Statement by Thomas Vilsack
Secretary of Agriculture
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Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to discuss the state of agriculture and the rural economy in the United States. For more than seven years, I have had the honor and privilege of serving as Secretary of Agriculture. I've traveled to all 50 states and heard rural Americans – from local businesses, community leaders, farmers, ranchers and Americans far and wide, from all walks of life talk about the impact that USDA's staff, programs and services have on their lives. I could not be more proud of the work the men and women of USDA do each and every day.

Agriculture has been a bright spot in our economy. As the economy entered a historic recession in 2008, this Administration and Congress did not stand still. When I became Secretary of Agriculture, I recognized that a spark was needed to build a more resilient rural economy where businesses—farm and non-farm alike—are able to innovate, grow, and create more good paying jobs. We worked, in part through the Farm Bill, to increase trade, strengthen the bioeconomy, expand local and regional markets, invest in conservation, and strengthen the safety net to create new opportunities for those living in rural America and create a more resilient rural economy. Our efforts not only supported the most productive agricultural sector in the world, but also helped rural communities become places where all businesses, farm and non-farm alike, prosper and create jobs. This more robust and diversified rural economy helps rural communities become more resilient when facing a weakening of commodity prices and lower farm incomes.

These efforts to build a more diverse and resilient agricultural economy paired with strong commodity prices contributed to the early strength of the farm economy during this Administration. Even as President Obama was pursuing policies after the collapse of the US economy in the Great Recession that have helped the U.S. economy recover jobs and strength over the past 7 years – U.S. GDP is rising, the National unemployment rate continues to decline and the real median household income for middle-class Americans grew by a record 5.2 percent in 2015 – the agricultural economy was still very strong and making significant contributions to our economy domestically and through trade. We added more agricultural-related jobs under this Administration, with one in twelve U.S. jobs currently supported by our agriculture sector; agricultural exports reached record high levels; and our nutrition program programs have both helped children and families get the food assistance they need to be healthy and provided important employment and training opportunities to help adults move toward self-sufficiency.

Trade agreements offer opportunities

Ninety-five percent of the world's consumers live outside of our borders. That means our trade agreements open a world of opportunities for American businesses. In Fiscal Year (FY) 2015, **American agricultural producers achieved $139.7 billion in exports, the third highest year on record and up 45 percent from FY 2009. Agricultural exports totaled over $911 billion for the period FY 2009 through FY 2015, the best seven year stretch in history.** The volume and value of agricultural exports support more than 1 million American jobs both on and off the farm each year, a significant part of the estimated 11.5 million jobs supported by exports all across the country. Agricultural exports support farm income, which translates into more economic activity in rural areas. Each dollar of agricultural exports is estimated to stimulate another $1.27 in business activity.

USDA efforts knocked down trade barriers to U.S. exports in more than 18 countries, reopening markets to U.S. agricultural exports. **In 2015 alone, USDA resolved foreign access market issues involving U.S. agricultural exports valued at $3.6 billion.** In 2016, Saudi Arabian and Peruvian markets reopened for U.S. beef, the South Korean market reopened for U.S. poultry, and the South African market reopened for U.S. poultry, pork and beef.

When necessary, we will use all the instruments available to us to ensure our agricultural products get fair treatment in foreign markets. Just last week, the Administration requested formal WTO consultations with China on its measures affecting our grain exports.

Further, trade agreements, like those with Panama, Colombia and South Korea, have created additional opportunities for trade growth. U.S. agricultural exports to these three countries grew by nearly 28 percent, from $7.6 billion in FY 2012, when the trade agreements first went into effect, to $9.7 billion in FY 2015, supporting approximately 73,000 American jobs. Following years of USDA-led technical exchange, the United States and China signed an agreement in 2015 to expand market access for U.S. apples from just two varieties to all U.S.-grown varieties. The Chinese apple market could be worth nearly $100 million per year to U.S.

producers. U.S. agricultural exports to all U.S. Free Trade Agreement partners grew from $15.5 billion in 1994 to $57 billion in 2015, a nearly four-fold increase in 20 years.

Closer to home in Cuba, USDA has established an in-country presence in Cuba to cultivate key relationships, gain firsthand knowledge of the country's agricultural challenges and opportunities, and begin to explore fruitful information exchanges and research collaboration. U.S. agricultural exports have grown significantly since trade with Cuba was authorized in 2000. Since the implementation of the Trade Sanctions Reform and Export Enhancement Act (TRSA) in 2000, the United States has exported nearly $5 billion in agricultural and food products to Cuba. To strengthen our bond, between the United States and Cuba, USDA will allow the 22 industry funded Research and Promotion Programs and 18 Marketing Order organizations to conduct authorized research and information exchange activities in Cuba. Cuba's geographical proximity and demand for U.S. products makes it a natural market for US producers. In fact, from 2003 to 2012, the United States was the leading agricultural exporter to Cuba. A more open and normalized trade relationship with Cuba will benefit both countries and help address the competitive disadvantages that U.S. agricultural products currently face in this market.

But we can and should do more to expand markets. U.S. farmers are facing unprecedented competition amid a slowing global economy and appreciating dollar. That's why it is important for Congress to approve the Trans-Pacific Partnership (TPP). When implemented, the TPP agreement, with 11 Pacific Rim countries representing nearly 40 percent of global GDP, will provide improved market access for America's farmers and ranchers by lowering tariffs and eliminating other barriers. The American Farm Bureau Federation predicts that ratifying the TPP agreement will boost annual net farm income in the United States by $4.4 billion, compared to not approving the pact, according to their economic analysis. A recent study by the U.S. International Trade Commission showed that with the TPP in place, U.S. beef exports will increase by $876.1 million annually by 2032; U.S. poultry exports by $173.9 million; U.S. fruit, vegetable and nut exports by $574.9 million; and U.S. dairy exports by a whopping $1.845 billion. In the same time period, overall U.S. real income will increase by $57.3 billion. Sixty-six percent of GDP growth from TPP would go to American workers through increased wages and job opportunities. American agriculture needs the good deal laid out in the TPP agreement to bolster its position in the world economy. We are committed to working closely with Congress to obtain support for this historic deal so that our businesses can sell more rural-grown and rural–made goods around the world, and more American workers can compete and win.

Rural America needs a strong biobased economy

We have also taken significant steps to grow the emerging bioeconomy. A study of the bioeconomy released last year found that the biobased products industry generated $369 billion and 4 million jobs each year for our economy. Biobased products industries directly employ approximately 1.5 million people, while an additional 2.5 million jobs are supported by the bioeconomy in other sectors. Shifting just 20 percent of the current plastics produced into bioplastics could create 104,000 jobs. Environmentally, the increased use of biobased products currently displaces about 300 million gallons of petroleum per year – equivalent to taking 200,000 cars off the road.

As part of this effort, USDA continues to lead the way for renewable energy by supporting the infrastructure needed to grow the new energy economy. **Since 2009, Rural Development has supported almost 400 biofuel producers** with the production of advanced biofuels through the Bioenergy for Advanced Biofuel Program. Further, the Department has **helped roughly 15,000 rural small businesses, farmers and ranchers improve their bottom lines by installing renewable energy systems and energy efficiency solutions**. With the Biorefinery, Renewable Chemicals, and Biobased Manufacturing Assistance Program we are expanding the number of commercial biorefineries in operation that produce advanced biofuels from non- food sources. **This focus on renewable energy has resulted in support for the construction of 6 advanced biofuels production facilities, over 4,000 wind and solar renewable electricity generation facilities, and more than 100 anaerobic digesters to help farm operations capture methane to produce electricity.**

We have also made available $100 million in grants under the Biofuel Infrastructure Partnership (BIP), estimated to nearly double the number of fueling pumps nationwide that supply renewable fuels, such as E15 and E85, to American motorists. Twenty- one states are participating in the BIP, with matching funds from state and private partners, providing $210 million to build nearly 5,000 pumps at over 1,400 fueling stations to strengthen the rural economy and increase the demand for agricultural commodities used in the production of biofuels. We are also proud of our effort to partner with the Department of Energy (DOE) and the Department of the Navy to create advanced drop-in biofuels that will power both the Department of Defense and private sector transportation throughout America – **which to date has led to the procurement of 77.7 million gallons of blended drop in biofuel** – and with the Federal Aviation Administration, DOE, and the commercial aviation sector to sustainably increase the production and use of alternative jet fuel.

We have taken new steps to support biobased product manufacturing that promises to create new jobs across rural America. **Under this Administration, we have added 70 new categories of qualified biobased products for Federal procurement, which includes over 14,000 products. Currently, more than 2,700 products have received certification to display the USDA Certified Biobased Product label**, creating and increasing consumer and commercial awareness about a material's biobased (new carbon) content as one measure of its environmental footprint. We awarded funds through the Forest Service's Wood Innovations Grants Program and the U.S. Tall Wood Building Prize Competition to support pioneering demonstration projects, business planning and research that can advance new markets for mass timber construction that can support the health and resilience of our forests and our forested communities alike.

And earlier this year, the Biomass Research and Development Board released the Federal Activities Report on the Bioeconomy (FARB) that documents federal activities aimed at helping to develop and support the bioeconomy – an emerging part of the overall U.S. economy. The FARB identified a Billion Ton Bioeconomy vision and some of the next steps to sustainably reach the full potential of biomass-derived products as a way of expanding our nation's economy.

Local and regional food systems create opportunities for agriculture and communities

This administration has taken action to open the doors of USDA to new stakeholders and to adapt to changing consumer demands that impact agriculture. One of those changes has been the growing consumer interest in buying locally produced products, which has created major new market opportunities for American Farmers, ranchers and food-related businesses. **The value of local food sales has grown from $5 billion in 2008, and some industry sources estimate that sales could hit $20 billion by 2019.** Under this Administration, USDA has made changes at the policy and programmatic level that are strengthening local and regional food systems, helping to revitalize rural economies, and supporting efforts around the country to provide fresh, healthy food to all Americans. Demand for local and organic food is also attracting more young people back to the land and creating value-added opportunities for farmers to boost their incomes.

At USDA, we recognize that this consumer interest is an opportunity for agriculture, and that strong local and regional food systems can help meet many goals. They harness the entrepreneurial innovation of small and medium-sized family farms and help them succeed in rural America; they drive the creation of new food businesses that in turn create jobs; and they are a strategy to connect low-income consumers with healthy food options in areas that are currently underserved. **Between 2009 and 2015, USDA invested over $1 billion in more than 40,000 local and regional food businesses and infrastructure projects. Today, more than 160,000 farmers and ranchers nationwide are tapping into growing consumer demand by selling their products locally.** USDA investments in local and regional food systems are keeping more of the food dollar in farmers' pockets and improving consumer access to fresh and local food. Research from UC Davis shows that direct-market sales through farmers markets and Community Supported Agriculture enterprises have about twice the impact of wholesale market sales. We also know that food hubs, which play an essential role in food systems by aggregating products from small and midsize farms and distributing them to large-volume buyers, such as grocery stores, are economic drivers. According to a comprehensive survey by Michigan State University, on average, each food hub supports 20 jobs and generates nearly $4 million in annual sales.

USDA support has helped to nearly double the number of food hubs since 2009; and there are now over 8,500 farmers markets nationwide, an increase of almost 98 percent since 2006. USDA resources to strengthen local and regional food systems extend throughout the supply chain, starting with producers, including new insurance offerings to help diversified operations better manage risk, right-sized loans for farms of all sizes, financial support for season-extending tools like high tunnels, and innovative programs to make food safety verification more affordable.

USDA programs also support small businesses and local communities that are using local and regional food systems to drive economic growth. Our investments in farmers markets and other direct-to-consumer local food marketing activities through the **Farmers Market Promotion Program (FMPP), have provided $60 million in assistance for over 900 projects nationwide since 2009.** In the Farm Bill, Congress expanded FMPP to include the Local Food Promotion Program (LFPP), which supports more complex local food supply chains including aggregation, distribution, and storage and processing of local food. LFPP has funded over 350 projects totaling nearly $25 million since it launched. USDA is also helping producers tap into the market for local and regional foods in schools, which are now serving healthier breakfasts, lunches and snacks. Since 2013, USDA has provided over $19 million for 295 Farm to School projects to increase the amount of healthy, local food in schools, which represent a tremendous market opportunity. **In the 2013-14 school year alone, school districts spent nearly $800 million on locally and regionally-sourced food.**

In addition, USDA has made expanding SNAP recipients' access to fresh fruits and vegetables through farmers markets a priority in recent years. **Between 2008 and 2015, the number of farmers markets and direct marketing farmers that accepted SNAP rose from about 750 to almost 6,500. Over $19 million in SNAP dollars was spent at farmers markets in 2015, up from less than $3 million in 2008**. This is a win-win for both farmers and SNAP participants, and it shows how our investments are simultaneously improving the health of low-income shoppers and bolstering the incomes of local farmers.

A healthy and prosperous America relies on the health of our natural resources

Another way that USDA is strengthening the rural economy and improving resiliency is by increasing efforts to responsibly utilize our resources and expand conservation. America's farmers, ranchers and landowners have led the way in recent years to conserve and protect our soil, water and wildlife habitat, as well as protect pollinators. With the help of Farm Bill programs, USDA partnered with a record number of producers since 2009 to create a cleaner, safer environment. During this Administration, we have enrolled a record number of private working lands in conservation programs and implemented strategies - such as landscape- scale efforts - to restore our forests and clean our water supply. These efforts have also created significant economic opportunities in the forms of recreation and improved resilience to withstand major weather events.

A new model for conservation investment established by the 2014 Farm Bill for the

Regional Conservation Partnership Program (RCPP) has allowed USDA to leverage $800 million to support 115 high-impact conservation projects across the nation that will improve the nation's water quality, support wildlife habitat and enhance the environment. As an example, in each of the first two rounds of RCPP funding, USDA funded projects that specifically focused on nitrogen stewardship in the Midwest. In the first round, more than $5 million was awarded to the Illinois Corn Growers Association and its partners to integrate conservation into the foundational farm management of commodity crop operations. In the second round, $9.5 million was provided to the Midwest Agriculture Water Quality Partnership to advance a science-based, non-regulatory approach to reducing nutrient loss and improving water quality, soil health, and habitat for at-risk species. In addition to RCPP, NRCS addresses water quality conservation concerns through other landscape-scale water quality conservation initiatives, such as the Great Lakes Restoration Initiative (GLRI). From 2009-2015, over $22 million in GLRI funds were used to install conservation practices on 103,000 acres in the Western Lake Erie Basin.

USDA is experiencing record demand from producers interested in participating in the Conservation Reserve Program (CRP), which improves water quality, prevents soil erosion and strengthens wildlife habitat. Under CRP, farmers and ranchers across the country are creating at least 15 million acres of healthy forage and habitat for pollinators. The recent general and CRP Grassland sign-ups were the most selective enrollment periods in CRP's 30-year history with a record high Environmental Benefits Index cut-off, ensuring that conservation benefits are being maximized. USDA accepted 101,000 acres in the first-ever CRP Grasslands enrollment, providing participants with financial assistance for establishing approved grasses, trees and shrubs on pasture and rangeland that can continue to be grazed. More than 70 percent of these acres are diverse native grasslands under threat of conversion, and more than 97 percent of the acres have a new, military veteran, or underserved farmer or rancher as a primary producer. This fiscal year, CRP's continuous sign-up enrollment is on track to be the largest since continuous sign-up began in 1997.

USDA is also helping rural America respond to a changing climate. While U.S. agriculture and resource management have long histories of successful adaptation to climate variability, the accelerating pace and intensity of climate change presents new challenges. To address this challenge, USDA's Regional Climate Hubs are developing and delivering science-based, region-specific information and technologies to agricultural and natural resource managers across the U.S. The Hubs are also providing technical support, regional assessments and forecasts, and outreach and training to enable climate-informed decision-making. By partnering with farmers, ranchers, rural land owners, and other stakeholders we can improve the resilience of farm and forestry systems to the challenges posed by climate change, such as changes in weather patterns, extreme weather events, and spreading invasive species and foreign diseases.

Using the authorities provided in the 2014 Farm Bill, we have developed “The Building Blocks for Climate Smart Agriculture and Forestry” strategy to reduce net emissions and enhance carbon sequestration by over 120 million metric tons of CO2 equivalent (MMTCO2e) per year by 2025, while also boosting productivity and resilience in the face of a changing climate. Through this initiative, we will encourage voluntary actions that promote soil health, improve nutrient management, and conserve and enhance forest resources on private and public lands. **Conservation programs on private working lands have reduced net greenhouse gas emissions by over 360 million metric tons since 2009** and through this initiative we will give producers the tools and resources to continue their global leadership in meeting our climate and food security challenges moving forward. Since the announcement of these building blocks, USDA and its partners have taken actions to reduce GHG emissions and increase carbon sequestration from agriculture, forests, and rural areas.

Finally, any discussion of conservation and adapting to a changing climate would be incomplete without USDA expressing the need to fix fire budget funding. The frequency and intensity of wildfire is increasing while the cost of controlling the spread of wildfire is rising, and the way we pay for fire suppression constrains the agency’s capacity to realize additional gains through efficiencies and partnerships alone. Planned wildland firefighting (suppression) activities are currently funded entirely within the U.S. Forest Service budget based on a 10-year rolling average. Today the agency spends over half of its budget on fire management activities and has seen a corresponding 39 percent decline in non-fire staffing since 1998. Left unchecked, two out of every three dollars appropriated to the Forest Service will be spent on fire programs in the next 10 years. In addition to the rising costs of fire, when appropriated resources fall short, as they did in 2015 by $700 million dollars, the Forest Service is forced to transfer funds from non-fire programs to cover the costs of suppression. These mid to late season transfers stop projects, cause uncertainty and instability in planning, and impact the agency's ability to implement projects. Congress must act now and provide a comprehensive fix that will address both the growth of fire programs as a percent of the agency's budget and the compounding problem of fire transfers.

Investments in infrastructure and research

To create a strong resilient farm economy built around trade, the bioeconomy, local and regional food systems, and conservation it was clear that we must have basic investments to set the stage for growth. To accomplish this, we have made historic investments in rural communities, making them more attractive to non-farm businesses and talented hard-working individuals looking to get ahead. USDA has sought to revitalize rural areas and diversify our nation's agriculture by making significant investments in rural infrastructure. **Since 2009, we invested a total of $13.3 billion in new or improved infrastructure in rural areas through 10,623 water projects. These improvements helped nearly 18 million rural residents gain access to clean drinking water and better waste water disposal.**

USDA also delivered modernized electric service to more than 5.5 million subscribers and over 185,000 miles of electric lines were funded. We helped nearly **120,000 rural businesses since 2009 with an investment of over $13 billion**, **creating or saving an estimated 450,000 jobs**. Through it Rural Business Investment Program, USDA has been able to certify three venture capital companies focused with investment in rural businesses. These three Rural Business Investment Companies have pledged over $380 million investment in rural businesses. Since 2009, USDA also assisted more than 1.1 million rural families to buy or refinance a home; in FY 2015 alone, we helped 141,000 rural Americans become homeowners.

New and beginning farmers and ranchers are a fundamental part of the agricultural marketplace and are needed to carry on America's strong legacy of agriculture productivity. However, according to the 2012 Census of Agriculture, their numbers are continuing a 30 year downward trend. To reverse this trend, we need to equip the next generation of farmers and ranchers with the tools they need to succeed. USDA has increased access to our programs by collaborating with partners and improving customer service to increase opportunities for all sizes, segments, and types of farmers and ranchers to break down the barriers they face during the first ten years of operation. We developed an innovative web tool and conducted other outreach activities, to help support key groups, like veterans, women, the socially disadvantaged, as well as facilitate intergenerational transfer of farms and ranches. Through the Beginning Farmer and Rancher Development Program, USDA has also provided more than $130 million in grants for workshops, educational teams, training, and technical assistance to new and beginning farmers. As a result, the Department and its partner organizations have been able to increase program participation by many underserved communities. Farm Service Agency (FSA) has also engaged in cooperative agreements with 55 partners to educate farmers and other producers that have been underserved by USDA programs historically about FSA programs that provide financial, disaster or technical support. Nearly $2.5 million is going to nonprofits, associations, universities, and foundations that will provide training and information on agricultural best practices, local networking opportunities and more.

We must also continue to innovate to keep U.S. agriculture competitive. Long-term agricultural productivity growth relies on innovation through research funded by both public and private sectors. Innovations in animal/crop genetics, chemicals, equipment, and farm organization all result in American farmers producing more with less. In recent years, USDA scientists and university partners have developed new ways to deal with the influenza virus in pigs; increased milk production with fewer resources; created innovative and effective ways to manage pests and promote pollinator health; supported innovations in irrigation technologies resulting in water savings and improved nitrogen use efficiency; developed tools to identify and combat antimicrobial resistant bacteria that threaten human and animal health; and increased profitability of farmers and livestock producers despite droughts and increasing temperatures. Studies have shown that every dollar invested in agricultural research has returned between $10 and $20 in economic benefits to the nation. I am proud that during my service as Secretary, **we have increased investments in peer-reviewed competitive grants through the Agriculture and Food Research Initiative (AFRI) from $201.5 million in FY 2009 to $350 million in FY 2016**, while still achieving growth in formula funding to our partner institutions of higher education. Also, with the help of Congress, we have begun to make needed investments in our research infrastructure.

Farm safety net is working

However, over the past two years, the combination of a strengthening dollar and relatively high global production leading to lower prices for commodities has resulted in large drop in 2015 and 2016 net farm income, relative to the 2011 through 2014 period. USDA expects real net farm income this year to be the lowest since 2009. There has been a slowdown in the rise of land values in most agricultural regions, with some seeing values come down slightly from recent record highs. Demand for farm loans has been increasing, driven in part by the need to cover operating expenses as commodity prices have fallen more quickly than costs. As a result, the debt to asset ratio for U.S. producers has increased over the past two years, but in aggregate is still near historic lows. While the data suggests that net farm income remains relatively high by historical standards— for example, the 5-year average of net farm income since 2014 has ranged between $85 billion (for 2012 – 2016) to $96 billion (for 2010 – 2014), the highest levels since the mid-1970's and that most farms have a strong balance sheet and delinquency rates remain lower than the 2005 to 2014 average – it is clear financial stress is increasing and that some producers are more exposed to financial risk. In general, those producers with high costs of production, rent a significant portion of their land base, or have increased borrowing to cover operating costs will be most exposed to financial risk as returns decline with commodity prices.

The current conditions are leading to increased uncertainty and concern in rural America, but even as falling global commodity prices continue to depress farm income, the current farm safety net that was created during the last Farm Bill is providing support for producers. **In 2015, government farm program payments totaled about $10.8 billion and are expected to increase to nearly $13.8 billion in 2016. In addition the crop insurance program offset more than $6 billion in farm losses in 2015 and is expected to cover more than $9 billion in 2016.**

Last year, USDA enrolled 1.76 million farmers in the new Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs by conducting an unprecedented education campaign. ARC and PLC are a part of the farm-safety net, providing assistance only when there are year-to-year crop revenue or commodity price downturns. To date, ARC and PLC have provided $5.3 billion in financial assistance for crop year 2014, to more than 1 million farms. In addition, more than half of all dairy farms in the U.S. – over 23,000 – have enrolled in the Margin Protection Program for Dairy (MPP-Dairy). This voluntary program provides financial assistance to participating farmers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the producer. Recently, over $11 million in payments were made to over 4,600 dairy operations for the May/June payment period. The largest payment for any two-month period since MPP-Dairy was enacted in 2014. Also, USDA recently amended regulations to allow producers that add adult children, grandchildren or spouses to their operation to increase the established milk production history eligible for coverage under MPP-Diary.

The 2014 Farm Bill indefinitely extended the Farm Service Agency's livestock disaster programs and the Tree Assistance Program. Since the passage of the Farm Bill, these programs have paid producers over $6 billion dollars to recover from natural disasters, including drought and wildfires.

USDA has continued to strengthen crop insurance to ensure the program works for all farmers and ranchers. The Risk Management Agency (RMA) has expanded access to crop insurance options for organic and specialty crop producers through new and innovative programs, including the Whole-Farm Revenue Protection policy, and coverage options that allow organic farmers to protect their products at the market value. In fact**, the number of crops eligible for organic premium pricing went from four in 2011 to 57 for the 2016 crop year. The number of acres insured by organic producers grew from 576,700 in 2009 to 1.1 million in 2016.** The new Whole-Farm Revenue plan is being offered in all counties in the United States in 2016. In addition, RMA has worked to ensure that new crop insurance programs from the 2014 Farm Bill are available for as many crops as possible. The Supplemental Coverage Option (SCO) is now available for 58 crops and the Actual Production History Yield Exclusion is available for 50 crops. The Stacked Income Protection Plan for Producers of Upland Cotton (STAX) is currently available for every county that has a crop insurance policy for cotton. Peanut Revenue Protection is available in every county with peanut coverage, and Margin Protection Insurance is available for wheat, corn, rice, and soybeans in select counties. Finally, the new and beginning farmers and ranchers incentives authorized in the 2014 Farm Bill make crop insurance more affordable for beginning farmers and ranchers by providing a 10 percent premium discount, on top of the premium subsidy all producers receive, as well as a waiver of the catastrophic and additional coverage administrative fees. **Over 13,500 producers have taken advantage of these incentives and**

saved around $14.5 million annually in premiums and administrative fees because of the incentives.

USDA worked with crop insurance companies to educate farmers and ranchers about the new conservation compliance requirements in the 2014 Farm Bill and as a result, over 98 percent of Federal crop insurance participants provided the documentation necessary to comply with those requirements and maintain their benefits.

The Noninsurance Crop Disaster Assistance Program (NAP) to include buy-up protection, similar to buy-up provisions offered under crop insurance, and instituted a fee waiver and 50 percent reduction in premium for beginning and underserved producers as well as direct market, organic, and quality provisions. The Farm Storage Facility Loan Program (FSFL) has also been revitalized and covers storage for more commodities and the microloans option.

Access to credit remains a critical issue for producers, in particular for small and beginning farmers and ranchers. Since 2009, USDA has provided approximately 276,000 loans totaling over $39.5 billion to farmers and ranchers. **In 2016 alone, FSA has made over 28,000 direct loans and nearly 10,000 guaranteed loans for a record loan volume of nearly $6.2 billion.** We are working with the Small Business Administration to leverage existing SBA loan guarantees and SBA emergency credit for rural small businesses. Demand for credit continues to be strong, particularly for farm operating loans, as farmers cope with lower commodity prices. The recent demand has led to full utilization of the current program level for farm operating loans.

While the Farm Bill has resulted in a strong safety net for producers, the Department has also utilized other existing authorities to provide assistance to producers when possible.

Cotton producers are experiencing lower market prices and have indicated that the current safety-net is not providing adequate protection for cotton. We have used the Commodity Credit Corporation's (CCC's) statutory authority to implement the Cotton Ginning Cost-Share (CGCS) program, which is providing needed assistance to financially stressed cotton producers. Through the CGCS program, eligible producers receive a one-time cost share payment to expand and maintain the domestic marketing of cotton. To date, the program has provided about $325 million to assist cotton producers.

We have approved more than $320 million in section 32 purchases that have the

dual benefits of helping producers and providing nutritious foods to those in need, including $20 million cheese buy to assist the dairy industry.

And while we have been able to use certain authorities to provide assistance during this downturn, existing Congressional restrictions on previously available disaster assistance authorities have the potential to limit our ability to react quickly and provide additional assistance if current market conditions persist or worsen. While I sincerely hope they are not needed, Congress should consider lifting these restrictions so that the next Secretary of Agriculture will be able to react as necessary to future needs.

Reducing hunger and improving the health and nutrition of our nation's children

Because our safety net does not stop with producers, this Administration continues its strong support for the Supplemental Nutrition Assistance Program (SNAP). **SNAP kept at least 4.7 million people, including nearly 2.1 million children, out of poverty in 2014.** In addition, every five dollars of SNAP benefits generates nine dollars in economic activity. SNAP has been shown to have long-term benefits as well. Recent research indicates that for low-income individuals, access to SNAP in early childhood led to a 16 percentage point decline in the likelihood of obesity as an adult and an 18 percentage point increase in the likelihood of completing high school.

We also look forward to working with Congress to reauthorize the Child Nutrition Programs in a way that preserves the achievements we have made under the Healthy, Hunger-Free Kids Act. Schools around the country have made tremendous progress in improving the nutritional quality of school meals. **During the 2014-2015 school year, over 97 percent of schools successfully met the nutrition standards by serving meals with more whole grains, fruits, vegetables, lean protein and low-fat dairy, and less sodium and fat.** In the first year of nationwide implementation of the Community Eligibility Provision (CEP), we have also seen progress in reducing the administrative burden on schools and improving program integrity while increasing the number of low-income children certified for school meals. About 60 percent of eligible schools in nearly 3,000 school districts are participating in CEP, reaching more than 8.5 million students.

Though summer vacations may have ended, we remain concerned about expanding the options available to vulnerable children while school is out of session. Over 22 million students participate in free and reduced price meals during the school year, but only a fraction are participating in summer meals. Because hunger does not take a vacation during the summer months when school meals are unavailable, we have expanded the Summer EBT for Children demonstration pilots over the last 2 years. Rigorous evaluations of Summer EBT pilots demonstrate the program effectively reduces food insecurity and improves nutrition. In tandem, **we have expanded summer food programs – serving nearly 4 million children in the summer of 2015. In total, summer meals sites have served over 1.2 billion meals to low-income children since 2009.**

Conclusion

Even as commodity prices have weakened and farm incomes have decreased, the rural economy remains strong. Our work to increase trade, grow the bioeconomy, strengthen local and regional food systems, and expand conservation have resulted in a more resilient rural economy. Rural and urban areas continue to recover from the Great Recession. Median income for farm households remains near the historic high of 2014 — 35 percent higher than median US household income in 2015. Nationally, the real median household income for middle-class Americans saw a record 5.2 percent increase in 2015. While the nonmetro rates of unemployment still lag the metro areas, nonmetro rates have been recovering at about the same pace and we know that both are approaching pre-recessional levels of around 5 percent, providing increasing opportunities for farm families. While there the population of rural areas has been flat or declining lately, we also see that the proportion of adults living in rural areas with some college training now exceeds metro areas. Those bode well for rural America and we have seen poverty fall in nonmetro areas falling in 2015 to its lowest point since 2008.

Further, the farm safety net – while not perfect – is providing assistance when it is needed. And earlier this month an ERS report found the lowest figures on record for food insecurity among children – a major achievement in our country's efforts to ensure every child has a safer, healthier future filled with unlimited opportunity. In 2015, household food insecurity fell 1.3 percentage points from 2014 and 2.2 points from 2011 – the peak of the recession. At the same time, very low food security has dropped to 5 percent from a peak of 5.7 percent. Since when the President took office, 7.9 million fewer people are struggling to provide adequate food for themselves or household members. For these reason, I am confident in the future of the rural economy and see opportunities for us to continue to strengthen this outlook and create opportunities for Rural America in the future.

Finally, Mr. Chairman and Members of the Committee, thank you for this opportunity to speak briefly about the work of the United States Department of Agriculture. It has been my great pleasure to serve with you as the Secretary of Agriculture and would like to take the opportunity at what is likely my final time testifying as the Secretary to recognize your tremendous work in support of rural America and to recognize the great work of the men and women at the Department who work diligently to carry out our mission and implement the policies passed out of this committee. The dedication of this team – both in D.C. and throughout the country – has allowed this Department to reach a record number of people, and with fewer resources. They believe in our mission and I am confident that they will continue to do so well after my tenure at the Department comes to an end.