Statement by
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Food and Drug Administration, and Related Agencies
Committee on Appropriations, U.S. House of Representatives
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Mr. Chairman and distinguished members of this Subcommittee, I appreciate the opportunity to appear before you to discuss the Administration's priorities for the Department of Agriculture (USDA) and provide you an overview of the President's 2014 Budget. I am joined today by Joseph Glauber, USDA's Chief Economist, and Michael Young, USDA's Budget Officer.

The USDA under President Obama's leadership has taken significant steps to strengthen the rural economy and provide a foundation for continued growth and prosperity. These efforts have had a significant impact in rural America, where the seasonally adjusted unemployment rate fell to 7.7 percent for the third quarter of Fiscal Year (FY) 2012 – down from a peak of 9.5 percent in late 2009. In particular, agriculture remains a bright spot in our economy. The resilience of American farmers and ranchers has helped to support 1 in 12 U.S. jobs. Net farm income remains strong, and the farm debt-to-asset ratio is at a record low today. Fueled by new trade agreements with Panama, Colombia and South Korea, American agricultural exports are surging – with more than $478 billion in exports over the last four years. Our farmers and ranchers achieved these results even in the face of the worst drought in generations, and the uncertainty posed by the lack of a comprehensive, multi-year Food, Farm and Jobs Bill. Challenges still remain for agriculture – especially for America's livestock and dairy producers, who continue to struggle today with low margins and high input costs.

With the passage of the Consolidated and Further Continuing Appropriations Act, 2013, we appreciate that Congress provided the funding necessary to avoid a costly and disruptive nationwide shutdown of meat and poultry plants. Congress also enabled USDA to continue providing nutrition assistance, education and other services to improve the nutritional status and health of the total 8.9 million low-income women and children estimated to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). However, the Act not only continued the across-the-board reduction for most programs as required by sequestration, it added on two separate across-the-board rescissions for agriculture programs. As a result of these actions, the Department's total discretionary operating budget for 2013 has been reduced by over $570 million below the 2012 enacted level and over $1 billion below FY 2009.

These reductions in USDA's operating budget come at a time when our staff are doing more work than ever before. Over the past decade, USDA's agencies have leveraged efficiencies to manage a workload that has increased due to a greater number and complexity of programs and higher participation levels, while staff resources to manage that increased program activity have declined by over 12 percent. For example, the Risk Management Agency (RMA), Food and Nutrition Service (FNS), Rural Development (RD), and Farm Service Agency (FSA) have all seen increases in workload, while staffing has decreased in all of these agencies during that time. The scope and complexity of USDA programs reflects the challenge we face to manage taxpayer dollars effectively and deliver record levels of service.

I am proud of USDA staff for stepping up and getting the job done. Over the past four years, USDA has achieved record results on behalf of rural Americans, creating thousands of jobs in the process. We provided a strong safety net for agricultural producers. We expanded trade agreements around the world, while breaking down unfair trade barriers to level the playing field for U.S. producers. USDA enrolled a record number of acres in conservation programs, while modernizing the ways in which we manage forest lands. We provided record amounts of credit in rural America – from farm loans to assistance for rural businesses and families. USDA strengthened food safety testing to protect Americans from foodborne illness. We led the way to create a generational change to improve child nutrition, while helping millions of families put food on the table. USDA research continues to help feed a growing population, while generating $20 in economic benefits for every dollar invested.

Meanwhile, USDA has made a comprehensive effort to achieve targeted, common-sense efficiencies. Under the *Blueprint for Stronger Service*, USDA agencies cut costs and modernized operations to become more efficient. In the past year, agencies have carried out workforce reductions, closed offices and laboratories, implemented modern cloud computing efforts and taken other actions to continue to lower costs. We have disposed of excess and underutilized property. Agencies reduced expenses for travel, printing, supplies, and advisory contracts. USDA has reduced travel spending by more than 42 percent over 2010 levels. In total, all of those efforts saved taxpayers more than $700 million.

Despite our best efforts to prepare for additional funding reductions through prudent practices, such as hiring freezes and limiting operating costs, we cannot forestall the negative impact of reduced funding in every area. Our ability to provide oversight and servicing is likely to be impacted by cuts and we will work hard to minimize the impact to the extent possible on farmers, ranchers and growers while protecting the integrity of the programs.

While we have achieved significant savings, the reductions contained within the 2013 full-year continuing resolution will result in a reduction of some program services. For example, the reduced level of program funding will mean that rental assistance will not be available for more than 15,000 very low income rural residents, generally elderly, disabled, and single female heads of households, who live in multi-family housing in rural areas. Our conservation efforts will suffer as the Natural Resources Conservation Service (NRCS) will not be able to assist over 3,500 farmers and ranchers in developing conservation plans, which position them for participating NRCS conservation programs. Further, conservation benefits will be lost with fewer conservation plans being implemented as well as fewer conservation practices being implemented with the assistance of mandatory programs affected by across-the-board sequester cuts, such as the Environmental Quality Incentives Program (EQIP). Our State partners will see a reduction in assistance for pest and disease prevention, surveillance, and response, potentially leading to more extensive outbreaks and economic losses to farmers and ranchers. Reductions to Agriculture and Food Research Initiative (AFRI) and mandatory funded research programs will result in 200 fewer grants for agricultural research conducted by both university scientists and private partners in areas such as bioenergy, organic production, specialty crops, and beginning farmer and rancher development.

As outlined above, we have taken steps to deeply reduce USDA's operating expenses over the past two years. The spending cuts enacted for 2013, however, severely limit our ability to deliver critical programs for the American people. The President's 2014 budget request would put us back on track to continue the revitalization of rural America, while achieving targeted reductions.

In total, the 2014 budget we are proposing before this Subcommittee is $139 billion, of which $121 billion is mandatory funding. The budget provides mandatory funds to fully support estimated participation levels for SNAP and Child Nutrition.

It is my hope that Congress will continue to support our efforts to strengthen rural America and provide more certainty for American agriculture by enacting a comprehensive, multi-year Food, Farm and Jobs Bill. The Farm Bill provides for delivery of critical programs by USDA, including programs for farm commodity and price support, conservation, research, nutrition, food safety, and agricultural trade. The next five-year farm bill should promote rural development, preserve a farm safety net, enhance conservation, honor our World Trade Organization commitments, maintain strong nutrition programs, and advance agricultural research. In light of the Nation's long-term fiscal challenge, the legislation should also contribute meaningfully to deficit reduction.

The 2014 President's Budget includes a number of legislative proposals that produce savings to reduce the deficit, while maintaining a strong safety net for American agriculture. The proposed legislation would reduce the deficit by $38 billion over ten years compared to current baseline spending. The savings would result from eliminating direct farm payments, decreasing crop insurance subsidies, and better targeting conservation funding to high priority areas. The legislation also proposes to extend some disaster assistance programs, including the Livestock Forage Program (LFP), Livestock Indemnity Program (LIP), for the 2014 through the 2018 crops and provides additional support to dairy farmers through expansion of the dairy gross margin insurance program. The Administration remains strongly committed to programs that create jobs, expand markets for existing products, and help develop the next generation of farmers and ranchers. To accomplish those goals the budget proposes an additional $1.3 billion in mandatory funding to strengthen renewable energy capacity in rural America, continue to create new markets and opportunity for organic agriculture, further promote specialty crops, and train the next generation of beginning farmers and ranchers.

The Administration also continues to support SNAP, a cornerstone of our Nation's food assistance safety net. As the Nation continues to recover from the worst economic crisis since the Great Depression, SNAP has provided critical temporary assistance to help families get through these tough times and back on their feet as soon as possible. While participation has increased, the rate of this increase has been declining since January 2010. Both the Administration and CBO project that SNAP participation will peak this year and then begin to fall – consistent with past economic downturns. Even as the economy recovers, SNAP will remain a critical support for children, the elderly, and minimum wage workers, who struggle to afford to put food on the table. Program benefits are modest – averaging only $134 a month – and are scheduled to be cut this fall. A temporary increase enacted around the start of the recession will expire on November 1, leading to an average cut of approximately $20 per family. The Budget once again proposes to extend the availability of enhanced SNAP benefits through March 31, 2014.

Although SNAP operates with a high degree of program integrity, any waste, fraud, or abuse in a program of its size is important to eliminate. As part of our aggressive actions to ensure integrity, last year USDA took action to impose sanctions on 692 stores found violating program rules and to permanently disqualify 1,387 stores for trafficking in SNAP benefits. SNAP payment accuracy rate is at a record high of 96.21 percent, and the 2014 budget includes funds to expand existing SNAP integrity efforts to further reduce payment error, trafficking and other recipient and retailer concerns. We also propose funding to enhance integrity efforts in the other major nutrition assistance programs.

For discretionary programs of interest to this Subcommittee, our budget proposes $18 billion, approximately $109 million below the 2013 enacted level. That level fully funds expected WIC participation. It provides the funding needed to meet our responsibility for providing inspection services to the Nation's meat and poultry establishments. The budget also includes over $1 billion to renew all outstanding contracts for rental assistance. It meets the growing demand for farm credit with sufficient funding to serve over 34,000 producers in 2014 seeking to finance operating expenses, to acquire a farm, or keep an existing one.

As I previously mentioned, agricultural research is a proven investment. It is important to increase our investment in research and education, which has proven to be a powerful strategy to boost farm productivity, and has contributed to creation of jobs and enhancing rural economies. As farmers and ranchers face challenges from more frequent and more intense extreme weather conditions, we are focused on providing best practices and workable strategies to adapt to the changes and mitigate the impact. The budget makes a significant investment in the AFRI and our laboratory infrastructure. The budget also requests funding to design and construct facilities to replace the severely outmoded Southeast Poultry Research Laboratory (SEPRL) in Athens, Georgia. SEPRL has facilities that were constructed in 1964 and 1976, and whose limitations now prevent critical, cutting edge research from being conducted. Construction of a new facility will enable ARS scientists to more adequately address emerging or exotic poultry diseases that threaten not only the Nation's poultry industry but also the health of Americans.

The budget places an emphasis on creating new market opportunities presented by emerging markets for biofuels and clean energy and the development of local and regional food systems. The 2014 budget also replaces a number of existing programs with a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. The Rural Business and

Cooperative Grants Program will improve the agency's grant allocation process and will leverage resources to create greater opportunities to improve regional economies. We will work to expand our efforts to assist the Nation's farmers and ranchers in taking advantage of increased consumer demand for locally and regionally produced foods through on-farm research, support for value-added production, farm-to-school efforts, and other venues. We will continue our market development programs and expand foreign market access for U.S. agricultural exports, including USDA efforts in the Trans-Pacific Partnership and the newly announced Transatlantic Trade and Investment Partnership with the European Union. As organic food production increases and becomes a more critical part of the agriculture balance sheet, we will expand our efforts to protect the integrity of the organic label and expand organic opportunities with our trading partners.

The budget supports our continuing efforts to help all Americans, and particularly school children, make the healthy choice the easy choice. As part of our ongoing efforts to implement the Healthy, Hunger-Free Kids Act, USDA remains strongly committed to helping States and local schools as they successfully adapt to new, science-based nutrition standards in the National School Lunch and School Breakfast programs, which serve roughly 32 million American children each school day. Our focus on healthy eating also extends to the American population as a whole, where we continue to promote the Dietary Guidelines and MyPlate. Our budget includes additional funding to support the Department's work to expand the Dietary Guidelines to include the 0-2 population.

The President's budget proposal makes tough choices to meet tight discretionary caps. Our funding request reflects efforts to reduce administrative costs and streamline operations and proposes to strengthen program integrity efforts. Funding for selected programs is reduced or terminated and resources are reallocated to targeted investments in priority programs and infrastructure to support sustainable economic growth. Further, discretionary spending is partially offset through about $1.4 billion of proposed limits on selected mandatory programs and other adjustments.

In addition, the Budget proposes to replace $1.5 billion in funding for P.L. 480 Title II international food assistance with an equivalent amount in the U.S. Agency for International Development assistance accounts, including International Disaster Assistance (IDA). The proposed reform replaces Title II funding with robust levels of flexible emergency food aid and related development funding that gives the United States far greater ability to provide aid when, where, and in the form that it can be most effective. Provided that all the proposed food aid reforms are enacted, at least fifty-five percent of the requested IDA emergency food aid funding will be used for the purchase and transport of U.S. agricultural commodities.

Major IT investments will increase program efficiency of our Service Center Agencies. The 2014 budget provides funding for FSA, NRCS, and RD to continue the development and operation of improved IT systems that will allow them to devote more time to working with customers and reducing paperwork.

In conclusion, our budget requests the level of funding we need to provide essential government services, to build on the progress we have made over the last four years to build a stronger America, and to support robust farm income and good jobs in rural communities. It provides the resources we need to effectively deliver the service that Americans deserve from USDA. Any further reduction in funding for administering programs would significantly impair our ability to deliver critical services and would imperil our efforts to manage an increasingly complex workload with fewer workers.

Over the course of 2013, I look forward to working with Congressional leaders to ensure we have the resources we need to meet the demands placed upon us as well as achieve passage of a Food, Farm and Jobs Bill that will allow USDA to continue to provide a strong safety net, combat poverty and create even more good jobs in rural America.

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