appropriate.

President Obama established a new trade enforcement unit—the Interagency Trade Enforcement Center (ITEC) - specifically to enhance the administration's capabilities to prioritize and aggressively challenge unfair trade practices around the world. USDA supports this effort and has provided detailees, though sequestration budget cuts could pose a challenge to continuing that support.

Representative Reid J. Ribble, Wisconsin

1. Secretary Vilsack, the forest products industry is a significant economic engine in Wisconsin, employing over 80,000 people in the state. Because of this, I continue to be concerned that USDA's Biobased Markets Program does not allow most forest products to be treated as "biobased" in the program, leaving forest products out of an important market opportunity. Why does USDA arbitrarily restrict the use of the biobased label for forest products, which are in fact made from biobased materials?

   Response: *Section 9002 of the Farm Security and Rural Investment Act of 2002 (FSRIA) originally authorized the BioPreferred program. The Food, Conservation, and Energy Act of 2008 reauthorized and strengthened the program. The USDA regulation outlining the procurement preference program was developed based on the conference report accompanying FSRIA, which states that the intent of section 9002 "is to stimulate the production of new biobased products and to energize emerging markets for those products." For this reason, USDA's regulation, "Guidelines for Designating Biobased Products for Federal Procurement," currently excludes mature market products from the program. It is generally understood that the forest products industry is mature. However, we recognize the need for as much flexibility as possible to develop new markets. As such, USDA proposed amendments to the BioPreferred Guidelines in May 2012 that would eliminate the mature market exclusion and focus the program on creating "new and emerging markets for biobased materials." The proposed rule seeks to provide additional flexibility in considering forestry products for inclusion in the BioPreferred program and continues to be consistent with the guidance provided in the FSRIA's conference report.*

   USDA notes that many mature market products already use other well-established and well known labels such as the "cotton" logo and the Forest Stewardship Council certification. Additionally, there are 45 forestry products currently in the

BioPreferred catalog, which contains products in the Federal Procurement Preference Program and the Voluntary Labeling Program. Of these, 21 products participate in the Federal procurement preference program, 16 have received USDA certification under the voluntary labeling program, and eight are both Federally preferred and label certified.

Representative Jeff Denham, California

1. USDA's own farm income reports say agriculture is doing pretty well unless you are a livestock producer purchasing your feed. Dairy producers in California are under tremendous financial pressure because of extraordinary feed prices and milk prices that are inadequate to cover milk production costs. What are USDA's specific plans to provide financial assistance and much needed relief to dairy producers in California, the nation's leading dairy state?

   Response: *The Farm Service Agency's primary support to dairy producers is the Milk Income Loss Contract (MILC) program, which provides financial protection in times of low milk prices and/or high feed costs. MILC was extended by the American Taxpayer Relief Act of 2012 through September 30, 2013. MILC payments to California have totaled $85 million in FY 2009, $19 million in FY 2010, and $36 million in FY 2012, and we anticipate payments for production that occurs each month of calendar 2013 through August. Because of sequestration, MILC payments for October 2012 and January and February 2013 production were awaiting approval of interchange authority; payments resumed May 8, 2013. Direct and guaranteed loans are also available to qualifying producers.*

   Additionally, USDA has been providing technical assistance to California dairy industry stakeholders, as requested, regarding their interest in establishing a Federal milk marketing order.

2. Mr. Secretary, if I am correct the U.S./E.U. Free Trade Agreement will be the largest U.S. Free Trade Agreement. However, as I understand it, the U.S. government negotiators recognize that the European Commission is not very transparent with reference to subsidies for fruit, tree nuts, and vegetables, whereas the U.S. is extremely transparent with its fruit and vegetable support programs. Will complete disclosure be required before serious negotiations with the European Commission proceeds?

   Response: *Before beginning negotiations with the EU, the Administration first must complete its consultations with Congress and the public to ensure the concerns of all stakeholders, including as those expressed in your question are addressed, as we develop our objectives and strategy for the negotiations.*

3. The EPA, USDA, and State Department recently announced a joint decision that they would discontinue the nomination of critical uses of **methyl bromide** under the

Montreal Protocol for dried fruits and nuts. Since 2005 the administration has routinely approved these critical uses based on a lack of suitable alternatives.

Allegedly this decision was made because EPA determined that the industry was able to use the alternative **Sulfuryl Fluoride (SF)**. At the same time, EPA currently has a proposed rule out to discontinue or cancel the food tolerances of SF on all food uses.

This puts California's premier dried fruit and nuts industry at jeopardy of having no fumigant for use if the proposed rule is adopted. This would no doubt be devastating and economically ruin these world-class industries.

First, did USDA concur in the EPA decision to discontinue Critical Use Exemptions for dried fruits and nuts, and what are your plans for this important sector if EPA follows through and cancels SF for dried fruits and nuts?

Response: *The USDA Agricultural Research Service has been conducting research on improving the efficacy of sulfuryl fluoride for dried fruits and nuts. Testing on a commercial scale using reduced rates of sulfuryl fluoride is planned. Since EPA is still evaluating public comments, no decisions on tolerances have been made. USDA and EPA recognize the importance of sulfuryl fluoride for dried fruit and nuts as well as other commodities. USDA had apprised EPA on its most recent research before the final regulatory decision. USDA is developing alternative approaches including Integrated Pest Management methods to limit insect infestation.*

4. Mr. Secretary, I remain concerned about USDA's continued allowance of misleading labels on meat and poultry products. As you know, some processors are continuing to engage in the misleading labeling practice of falsely claiming that poultry deliberately injected with saltwater or seaweed solutions is "100% All Natural."

   In July 2011, USDA finally proposed a rule that would address part of this problem by requiring more prominent disclosure on the label of these added saltwater solutions. I understand that over 30,000 consumers filed comments supporting the USDA proposal. Comments supporting the proposal came from the American Heart Association, the National Kidney Foundation, Consumers Union, the California Department of Food and Agriculture, and the California Agricultural Commissioners and Sealers Association, among others. I strongly support the proposal as well and urge you to finalize the rule without further delay.

   Furthermore, I am still waiting for USDA to address the false and misleading "Natural" claims on these so-called "enhanced" products. USDA published an Advanced Notice of Proposed Rulemaking over three years ago. Since then, I am unaware of any further action by USDA. When will USDA finally complete action on these long-overdue rules?

Response: *Thank you for your comments supporting the FSIS proposed rule on the "Common or Usual Name for Raw Meat and Poultry Products Containing Added Solutions." FSIS is in the process of developing a final rule.*

On September 11, 2009, FSIS issued an Advance Notice of Proposed Rulemaking (ANPR) to assist the agency in defining the conditions under which it will permit the voluntary claim "natural" to be used in the labeling of meat and poultry products. The purpose of the ANPR was to solicit more focused comments on a number of specific issues. FSIS completed its review of the more than 7,500 comments received. The comments demonstrate that stakeholders continue to have divergent views about how the word "natural," as applied to meat and poultry products, should be defined. While FSIS considers how to proceed on this contentious issue, companies may continue to submit labels containing "natural" claims for consideration, and each label will be judged on a case-by-case basis.

5. Secretary Vilsack, in your recent statements about poultry inspectors being furloughed, you indicated that these employees require a certain timetable for pre-notification of a possible furlough. This pre-notification period ranges from 30 days to a much longer time. Please share your thoughts with the committee on how you foresee this pre-notification working.

   Response: *Before sequestration took effect, the agency engaged in the pre-notification process with employees and the Union. FSIS subsequently engaged the Union in Pre-Decisional Involvement. Upon finalization of the sequester, the plan called for FSIS to negotiate with the Union. Assuming the Union wished to negotiate, management would enter into negotiations with the Union prior to the implementation of the anticipated furloughs. Fortunately, Congress provided enough funding in the FY 2013 CR to prevent the need for furloughs of FSIS inspection personnel. Thus, FSIS withdrew its request to negotiate with the Union.*

6. Currently, domestic olive producers are experiencing the significant negative impact of market share declines and economic losses that are a direct result of highly subsidized, low priced imports of canned ripe olives from the European Union and Morocco. What additional actions can be taken to create a fair playing field for the U.S. table olive industry?

   Response: *There is currently a marketing order for U.S. olives, in effect since 1965, which seeks to assist the olive industry in overcoming some of their marketing challenges. This order 1) authorizes minimum grade and size requirements for olives produced in California, which are also applied to imported olives and 2) authorizes production and marketing research and development projects, including paid advertising.*

   On March 20, 2013, the Obama Administration notified the U.S. Congress of its intent to enter into negotiations on a comprehensive trade and investment agreement with the European Union. The Administration will hold regular and rigorous *consultations with Congress and stakeholders in developing our objectives and strategy for the negotiations. The Administration values this opportunity to take on board the concerns of all our stakeholders, such as those expressed in this question.*

Section 8e of the Agricultural Marketing Agreement Act of 1937 provides that when certain domestically produced commodities are regulated by a federal marketing order, imports of the commodity must meet the same or comparable grade, size, quality and maturity requirements. Currently, the list of imported commodities subject to Section 8e of the Act includes canned ripe olives.

7. Mr. Secretary, as you know, California agriculture needs a legal work force to harvest our crops. What is your Department doing to see that immigration reform for agriculture is going to be accomplished?

   Response: *Immigration reform is particularly important to rural communities and to a competitive, productive U.S. agricultural sector. I have been and will continue to be committed to ensuring that USDA is available to provide whatever technical assistance we can as Congress takes up immigration reform. In my view, immigration reform is relevant and important to rural areas of our nation for three key reasons: First, immigration reform will ensure a safe and fair system for farm workers. By demanding responsibility from workers and businesses alike, we can protect those farm workers who play by the rules – and we can reverse the troubling fact that too many workers live in the shadows today. Second, immigration reform will help strengthen farm businesses. Many U.S. producers face challenges today, not just in the constant struggle to find labor but from trade competitors around the world. We need to fix that by ensuring our producers can hire a full contingent of workers – and today's complex and inadequate system too often prevents them from doing so. Third, immigration reform will strengthen our communities. A reform of today's broken system will help rural America expand new markets in conservation, agriculture, natural resources and the biobased economy.*

Ranking Minority Member Collin C. Peterson, Minnesota

1. What impact will sequestration have on the import and export of meat and poultry products? Will sequestration impact the ability of the Animal and Plant Health Inspection Service or the Agricultural Marketing Service (AMS) to carry-out their duties related to imports and exports?

   APHIS Response: *As part of the National Export Initiative, USDA has made it a priority to expand market access and opportunities for businesses overseas. Despite the cuts contained in the fiscal year 2013 budget, USDA's Animal and Health Plant Inspection Service (APHIS) continues to make its export-assistance services a priority, and the funding decrease will have no impact on these essential services. The majority of these activities – such as inspection and certification services – will be unaffected by the decreases in the 2013 budget because they are funded through* *user fees. For services funded with appropriated dollars – such as the development of international standards and protocols to assist with imports and exports – APHIS has taken steps to minimize the impact of the reduced budget on these priority programs. These steps include the implementation of a hiring freeze and cost-cutting measures such as the elimination of unessential travel. The Agency is actively monitoring its budget and adjusting these program priorities to ensure that these critical import and export functions are maintained.*

AMS Response: *Sequestration will not impact AMS' ability to carry out its Export Verification Programs as they are funded by voluntary user fees which were minimally impacted by sequester.*

2. How will sequestration affect payments made to producers under the Milk Income Loss Contract (MILC) program?

   Response: *Sequestration reduced MILC payments by $14.79 million. In a letter on March 19, 2013, Secretary Vilsack proposed to use interchange authority under 7 U.S.C. 2257 to transfer funds from direct payments to several other programs including MILC to address the reduction from sequestration. Approval of interchange authority by Congress will allow, MILC recipients to receive payments as normal. Without interchange authority, USDA would reexamine how the sequestration reduction is applied; MILC recipients would receive smaller payments and producers who received payments in FY13 may be required to return a portion of these payments to meet sequestration funding shortfalls.*

3. When will the MILC payments for October 2012 be issued? Will they be issued for the full amount, or reduced due to the sequester?

   Response: *Dairy producers received MILC payments of $0.02368 for October 2012; $0.11800 for January 2013; and $0.52224 for February 2013 in May, once the use of interchange authority was approved.*

4. How will sequestration affect the activities at AMS and the National Agricultural Statistics Service (NASS), including activities related to the issuance of reports? Which, if any, reports by NASS will be suspended because of sequestration? If any reports are being suspended, how did the agency determine which reports to suspend?

   AMS Response: *The sequestration reduced AMS' Marketing Services appropriation by $4.1 million which was applied to each program, project, and activity as required. AMS will likely suspend the issuance of three Cotton and Tobacco market news reports. The Federal-State Marketing Improvement matching grants funding were reduced by $60 thousand. Section 32 activities were reduced by $40.4 million for program purchases and administration. The available funding for the Specialty Crop Block Grant program was reduced to $52 million from $55 million.*

NASS Response: *USDA's National Agricultural Statistics Service suspended a number of statistical surveys and reports for the remainder of the fiscal year due to reduced funding caused by sequestration. Before deciding upon the program suspensions, NASS reviewed its survey programs against mission and user based criteria as well as the amount of time remaining in the fiscal year to conduct the surveys with the goal of finding available cost savings and maintaining the strongest data in service to agriculture. The decision to suspend these reports was not made lightly, but it was nevertheless necessary, given the funding situation, NASS's top priority was to maintain the Principal Economic Indicator Reports.*

NASS reduced reporting frequency when possible, and considered the costs of data collection for each report. The Milk Production Report will be produced, but in a streamlined version that eliminates farmer surveys.

- *NASS suspended the following Agricultural Estimate reports:*
    - ➢ *All Catfish and Trout Reports including Catfish Feed Deliveries and Catfish Processing;*
    - ➢ *July Cattle Report (This is a principal economic indicator report, but NASS determined that its January Cattle Report will be sufficient for this fiscal year);*
    - ➢ *Potato Stocks Reports;*
    - ➢ *All Non-Citrus Fruit, Nut, and Vegetable Forecasts and Estimates;*
    - ➢ *June Rice Stocks Reports;*
    - ➢ *All Hops and Hops Stocks Estimates;*
    - ➢ *Mink Report; Nursery Report;*
    - ➢ *June on-and off-farms stocks for Austrian Winter Peas, Chickpeas, Dry Peas and Lentils; and,*
    - ➢ *July acreage forecasts for Austrian Winter Peas, Dry Edible Peas and Lentils.*

- *<u>Milk Production reports</u>:*
    - ➢ *A streamlined version of the <u>monthly</u> Milk Production Report will be published through the end of the fiscal year. This report will contain monthly milk production estimates, but will not contain estimates for number of milk cows and the output rate per cow, which requires costly survey data collection. The Milk Production Report typically involves a quarterly survey and modeling in the interim months. NASS will forgo the survey and instead model for the rest of the fiscal year to produce the streamlined report.*
    - ➢ *The <u>annual</u> Milk Production, Disposition, and Income report will not be produced this year.*

- *NASS scaled back the following Agricultural Estimates Reports in FY 2013*
    - ➢ ***Monthly Crop Production:*** *The following items will not be included in this year's reports:*

        May 10 Report:

        1) *Revision of 2012 almond production*
        2) *Indicated 2013 production of almonds*

__June 12 Report:__ Hops area strung for harvest by variety

July 11 Report:

1) *Planted and harvested area for dry edible peas, Austrian winter peas, and lentils*
2) *Indicated production of apricots, almonds*

August 12 Report:

1) *Indicated area harvested, yield and production as of August 1 for hops*
2) *Indicated production of commercial apples, peaches, pears, and grapes*

- *NASS Suspended the following Census of Agriculture Projects:*
  - *NASS is conducting the 2012 Census of Agriculture on Puerto Rico, but due to the reduced budget coverage for the other Outlying Areas is suspended. The outlying areas consist of:*
    - *Guam,*
    - *the U.S. Virgin Islands,*
    - *Samoa, and*
    - *U.S. Northern Mariana Islands.*
  - *Two Census of Agriculture special products are suspended:*
    - *Zip Code Tabulations*
    - *County Profiles*

5. The Office of Management and Budget's (OMB) sequestration report says that the Commodity Credit Corporation Fund will be cut by $329 million. Can you give us a breakdown of that figure and the programs it represents?

   Response: *Please refer to below table.*

Table 1: CCC Outlays Subject to Sequestration ($)		
Program, Project or Activity	**Sequesterable Amount**	**Sequestration Amount**
CCC OUTLAYS		**5.10%**
TOTAL CCC	**6,460,280,000**	**329,474,280**
Marketing Assistance Loans	**261,996,000**	**13,361,796**
2013-crop Direct Payments	**4,950,904,000**	**252,496,104**
2013-crop Loan Deficiency Payments	**1,453,000**	**74,103**
FY 2013 MILC (H.R. 8)	**290,000,000**	**14,790,000**
2013 Non-Insured Assistance Program	**165,000,000**	**8,415,000**
Upland Cotton Econ Adj Assistance	**49,318,000**	**2,515,218**
Storage and Handling	**213,000**	**10,863**
Administrative Expenses (Food for Peace Title II)	**9,559,000**	**487,509**
Brazilian Cotton Program	**147,300,000**	**7,512,300**
Emerging Market Program	**10,000,000**	**510,000**

Foreign Market Development Cooperator Program	**34,500,000**	**1,759,500**
Quality Samples Program	**2,500,000**	**127,500**
Technical Assistance for Specialty Crops	**9,000,000**	**459,000**
Market Access Program	**200,000,000**	**10,200,000**
Bio-Fuel Program	**171,000,000**	**8,721,000**
Food for Progress Purchase/Transportation	**157,537,000**	**8,034,387**

6. Will sequestration impact fee-based programs like the dairy graders? If so, will fee-based programs – fees mind you, that cover a significant portion of the cost – be subjected to sequestration cuts in the same manner that non-fee based programs are impacted? If so, what will USDA do to mitigate the short and long term impacts to our export markets?

   Response: *AMS grading and verification activities are fully financed by user fees. Sequestration mandates a reduction of AMS grading programs' administrative expenditures. However, AMS does not expect sequestration to significantly impact the delivery of fee-funded services.*

7. There have been reports that dairy and livestock futures trading on futures exchanges could be shut down because of their dependence on USDA grading and inspection as part of the physical delivery and cash settlement mechanisms of those futures products. What can you tell us about this? Has your Department been in touch with anyone at the Commodity Futures Trading Commission or with any futures exchange about the impact sequestration cuts to USDA services will have on futures trading?

   Response: *The passage and signing of HR 933 (''Consolidated and Further Continuing Appropriations Act, 2013'') assures funding of grading and inspection services for FY 2013. Prior to passage of HR 933, USDA had numerous discussions with the CME futures exchange regarding how sequestration actions may affect physical delivery and cash settlement mechanisms of futures products.*

8. Will there be impacts on individual farm bill conservation program participants under sequestration? Is there enough funding to pay out existing obligations under contracts in force?

   Response: *The Agency estimates that the funding reduction imposed by the sequester will reduce the Agency's ability to enter into new conservation contracts across all programs with approximately 11,000 participants (assuming 2.5 participants per contract), covering approximately 3.2 million acres. These are contracts the Agency would have been able to enter into but will have to forego because of the reduction in funding.*

   For most farm bill programs the Agency will have sufficient resources to cover the commitments made to our conservation partners in prior years. We are only able to do so, however, by reducing the new commitments the Agency makes in the current *year. However, for the Conservation Security Program, which does not have the authority for new enrollments, the Agency does not have the same flexibility. As a result, the Agency is currently exploring the options available to provide additional resources for this program, including a possible reprogramming from another mandatory program. Without additional resources, the Agency would be forced to reduce the payments on all existing contracts, which would require requesting the return of funds from participants who have already received full payment.*

9. How is the Department managing and prioritizing Farm Service Agency loan funds given the funding levels in the Continuing Resolution? Is demand from FSA direct and guaranteed borrowers running ahead or behind previous years? Are FSA loans subject to a sequester order?

   Response: *For those programs which have a significant backlog of approved, unfunded applications, funding provided for Farm Service Agency (FSA) farm loans by the* Consolidated and Further Continuing Appropriations Act, 2013 *will be distributed by date order of application, subject to the funding reserves for socially disadvantaged and beginning farmers as prescribed by statute. For programs without application backlogs, funds will be allocated to states according to formula, again subject to the statutory reserves for targeted groups.*

   Demand for direct loan funding is running slightly ahead while demand for guaranteed loan funds is consistent with a year ago at this time.

   The budget authority which supports farm loan programs is subject to sequestration, and the additional 2.5% rescission mandated in PL 113-6.

10. New enrollments in the Conservation Security Program (CSP) have been shut down for fiscal year 2013. Can you explain to us why you aren't able to do any new sign-ups?

    Response: *Under the terms and conditions of the Continuing Appropriations Resolution, 2013 (P.L. 112-175), there would have been sufficient funding to provide payments on contracts entered into in previous years, and to provide the required oversight to ensure that all such payments were properly made, prior to the reductions imposed by the sequester. However, the funding restraint enacted in Section 726(1) of the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55) was carried forward under the continuing resolution, and constrained USDA's ability to enroll new acreage in the program.*

    The full-year appropriation passed in March will allow the Natural Resources Conservation Service (NRCS) to proceed with a 2013 CSP enrollment period. Based on the latest projections, the agency estimates an enrollment of 11.3 to11.8 million new acres this fiscal year.

11. In discussions with OMB regarding the Administration's list of anomalies that were submitted to the Appropriations Committees to be considered for inclusion in the continuing resolution, did the Department and OMB consider requesting an adjustment for CSP?

Response: *Under the terms and conditions of the Continuing Appropriations Resolution, 2013 (P.L. 112-175), there would have been sufficient funding to provide payments on contracts entered into in previous years, and to provide the required oversight to ensure that all such payments were properly made, prior to the reductions imposed by the sequester. However, the funding restraint enacted in Section 726(1) of the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55) was carried forward under the continuing resolution, and constrained USDA's ability to enroll new acreage in the program. In order to preserve Congress' prerogative to determine the funding level for the program, USDA decided to operate the program within the funding level provided under the CR until passage of the full-year appropriation determined the final funding level.*

The Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-6) did not include the funding constraint enacted in Section 726(1), and USDA will be able to enroll new acreage in FY 2013. NRCS requested an apportionment for these funds.

12. Please provide an analysis for the record of the economic benefit to industry and consumers as a result of the poultry slaughter modernization rule.

Response: *FSIS estimates that participating establishments will see lower production costs resulting in a shared benefit to consumers and industry of about $250 million annually. For further information, please refer to the full discussion of benefits in the proposed Poultry Slaughter Modernization Rule at http://1.usa.gov/10WZP7w.*

13. In developing the proposed rule for poultry slaughter modernization and in moving towards a final rule, what steps have been taken to analyze worker safety issues in both HACCP-based Inspection Models Project (HIMP) plants and non-HIMP plants?

Response: *As a public health agency our core mission is to protect the food supply. This is the driving force behind our proposal to modernize poultry inspection. USDA has been inspecting poultry in largely the same way since the 1950s. The science to detect pathogens has advanced considerably since then. Now, we are leveraging that science to better protect public health by proposing the Poultry Slaughter Modernization Rule. We believe that we have an obligation to do our best to ensure food safety. We have demonstrated that this new, modernized system could help us reduce pathogens – potentially preventing 5,000 foodborne illnesses annually.*

In order to ensure worker safety, we are working with our federal partners that have oversight responsibility and regulatory authority over this area. The following are examples of how we have partnered with other federal agencies:

- *USDA has asked the National Institute for Occupational Safety and Health (NIOSH) to study the effects of line speeds on plant workers.*
- *USDA has been coordinating with Occupational Safety and Health Administration (OSHA) to explore how we can assist that agency within our legal authority, including training FSIS inspectors to report plant worker safety concerns to OSHA.*
- *USDA also encourages industry to collaborate with OSHA and NIOSH.*

14. What are the potential public health advantages associated with the poultry slaughter modernization rule?

    Response: *As we outlined in the proposed rule, FSIS would focus its inspection personnel on critical food safety tasks, such as pathogen testing and verifying HACCP and sanitation standard operating procedures, and the quality assurance tasks would be turned over to the company. FSIS would continue to inspect every carcass, as required by law, but our inspection personnel would focus on the conditions that present public health concerns and not on quality defects. We estimate that the new poultry inspection system would avert about 5,000 illnesses from Salmonella and Campylobacter each year.*

15. Knowing that USDA faces sequestration and tight budgets, how does the poultry slaughter modernization rule help you operate in a fiscally constrained environment? Are there increased costs with implementation and/or cost savings?

    Response: *FSIS estimates that modernization of poultry slaughter inspection, if fully implemented as proposed, would save taxpayers approximately $90 million over a three-year period after implementation begins.*

16. An impressive aspect of the USDA Food for Progress program is that it has market-driven approaches to strengthen food systems and incomes. Could you provide examples of how this program has contributed to economic development and a favorable environment for private sector investment?

    Response: *In FY 2012, USDA completed a four-year, $5.7-million Food for Progress investment in micro lending capital and small business loans in Tanzania. Small holder producers and small businesses used loans to expand food processing operations, buy new equipment, buy supplies in bulk, improve transportation to markets, and install greenhouses and irrigation infrastructure. As loans were repaid on a seasonal basis, these funds were re-cycled an average of three times. The growth in the USDA loan capital allowed the number of loan recipients to grow from 15,000 initial borrowers to more than 46,000 borrowers at the end of the project. The success of the program encouraged other lenders, such as the World Bank and Credit Suisse Bank, to invest an additional $18.8 million in the project. The investment from other lenders supported an additional 382,000 loans valued at more than $206 million. Most important, the loan fund has turned into a sustainable operation that* *will continue to provide credit to producers and businesses even though USDA support has ended.*

In FY 2012, implementation of a Food for Progress program in Kenya was completed. The $8-millon grant boosted Kenya's dairy value chain through improvements in production and marketing. USDA worked with Land O' Lakes in improving agricultural productivity by providing training to small farmers in improved livestock practices and water conservation schemes. The project also improved small farmers' access to financial services. On the marketing side, the Food for Progress program supported the construction and refurbishment of cold chain storage facilities, training in efficient and safe methods for handling bulk milk, and improvements in the technical capacity and infrastructure of dairy cooperatives. The project's activities reached approximately 78,000 farmer beneficiaries. Milk production per cow rose from 6.9 liters to 9.6 liters (a 12.7 percent increase). Net farmer income rose by 745 percent over the life of the project, and 86,200 jobs were created or sustained.

Looking ahead, USDA plans to support a $22.2-million Food for Progress grant to increase productivity, trade, and value of cashew production by small holder farmers in Mozambique. Key features of the project include developing in-country cashew roasting and processing capacity, as well as linking producers directly to international retailers. The project will train producers to improve cashew yields and quality, establish seed nurseries, improve business process management, and provide loans for needed capital inputs. On the sales end, the Food for Progress program will help processors to achieve food safety standards and certifications and establish purchasing contracts with international retailer private labels (e.g., Whole Foods, Costco). Purchasing contracts emphasize the use of innovative "shared value" models where profits are partially diverted back into community investments for farmers. The project is expected to boost the incomes of 340,000 beneficiaries by about 74 percent.

17. If the Food for Peace program is changed to an international procurement program, what would be the potential impact on US agricultural, transportation and other jobs and on US economic activity?

    Response: *The Administration's FY 2014 Budget proposal would transfer $1.47 in P.L. 480 Title II funds to the U.S. Agency for International Development. Commercial business generated by the Food for Peace program in the United States is relatively small, and we would not expect substantial economic impacts in the agricultural and transportation sectors. Of the $1.4 billion in Title II funding, only about 40 percent is spent on commodities, which is less than one percent of recent U.S. agricultural exports. The potential impact is further mitigated by due to the FY 2014 Budget proposal to use at least 55 percent of the funding for the USAID food program to purchase U.S. products.*

Other parts of the FY14 budget proposal would help to further mitigate any economic impact in the United States. First, the Administration proposes to provide $330 million through the Community Development and Resilience Fund, which would help to continue the development programs of nongovernment organizations. Second, the budget proposal would provide $25 million in additional subsidy through the Maritime Security Program. This increase would increase the per-vessel subsidy by about 25 percent on average and could prevent a loss of up to 425 jobs over time. Third, up to $10 million will be available for worker adjustment training for affected workers.

18. In Africa, wheat has been an important commodity for food aid programs since it is not produced in appreciable amounts. Since it cannot be locally procured, where would it be bought if not provided from the United States? Which other countries would be suppliers?

    Response: *Following the implementation of the Administration's FY 2014 Budget proposal, the Administration would review market situations and food assistance needs in recipient countries to determine the best type of response and source of commodity. The budget proposal envisions that U.S. wheat and other products would continue to be used in food assistance programs. If local and regional sources of wheat are not sufficient to meet the needs, then U.S. wheat would likely be used.*

19. Just a few years ago, 70% of the corn crop in Kenya was declared contaminated by aflatoxin. Reports by the Partnership for Aflatoxin Control in Africa show that high levels of aflatoxin are common in Africa, found in many basic foods, like corn, sorghum, cassava and peanuts, which undermines local purchase programs. More worrisome is that contamination controls and enforcement are lacking, so unsafe products regularly seep into the food supply. While the USDA Local and Regional Procurement Pilot Study report indicates that small amounts can be bought locally, it does not address the large procurements that are more typical for food aid. How would that be achieved "locally" and with assured quality and safety?

    Response: *Organizations and donor agencies employ a number of best practices to ensure the quality and safety of the commodities, including extensive testing requirements for all commodities. Recent experiences by USDA and USAID demonstrate that testing is successful in assuring quality and safety. In USDA's Local and Regional Procurement Pilot Study, USDA required that all commodities procured be tested for aflatoxin. USDA found that most countries had testing facilities with the ability to conduct this type of testing. Under the Emergency Food Security Program (EFSP), USAID requires that all cereals and cereal product commodities be tested for aflatoxin and have moisture content certified. The maximum acceptable total aflatoxin level is 20 parts per billion, which is the U.S. Food and Drug Administration action level for aflatoxin in human foods. USAID requires that all organizations are required to contract established inspection services prior to shipment and distribution and retain a copy of each certificate for their records.*

While procurements under the USDA Local and Regional Food Aid Procurement Pilot Project involved smaller tonnages due to the available funding under the project, other programs and organizations have been successfully procuring large quantities of commodities in developing country markets across the globe. For example, in 2012, the United Nations World Food Programme (WFP) procured 1,806,899 metric tons (MT) of food aid commodities from Low Income Countries or Middle Income Countries. Of this amount, WFP procured 706,249 MT in Africa. The WFP and other organizations have found testing to be successful in assuring quality and safety.

Representative Mike McIntyre, North Carolina

1. Mr. Secretary, thank you for the work you have done to focus on the economy of rural America. One major issue facing my district and most of rural America is the lack of adequate infrastructure that is necessary for our rural communities to compete in the global economy. For instance the backlog of pending applications for USDA Rural Developments water/waste water projects is $3.2 billion. I have worked to include mandatory funding for this backlog in the Farm Bill. How will your department work to address this issue?

   Response: *Thank you for your support of our Water and Waste Disposal (WWD) Loan and Grant Programs. Since 2009 USDA, Rural Development, Rural Utilities Service has invested $8 billion in new and improved infrastructure that will benefit 4.5 million households and businesses and 12.4 million rural residents.*

   USDA will use any additional funds received to address the backlog of requests for funding. Rural Development will also continue to encourage its State Offices to partner with other state and federal funding sources to address pending funding requests.

2. Now that the $85 billion in sequester cuts have taken effect, how will USDA's Rural Development programs be impacted, and how will you minimize the impact of the sequester on rural communities?

   Response: *Because of the sequester and the additional rescission in the final FY13 appropriations measure, Rural Development staffing and programs will experience a third year of significant reductions. The two most significant budget lines for Rural Development to be affected are its Salaries and Expense account and the Rental Assistance account. For Salaries and expenses, after already reducing the workforce by 18 percent over the last 18 months (or over 1000 people), RD is looking for ways to manage the approximately 7.8% reduction in S and E by minimizing the impact on its workforce. We are doing so by cutting all other expenses and considering how to utilize our interchange authority to shift resources into Salaries and Expenses. Further, USDA recognizes how important the rental assistance program is to our multifamily housing partners and tenants, and we are committed to providing as* *much assistance to borrowers as possible. We are working to ensure our multifamily housing properties continue to be financially healthy as possible and are able to provide affordable housing to rural residents. We will work with our borrowers to explore every available step to mitigate the effects of these cuts, including working with borrowers to alleviate as much as possible the negative consequences of the loss of rental assistance from project income.*

3. Rural development stakeholders in my district are concerned that many rural communities in NC lack the infrastructure needed to grow or even sustain businesses and industries in their communities. As a result, they are losing population as many younger folks leave to find jobs, and this in turn further slows economic growth. This is true for the family farm as well – up-and-coming generations are moving away and farms that have traditionally been family-owned are being sold to corporations or developers. What are USDA's plans to continue to help rural committees secure jobs and promote economic development moving forward?

   Response: *As you know, USDA Rural Development is the leading federal agency for rural America. RD supports rural communities and enhances the quality of life for rural residents by improving economic opportunities and community infrastructure. Rural Development has loan, grant, and technical assistance programs that help create sustainable jobs and lay a strong foundation for rural America to participate fully in the global economy. Our programs support a wide variety of infrastructure projects that include, but are not limited to, improving and expanding the rural electrical grid; providing clean drinking water to rural communities; providing access to and improving Internet service to rural families and to businesses; and constructing, converting, enlarging, repairing, and modernizing access streets and roads, parking areas, utilities, and pollution control and abatement facilities.*

   To help rural communities move forward, Rural Development will continue our successful outreach to our stakeholders through our 47 state offices through both our business programs and our cooperative programs. For example, RD has an extensive storehouse of educational material that covers all aspects of the cooperative business model and is used by RD employees, cooperative developers, government officials, academics and the general public to better understand and use cooperatives as an economic development tool in rural areas. Additionally, RD staff has expertise in conducting research, providing technical assistance, and developing educational and outreach activities that support cooperative approaches for family farms to increase income and maintain viability.

   In addition, Rural Development is:

   - *Embarking on several new Capital Markets initiatives associated with Rural Business-Cooperative Service programs for improving rural access to capital at both the regulatory and policy levels. For example, RD is also looking for opportunities to improve the rate at which funds in revolving loan funds established under the Intermediary Relending Program can be re-loaned. To increase the utilization of these funds, RD is engaging its intermediaries to* *understand the difficulties in lending the money and to encourage them to be more active. Our State Offices are holding lender/re-lender forums during the first half of FY 2013 to engage intermediary lenders and encourage them to be more active and to lend their balances, and to identify ways to improve the program. In addition, the National Office is emphasizing with the State Offices the potential for transferring balances from non-performing intermediaries to performing intermediaries. Just recently, this effort with our intermediaries has paid off with $750,000 in loans being made to four recipients in Montana.*

- *Continuing to prioritize assistance to beginning and socially disadvantaged producers and small and medium-sized farms structured as family farms within the Value-Added Producer Grant program. This prioritization addresses some of the out-migration issues in rural communities by providing the resources necessary to develop profitable and sustainable agricultural businesses and expand employment opportunities.*

Rural Development Section 502 housing programs have a significant impact on the quality of life in rural America. These programs are among the largest provided by USDA and are estimated to have created more than 250,000 jobs in rural communities in FY 2012 – and more than 1 million jobs in the last four years. A strong housing sector is critical to health of the rural economy, and the USDA Rural Housing Service (RHS) is committed to promoting a vibrant rural housing market. Combining very manageable fees with an appealing no-down payment mortgage structure, the program has enabled hundreds of thousands of eligible low and moderate-income borrowers to become successful homeowners.

Additionally, through our Water and Waste Disposal Loan and Grant Programs, we ensure that rural communities have the critical infrastructure they need to support the needs of rural residents and provide opportunities for business development. We will continue to fund as many of these critical projects as possible and to partner with other funding programs to do so. These investments will provide immediate and long term job opportunities in rural America.

4. Livestock and meatpacking are both major industries in my district. The livestock products in my district have a market value greater than $2 billion annually, and the largest meat processing facility in the world is located in Bladen County. The people who work and depend on these industries are middle class Americans with families, who have mortgages and bills to pay every month. I am concerned by the impact that sequestration will have on FSIS frontline inspectors. You previously indicated that inspectors might be furloughed up to 15 days because of sequestration. When these inspectors are furloughed, the meat processing facilities cannot run, and the employees and farmers do not get paid.

   a. Absent any changes to the statute that triggered sequestration, what, if any, administrative tools are available to mitigate the impact of sequestration on the furloughing of FSIS inspectors and the impact to the meat processing industry? Could inspectors be furloughed on a staggered schedule, such that processing activities are perhaps slowed, but not completely disrupted? If not, could inspectors be furloughed for half days, spaced over several months, to prevent complete disruptions?

b. What is the practical timeline for when all of this will take place? It is important that companies and growers have time to plan and prepare for this.
c. How can Congress and the affected industries assist you in fixing this problem?

Response: *Fortunately, Congress provided enough funding in the FY 2013 CR to prevent the need for furloughs of FSIS inspection personnel. Thus, industry operations will not be disrupted.*

5. Can you relay any suggestions you have for livestock producers who may be dealing with more livestock than they have barn space now that the sequester has gone into effect and meat inspectors are set to be furloughed? This is a question I've been getting from producers in NC, who operate under very tight schedules on how they move their livestock. Typically they have a date scheduled with the packer to receive their hogs. Then they spend about two days cleaning, sanitizing and drying barns before the next group of livestock move in. I'm concerned that if a furlough situation continues for two or three days that there will be no place to put these livestock, and this could pose a huge biosecurity and welfare risk for livestock producers.

Response: *Fortunately, Congress provided enough funding in the FY 2013 CR to prevent the need for furloughs of FSIS inspection personnel. Thus, industry operations will not be disrupted.*

6. Many rural development stakeholders in my district have expressed concern that a large number of key personnel in state Rural Development offices will soon be retiring. How will you address the issue of replacing the critical staff (such as engineers) in these offices as they retire?

Response: *Thank you for your question. The reduced staff has strained our ability to protect the RD portfolio and deliver RD programs. We are making the best use of the resources we have and within the current budget constraints. We are addressing the reductions in staffing in four ways. First, we are working with our state offices and conducting training for staff that have, or will be, reassigned from other program areas to work on water and waste loans and grants. Second, we are helping to facilitate, where possible, the sharing of resources across state offices. For example, our South Carolina Rural Development Office is receiving assistance from one of the three engineers on our North Carolina staff. We are also exploring longer-term solutions that will allow for regional staffing approaches to address staffing shortages where they exist for engineers in particular. Finally, we are also evaluating requests for backfilling of key positions within current budget constraints.*

7. Back in 2010, you were kind enough to join me in my congressional district to announce almost $20 million in USDA federal funds for Lumbee River Electric Membership Corporation (LREMC) for rural broadband services. The announcement brought broadband to 27,000 people in my district, 1,600 businesses and 100 community institutions, and it created or saved 51 jobs. Going forward, what is the potential for USDA investments in broadband given our national budget situation?

   Response: *USDA will continue to support the Administration's goals for broadband deployment in rural communities. This mission is critically important to the future of rural America. The 2014 Budget provides $8.3 million in budget authority to support $63 million in broadband loans, $10 million for Broadband grants, $25 million for grants under the Distance Learning and Telemedicine Program and $690 million in program level funding for telecommunications infrastructure. For FY 2013, RUS has available more than $700 million in program level funding for broadband infrastructure for rural residents, businesses and community institutions. RUS is diligently monitoring the progress of funded projects and ensuring that funds are used appropriately, while managing a $4.6 billion loan portfolio. Access to broadband is essential for the economic development and quality of life in rural communities and is recognized by the Secretary as a key initiative. We are working in several areas to encourage public/private partnerships to leverage Federal resources with state and local governments, industry, other Federal agencies and key rural constituencies to maximize the impact of public and private funding for broadband services.*

8. In his "Outlook for Agriculture in 2013" address, USDA Chief Economist Joe Glauber discussed an expected drop in commodity prices. How will this impact the livestock industry going forward, and will it spur more planting in non-grain crops like tobacco cotton and peanuts?

   Response: On March 28, 2013, USDA released its Prospective Plantings report. The report indicates that producers intend to plant 97.3 million acres of corn in 2013, which, if realized, will be the highest planted acreage since 1936. Soybean planted area is estimated at 77.1 million acres, down slightly from last year but the fourth highest on record, if realized. All wheat planted acres are estimated at 56.4 million acres, up 1 percent from 2012. All cotton planted area for 2013 is expected to total 9.82 million acres, down 18 percent from last year. All tobacco area for harvest in 2013 is estimated at 349,630 acres, up 4 percent from 2012. Flue-cured tobacco is estimated at 218,000 acres, up 6 percent from 2012.

   The outlook for 2013 calls for a rebound in crop yields resulting in record production levels for corn and soybeans, and by autumn 2013, lower prices for most grains and oilseeds. Lower crop prices should lead to lower feed costs and improved profitability for the livestock, dairy and poultry sectors.

9. In rural communities, there are many challenges to capital access. Does the lack of capital call for a continued commitment in rural development programs that offer capital to rural business owners?

Response: *RD agrees that rural business owners continue to face many challenges in accessing capital and that this situation calls for a continued commitment in our rural development programs that offer capital assistance to rural business owners. The need for access to capital, especially for small and mid-sized businesses, is one of the key findings made by the National Governors Association in their January 2013 report, "Making" Our Future – What States are Doing to Encourage Growth in Manufacturing through Innovation, Entrepreneurship, and Investment." This report discusses, in part, gaps in access to capital for innovation, commercialization, and business expansion. The need to continue funding rural development programs is further illustrated by the fact that many of our programs frequently have more demand for financial assistance than we can meet.*

10. What is your team doing to resolve China and Russia's decisions to enforce zero-tolerance standards for trace amounts of ractopamine, which has effectively banned US beef, pork and turkey imports in those countries?

    Response: *USDA repeatedly expresses our stalwart disagreement with the Russian government on its actions related to ractopamine, through official meetings in Washington and Moscow and official correspondence. USDA and USTR will continue to press Russia to adopt the international standards for ractopamine minimum residue levels in beef and pork.*

    USDA is coordinating with U.S. industry on a strategy for supplying ractopamine-free beef, pork and turkey meat shipments to Russia. While China is not demanding ractopamine-free certification from USDA and exports of ractopamine-free pork continues to flow, China has demanded that all U.S. pork shipments departing the United States on or after March 1, 2013 be tested prior to importation to demonstrate that they do not contain ractopamine. We continue to consult with U.S. industry associations and USTR on the best way to address these demands.

11. Your efforts as chair of the White House rural council have made improving the rural economy a priority. I appreciate your efforts to better coordinate federal agencies efforts in rural America. What plans do you have for the White House rural council moving forward and how will you ensure rural stakeholders are able to provide input?

    Response: *The White House Rural Council (WHRC) was established to better coordinate federal programs and maximize the impact of Federal investment to promote economic prosperity and improve the quality of life in rural communities. The WHRC will work with stakeholders to identify challenges and develop solutions to improve opportunities and the quality of life in rural areas. In 2013 efforts will continue to be focused on following four areas:*

    - *Improving the flow of capital to rural areas, job creation, and workforce development;*
    - *Increasing telecommunications, renewable energy and new markets opportunities in rural communities;*

- *Expanding access to quality health care, education, and housing, and particularly in persistent poverty counties and tribal areas; and*
- *Developing outdoor recreational opportunities that contribute to economic growth.*

12. Nearly a year ago, FSIS issued its proposed rule on Modernization of Poultry Inspection. According to USDA's data, establishments operating under the HIMP pilot program perform as well as, or better than, traditionally inspected plants. Furthermore, the rule will create additional poultry plant jobs, and will have substantial budgetary savings for FSIS. Can you give us an update on when USDA plans to issue the final rule?

    Response: *The agency is in the process of preparing a final rule on poultry slaughter after considering the comments received. It is not possible to provide a specific timeline, although I have said publicly that we hope to get the final rule out by September 2013.*

13. I'm also concerned about how certain green building standards, especially the US Green Building Council's LEED system, affects our rural economies. As you're aware, the LEED system discourages the use of forest products—which is not good for states like North Carolina—where the forest products industry is the 4th largest industry and employs over 60,000 people, many of whom are in rural communities. Recently, I learned that despite this, USDA continues to use the LEED system for its buildings-including a recent building on the Mars Hill ranger station in my home state. Why is USDA using a green building system that discourages the use of forest products—are you concerned with the impact this could have on rural economies? What is USDA doing to help correct this problem as the Department responsible for supporting rural economies and American agriculture and forestry?

    Response: *Thank you for your question regarding building construction certification standards and the use of wood products in the new Appalachian Ranger District office located in Mars Hill, North Carolina. Forest Service policy was changed in May 2011 to also allow for Green Globes certification, while LEED certification is still an option and has been in effect for several years. Even though Agency policy permits 3rd party certification of either standard, we currently recommend that all new construction projects be reviewed for Green Globes certification. The policy change in 2011 also encourages projects to be designed and constructed with domestically harvested wood products, ideally locally sourced and from National Forest System lands, wherever practicable and to the maximum extent feasible. The Southern Region is following this direction and is currently on track to complete the agency's first Green Globes certified project, a renovation of, and addition to, the Enoree Ranger District Office, located in Whitmire, SC.*

    The change in policy did not occur before the design of the new office in Mars Hill was completed in 2007. Construction began in 2011 once funding was received for the project and was completed in 2012. Although, the building contractor was not *required by the design to use certified wood to construct the building; a substantial amount of locally purchased wood was used in the construction, including framing, trim, roof decking, windows, and cabinetry. The majority of the building materials, in all of our construction projects, is wood and wood products.*

Representative Kurt Schrader, Oregon

1. My colleague, Mr. Glenn Thompson and I have reintroduced the Forest Products Fairness Act (HR 979), a bill to fix the discrepancies against most forest products in the USDA biobased markets program. I continue to believe this program was developed to encourage the use of all biobased products and should promote all agriculture and forest products. With that in mind, can you respond to the following questions:
    a. How USDA is currently managing the Biobased Markets Program with no mandatory funds provided in the recent Farm Bill extension? What elements are you implementing and what are on hold?

       Response: *USDA is implementing the Biobased Markets Program using employee staff resources in the absence of funding for technical support. To the extent feasible, we are continuing to develop regulations to designate additional categories of biobased products for preferred Federal procurement. This effort involves regulation writing for products for which biobased content testing has already occurred. No new testing is possible without funding. USDA is also conducting training and outreach activities locally in Washington, DC or by telephone. USDA suspended the labeling program on January 31, 2013 due to lack of funding for our third party independent certification organization.*

    b. Can you explain what is meant by "mature" and how you account for the continuous improvement and change in the production and manufacturing of forest products?

       Response: *USDA's Guidelines for Designating Biobased Products for Federal Procurement indicate in 7 CFR 3201.5(c)(2) that "USDA additionally will not designate items for preferred procurement that are determined to have mature markets. USDA will determine mature market status by whether the item had significant national market penetration in 1972." USDA has adopted this same definition for the voluntary labeling program. The Department evaluates label applications for forest products with the assistance of the Forest Service Forest Products Laboratory in the determination of the mature market exclusion.*

    c. You also have a rule-making underway to consider changing "mature" to "new and emerging markets." I remain concerned that this proposed change does not address my belief that this USDA program should promote all products that support strong rural economies, jobs, and America's forest and agriculture land owners regardless of how new or old the products are. Can you provide an update on the Department's plans for finalizing this rule?

Response: *USDA is evaluating comments received on the proposed rule to amend the Program Guidelines and drafting a final rule; however this effort is hampered by the lack of technical support as described above. Nevertheless, once this effort is completed the draft final rule will undergo internal USDA review and a 90-day review by the Office of Management and Budget prior to its promulgation.*

2. In 2011, the USDA changed its green building policy to call for use of all credible green building rating systems, not just LEED, and you announced plans to prefer wood products in USDA buildings. Can you provide an update on what the Department has done to implement this? How many buildings have been built with wood, and how many have used rating systems other than LEED--which discourages wood use? What additional research and demonstration is being done to have wood products more widely used by other federal agencies and the building community?

   Response: *Since May 2011, the Forest Service policy is that all new building construction projects for regional offices supervisor's offices, district offices, visitor centers, and research offices or laboratories where the building is 10,000 gross square feet or greater in size, must be registered and certified using either the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system (minimum Silver certification), Green Globes (minimum Two Green Globes certification) or other third-party certification system. All other buildings, whether new or major renovations, must be designed to incorporate sustainable principles into the systems and components appropriate to the building type and project scope. This requirement applies to buildings on an individual basis, and the most recently issued version of the third-party certification system must be used. We encourage construction projects to be designed and constructed with domestically harvested wood products ideally locally sourced and from National Forest System lands, whenever practicable and feasible. We currently are recommending that all new construction projects be considered for Green Globes certification.*

   The following facilities were designed prior to May 2011 and constructed since May 2011. The majority of building materials used in these facilities is wood and wood products:

   - *Angeles National Forest Supervisor Office, Arcadia, CA*
   - *Camino Real Ranger Station, Carson National Forest, Peñasco, NM*
   - *Corvallis Forest Science Laboratory and Siuslaw National Forest HQ Office, Corvallis, OR*
   - *Arcata Lab, CA*
   - *Juneau Lab, AK*
   - *Wood Products Insect Laboratory, Starkville, MS*
   - *White Mt. Forest Supervisor's Office, NH*
   - *Francis Marion Ranger District Office, Huger, SC*

- *Deschutes Forest Supervisor's Office, OR*
- *Appalachian Ranger District Office, NC*
- *Walker Ranger District Office, MN*

These are larger facilities; however there have also been some small buildings constructed that also contain a majority use wood and wood products. The majority of the building materials, in all of our construction projects, are wood and wood products. We estimate that wood makes up approximately two thirds of all building materials used for new facilities and large scale renovation projects.

In December 2011, the Forest Service Forest Products Laboratory published "Science Supporting the Economic and Environmental Benefits of Using Wood and Wood Products in Green Building Construction". This report summarizes the scientific findings that support the environmental and economic benefits of using wood and wood products in green building construction. It addresses a general lack of recognition that wood is a renewable resource, helps mitigate climate change, promotes healthy forests and is a green construction material. The report also:

- *Provides solutions to advance wood as a green building material, including*
    - *Scientific advancement in the area of life cycle analysis*
    - *Development of new technologies for improved and extended wood use*
- *Outlines benefits in helping achieve USDA objectives, including:*
    - *Creating domestic jobs*
    - *Bolstering the competitive position and long-term economic stability of the wood industry*
    - *Reducing U.S. dependence on foreign oil*
- *Offers recommendations on how to accomplish:*
    - *Research and development –life cycle analysis*
    - *Technology transfer –carbon and green building benefits of typical wood structures*

Representative Joe Courtney, Connecticut

1. The USDA's "Report on the Definition of Rural" explains that your agency is ready to use the 2010 Census figures for Rural Development programs. Under this path the "rural in character" exceptions that were made under the last farm bill will expire on March 28th. Hundreds of RD mission areas that have unique characteristics warranting this exemption would become ineligible overnight. It is my understanding from the Committee on Appropriations that the "rural in character" grandfathering will be continued under a new CR without any changes to the current legislative language. Do you intend to continue the status quo of grandfather in target areas that utilize older census data to determine "rural in character" eligibility or would new CR language need to be tailored to ensure the status quo?

   Response: *The Consolidated and Further Continuing Appropriations Act of 2013 (CR) signed into law on March 26, 2013 extends the eligibility of communities for housing programs administered by the Rural Housing Service (Single Family and*

Multi Family Housing Programs) on September 30, 2012 to September 30, 2013 (Title VII, Section 731). All other Rural Development programs will use the 2010 Census data to determine eligibility for rural areas beginning on March 27, 2013.

2. It is my understanding that USDA has proposed a new formula for the allocation of full-time equivalent (FTE) slots in local RD offices. The formula announced would use new factors to determine what staffing an office might have. The three main determinants of FTE slots would be geographical size of the state, the amount of rural population in the state, and the amount of rural poverty in the state. I also understand that there would be more weight put towards rural population and rural poverty than geography. While I recognize the difficult fiscal position USDA currently finds itself and understand the need your agency has to allocate RD resources to those areas that need it most, I am concerned that this formula targets specific geographic areas at the expense of others. Will there be consideration given in this new formula for factors such as the number of jobs created, the amount of productivity in the state, or the amount of contract servicing needed in the state? Also, does your agency intend to utilize a similar formula beyond the RD office, perhaps to NRCS or FSA?

   Response: *Thank you for your question. RD has undergone an examination of how to allocate its FTE's in times of diminishing resources and has arrived at a working model that is much more transparent then the allocations in the past. While the three main variables are rural population, poverty, and service area, RD is also looking at how to incorporate the size of the state's portfolio and workload. This is a work in progress and we look forward to working with Congress on how to best use our human resources.*