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HEARING TO REVIEW THE STATE OF THE RURAL ECONOMY

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

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HEARING TO REVIEW THE STATE OF THE RURAL ECONOMY

TUESDAY, MARCH 5, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The Committee met, pursuant to call, at 10:05 a.m., in Room 1300 of the Longworth House Office Building, Hon. Frank D. Lucas [Chairman of the Committee] presiding.

Members present: Representatives Lucas, Goodlatte, King, Neugebauer, Rogers, Conaway, Thompson, Gibbs, Austin Scott of Georgia, Tipton, Crawford, Roby, Gibson, Hartzler, Ribble, Noem, Benishek, Denham, Fincher, LaMalfa, Hudson, Davis, Collins, Yoho, Peterson, McIntyre, David Scott of Georgia, Costa, Walz, Schrader, Fudge, McGovern, DelBene, Negrete McLeod, Vela, Lujan Grisham, Kuster, Nolan, Gallego, Enyart, Vargas, Bustos, Maloney, Courtney, and Garamendi.

Staff present: Bart Fischer, John Goldberg, Josh Mathis, Lauren Sturgeon, Matt Schertz, Nicole Scott, Pelham Straughn, Pete Thomson, Stacey Glasscock, Tamara Hinton, Anne Simmons, C. Clark Ogilvie, Lisa Shelton, Liz Friedlander, Mary Knigge, John Konya, Merrick Munday, and Caleb Crosswhite.

OPENING STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA

The CHAIRMAN. This hearing of the Committee on Agriculture to review the state of the rural economy will come to order.

Thank you, Mr. Secretary, for appearing before us today. I am pleased that the President asked you to continue in your role as Secretary. While we may not always agree on every topic, you have never been disagreeable, and you are a good friend to American agriculture. I appreciate your hard work to quickly implement the extension of the 2008 Farm Bill and announce the signup for farm programs, which gave producers some certainty during a time when uncertainty, or when certainty, I should say, is sorely lacking. All of us can agree that an extension was not our preference but I want to personally thank you for announcing the signup so quickly.

This country continues to face a fiscal crisis that if not addressed will not only harm the agricultural sector in rural America but the country as a whole. The agricultural sector wants to be a part of the solution to our nation's debt crisis. We must find commonsense solutions without trying to scare the American people with worst-

case scenarios. I have confidence in you, Mr. Secretary, to manage sequestration without a mass disruption to the rural economy.

The Committee believes the best way to achieve deficit reduction is in the context of reauthorizing the farm bill with sustainable and fiscally responsible reforms. This Committee and this Congress must pass a comprehensive 5 year farm bill this year. The reforms in the House bill are too great, the savings to the taxpayers are too important and the benefits to our farmers and ranchers are too critical to not complete the process this year.

Few in the agricultural sector will deny that the agricultural economy has done well overall in the last few years, but that well-being has not been distributed evenly throughout the entire sector, and if history is any guide, we know how fleeting the good times are. For example, livestock producers have suffered through multiple years of drought and are operating with no safety net in place. Our livestock disaster programs no longer function because the 2008 Farm Bill only provided 4 years of funding for these important programs. Additionally, record-high prices for some crops have hurt the livestock industry tremendously. Now, I am not here to place blame, but we have to acknowledge that fact. Crop producers in my part of the country and elsewhere are dealing with a third straight year or drought, and also rice, peanut, sugar, dairy and cotton producers have not enjoyed the consistent record-high prices that our friends in the Midwest have.

We must be careful when we paint a rosy picture with a broad brush. While income is up, so is the cost of doing business. Inputs continue to rise as do rental rates. So the fact is, farming and ranching have been and will continue to be a tremendously risky business.

As we all know, agriculture is highly cyclical, and the agricultural community must be prepared for bad yields, bad prices and much lower net farm income in the future. We must be very careful in ensuring that we replace direct payments with a policy that works for all commodities in all regions of the country. We must acknowledge that crop insurance is the backbone of the safety net. But we also recognize its limitations in protecting against multi-year price declines. The Committee firmly believes in providing a true safety net rather than providing payments regardless of market conditions.

Mr. Secretary, I was interested in your comments earlier this year about the agricultural community's loss of influence. The truth is, the United States is less rural, the Congress reflects that reality, and we must adapt. Making the case for production agriculture in rural America is the challenge before us, and we face an uncertain future if the agricultural community is divided. Commodity groups must not tear each other down with the ultimate goal of seeing who gets the biggest slice of the pie. Conservation groups and so-called sustainable groups must realize that for farmers to implement additional conservation practices, they must have the resources to do so. Quite simply, the agricultural community must accept that no bill is perfect but that should not serve as a discouragement. Instead, we must have a rural coalition pushing together to get a bill passed and signed into law.

Mr. Secretary, without hesitation, I know you are a great friend of agriculture and rural America but I am disappointed to see the Administration's comments on meat inspection. You have stated that the sequester provisions of the Budget Control Act will cause you to furlough Food Safety Inspection Service inspectors. The Members of this Committee have heard from constituents that these statements about the interruption of production have affected prices, caused concern among the financial markets and alarmed buyers and sellers in retail and food service community. I anticipate that my colleagues will have questions for you regarding your statements and the evolution of Administration policy in this critical area. Further, I was disappointed to see the Administration favored the Reid-Stabenow proposal to replace the sequester. Fortunately, the Senate failed to pass that proposal, which unfairly targeted agriculture: a proposed 50 percent cut in a single title of the farm bill that accounts for six percent of overall agricultural spending and less than one percent of overall spending. It was not balanced and not acceptable. I believe the best way to achieve deficit reduction as related to agriculture is in the context of reauthorizing the farm bill with sustainable and fiscally responsible reforms such as those the Committee passed last year.

Mr. Secretary, again, thank you for being with us today. I look forward to your testimony.

[The prepared statement of Mr. Lucas follows:]

PREPARED STATEMENT OF HON. FRANK D. LUCAS, A REPRESENTATIVE IN CONGRESS FROM OKLAHOMA

Thank you, Mr. Secretary, for appearing before the Committee today.

I am pleased the President asked you to continue in your role as Secretary. While we may not always agree on every topic, you have never been disagreeable and you are a good friend to American agriculture. I appreciate your hard work to quickly implement the extension of the 2008 Farm Bill and announce the sign-up for farm programs, which gave producers some certainty during a time when certainty is sorely lacking. All of us can agree that an extension was not our preference, but I want to personally thank you for announcing the signup so quickly.

This country continues to face a fiscal crisis that, if not addressed, will not only harm the agricultural sector and rural America, but the country as a whole. The agriculture sector wants to be part of the solution to our nation's debt crisis. We must find common-sense solutions without trying to scare the American people with worst-case scenarios. I have confidence in you, Mr. Secretary, to manage sequestration without a mass disruption to the rural economy.

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Crop producers in my part of the country and elsewhere are dealing with a third straight year of drought. Also, rice, peanut, sugar, dairy and cotton producers have not enjoyed consistent, record high prices that our friends in the Midwest have, so we must be careful to paint a rosy picture with a broad brush. While income is up,

so is the cost of doing business. Inputs continue to rise, as do rental rates. The fact is—farming and ranching have been and will continue to be a tremendously risky business.

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Making the case for production agriculture and rural America is the challenge before us. And, we face an uncertain future if the agriculture community is divided.

Commodity groups must not tear each other down with the ultimate goal of seeing who gets the biggest piece of the pie. Conservation groups and so called sustainable groups must realize that for farmers to implement additional conservation practices, they must have the resources to do so. Quite simply, the agriculture community must accept that no bill is perfect, but that should not serve as discouragement. Instead, we must have a rural coalition pushing forward to get a bill passed and signed into law.

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Mr. Secretary, again thank you for being with us today. I look forward to your testimony.

The CHAIRMAN. I now turn to the Ranking Member for any opening statement he might have.

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman, for holding today's hearing on the state of the rural economy, and welcome back, Mr. Secretary, and I echo Mr. Lucas's comments that we are glad that you are on board for another 4 years, I hope, and we think you have been doing a good job.

With the exception of those affected by the continuing drought, the rural economy by and large is doing well. And as long as Congress doesn't screw things up, I am hopeful that the rural economy will continue to do well for the foreseeable future. And while last year—primarily it was the Republican leadership that kept us from getting a farm bill to the Floor—the fact that we had a strong ag economy didn't help our case. Farmers and ranchers weren't pressuring Congress to act because for the most part, they have been doing pretty well. So now we are operating under a 1 year extension of the 2008 bill, and the unfortunate part of the extension is

that it does not address the need for real reforms to the dairy and cotton programs. There is no funding for disaster assistance, and funding for many of the renewable energy, conservation and rural development programs are reduced or eliminated altogether.

I still think I have a question about how we are going to move forward. I agree with the Chairman that we need to get this bill done this year, but we need to have some kind of an assurance before we move ahead, number one. Number two, we have to have some resolution on what it is we are trying to achieve here, what is the number that we are going to be expected to reduce our outlays and hopefully before we get started on writing the bill, we are going to have some answers in that regard. I have spoken to the Speaker a number of times. In one of those, I said, "What really would help us if you and Harry Reid could come up with a number, what it is that is agreed to on what it is you want us to reduce the bill." Second, what would really help us if you could come up with a number between the two of them on what they want to do with SNAP, and if we could get a number, I think it would be relatively easy to get things done.

So hopefully this will all come together. We will get through this budget morass here for the next couple months and have a fairly good idea of how we are going to move ahead when we get ready to do it. The sequester is a challenge, and neither Republicans nor Democrats have put forward a plan to replace it that has a chance of getting done, so it is what it is, and there are a lot of questions about what it means. We haven't gotten all the answers yet. Maybe we will get some of those today, and I hope that is the case.

Before I finish, Mr. Secretary, I know you have taken some heat from your recent comments about agriculture and rural America, but I see where you are coming from. You know, we have had a long history of bipartisan success but I think to some extent because we have been successful, that is now causing us problems because we haven't had the pulling together that we needed to have on some of these issues in rural America. I don't know exactly what we do about it but it seems like good times always kind of get us into this situation. So we can't afford to be complacent. There are other programs that are very important to rural America, as you pointed out, that don't always get as much attention, and we have to come up with a balanced approach that takes care of everybody in rural America, not just farmers, if we are going to be able to be successful in putting together a bill that is going to stand the test of time.

So again, thank you for being with us, Mr. Secretary. Thank you, Mr. Chairman, for holding this hearing and I look forward to the testimony and questions.

[The prepared statement of Mr. Peterson follows:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM MINNESOTA

Thank you, Chairman Lucas, for holding today's hearing on the state of the rural economy and welcome back, Secretary Vilsack, to the Committee.

With the exception of those affected by continuing drought, the rural economy, by and large, is doing well. As long as Congress doesn't screw things up, I am hopeful the rural economy will continue to do well for the foreseeable future.

While it was the Republican Leadership that did not bring the farm bill to the floor last Congress, the strong ag economy didn't help our case. Farmers and ranchers weren't pressuring Congress to act because, for the most part, they've been doing pretty well. So now, we're operating under a 1 year extension of the 2008 Farm Bill. The unfortunate part of an extension is that it does not address the need for real reforms to the dairy and cotton programs. There is no funding for disaster assistance and funding for many renewable energy, conservation and rural development programs was reduced or eliminated altogether.

I still don't think it's worth the Committee's time and effort to mark-up a farm bill this year if we don't have an assurance that the bill will be brought to the floor. As it was last year, the budget situation is going to be a huge challenge, which is part of the reason I pushed so hard to pass a bill last Congress. CBO just put out a new score for the Committee's farm bill; and instead of saving $35.1 billion over 10 years, they now say the bill will save $26.6 billion over 10 years. So, we may need to reassess our objectives before moving forward. Despite all this, I'm optimistic that we'll be able to find a way to get this done.

The biggest challenge, at the moment, is the sequester. Since neither Republicans nor Democrats have put forward a balanced plan to replace it, the sequester is in effect. There are still a lot of questions about what this means for agriculture; I hope today will yield some clear answers.

Before I finish, Mr. Secretary, you've taken a lot of heat for some of your recent comments about agriculture and rural America but, I see where you're coming from.

Given our bipartisan history and past success, I fear that some in agriculture take it for granted that farm policy will always be taken care of—that Congress will pass a new farm bill every 5 years or approve disaster aid in a timely manner. We've seen that this is no longer the case. There is now a significant segment of lawmakers that never met a government program they didn't want to cut or eliminate; the farm bill is no exception.

Rural America is relevant but we need get past this complacent mindset, look to the real issues and speak with a unified voice calling for action. If we can't do that, I'm not sure what the ultimate fate of farm policy will be in this Congress.

So, again, I thank the Chairman for this hearing and look forward to the Secretary's testimony.

The CHAIRMAN. And I thank the Ranking Member for his comments.

The chair would request that other Members submit their opening statements for the record so the witness may begin his testimony and to ensure that there is ample time for questions.

With that, I would like to welcome our only witness today to the table, the Hon. Tom Vilsack, Secretary, U.S. Department of Agriculture, Washington, D.C. Secretary Vilsack, please begin when you are ready.

STATEMENT OF HON. THOMAS "TOM" J. VILSACK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Secretary VILSACK. Mr. Chairman, thank you very much, and to the Ranking Member, thank you for the opportunity to be here today. Let me begin by suggesting that I have submitted a formal statement for the record. What I would like to do is just simply summarize that in the interest of time.

And let me start where every hearing in agriculture should begin by acknowledging an obvious fact, which is that America has the greatest farmers and ranchers in the world. No better evidence of that than what happened last year with the drought that was the worst drought we have seen since the 1930s, albeit crop production was remarkably high, given the circumstances, and it is a testimony to the greatness of our producers.

As a result of that, and as a result of record exports, record enrollment in conservation programs, record expansion of local and regional food systems and expanded opportunity in the biobased

economy, farmers generally enjoyed record farm income, but as the Chairman indicated and as the Ranking Member indicated, this was not necessarily shared by all in agriculture. There were regional differences and obviously differences between producers.

Notwithstanding that, I am bullish about this year. Forty-five percent of America is still impacted and affected by drought but that is the first time that that number has been below 50 percent for the last 30+ weeks. We are projecting, with any kind of decent weather, record crop production, which should help moderate crop prices which in turn should allow dairy and livestock producers to return to profitability sometime this year, which is obviously an extraordinarily important thing.

There is, as the Chairman indicated, a degree of uncertainty. The sequester has caused uncertainty, and the impact of sequester will be felt in terms of reduced farm credit, reduced conservation efforts, reduced food inspection and reduced exports. In addition, we have uncertainty as a result of the lack of a passage of a 5 year farm program, and now we find perhaps that work will be even more difficult as the Congressional Budget Office has realigned some of the savings from previously discussed programs, but I would agree with the Chairman that the most significant thing that could be done this year would be for us to get a 5 year farm program through the process. That will provide the certainty for producers and rural America and will reaffirm the importance of rural America to the rest of the country.

But that uncertainty is complicated further by what can happen from other countries. We are obviously dealing with trade barriers as we speak. Despite the fact that we are anticipating a record export year, we are constantly battling unscientific trade barriers, most recently Russia's decision with reference to ractopamine.

I know that there will be questions about the sequester but I thought I should share with the Committee that we have been taking deficit reduction and budgets very seriously at USDA. Over the last 2 years, we have identified and implemented programs that have resulted in savings in excess of $700 million. We have reduced our workforce by eight percent. We have closed offices and labs. We have consolidated rented space. We focused on IT savings. We created a strategic sourcing effort for purchases of supplies, and we have significantly reduced travel, conferences, and supply expenditures. We are proud of this effort. It will continue because we recognize the important role of creating greater efficiencies in government. But I tell this to the Committee just simply to make sure that you all understand that we do take this very seriously and we have taken steps proactively to try to reduce our budget. As a result of the sequester, we are now faced with an operating budget that is less than it was in Fiscal Year 2009, and we have had pretty much a flatline budget the last 3 years. So we understand and appreciate the importance of being fiscally responsible and we have shown good faith in that effort. We will continue that. But the sequester has implications and impacts, some of which cannot be avoided, and I would be happy to discuss those impacts with the Committee today if that is of importance and significance to the Committee.

Mr. Chairman, let me just finish by saying that despite the challenges, despite the difficulties, despite what Mother Nature throws, we still do indeed have the greatest farmers and ranchers in the country, and the result is that we can be confident that regardless of the challenge, rural America is up to it and we will continue to provide the food supply for this country, making us a food-secure nation. We will continue to promote conservation and water preservation and conservation. We will continue to provide an ever-increasing amount of the fuel and energy this country needs to grow. We will continue to create job opportunities not just in rural America but across the country as one out of every 12 jobs is impacted and affected in this country by agriculture, and our families will continue to disproportionately provide military service to this country as they have throughout history.

I am proud to be here today as Secretary of Agriculture, and while I appreciate the fact that you all think I can be here for 4 years, I serve at the pleasure of the President. I could be gone tomorrow. We will see how this hearing goes.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Vilsack follows:]

PREPARED STATEMENT OF HON. THOMAS "TOM" J. VILSACK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to discuss the state of the rural economy. I believe that the state of the agricultural economy is strong—and that the strength of American agriculture is driving further economic opportunity across rural America. Today, I would like to discuss why I make this statement, and highlight the significant opportunities that exist to continue to grow and strengthen the rest of our rural economy, which plays such a vital role in our nation's overall economic health.

The U.S. Department of Agriculture (USDA) under President Obama's leadership has taken significant steps to strengthen production agriculture by: providing a strong safety net and expanding markets for U.S. exports; enhancing America's conservation efforts alongside farmers and ranchers; investing in the biobased energy and product manufacturing of the future; and strengthening new local and regional marketing opportunities for producers. These efforts have already 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. Going forward, we must step up our efforts to invest in these four areas to ensure rural America remains strong and viable long into the future. Additionally, it is my hope that Congress will support these efforts and provide more certainty for American agriculture by stopping the across-the-board spending cuts that went into effect on March 1, and through passage of a comprehensive, multi-year Food, Farm and Jobs Bill.

Supporting Production Agriculture

America's rural economy is tied closely to the success of our farmers and ranchers. The Administration recognizes the critical role American agriculture plays in strengthening our economy, given that one in twelve U.S. jobs is supported by our agriculture sector, and we have prioritized the delivery of a strong safety net. Thanks to their willingness to innovate, use of technological advances, and smart business decisions, producers have kept U.S. agriculture strong in the face of a record drought and other disasters over the course of the past year. After adjusting for inflation, net farm income is projected to be the highest in 4 decades, and aggregate farm equity is at an all time high. I'm proud of USDA's record under President Obama to provide a strong safety net for producers while expanding markets for U.S. products.

USDA staff has successfully implemented a number of new and complicated programs to ensure the effectiveness of the farm safety net. In 2009 and 2010 the Department expedited implementation of the 2008 Farm Bill disaster programs, which provided more than 400,000 payments to producers totaling $4 billion. USDA has made record farm loans—more than 134,000 loans totaling $18.6 billion in credit.

And we strengthened the Federal Crop Insurance Program, achieving $4 billion in savings while ensuring that many producers had an avenue for assistance in times of disaster.

During the historic drought last summer, the Administration took every possible step to strengthen the safety net. For example, USDA shortened the time taken to provide Secretarial Disaster Designations, achieving a 40 percent reduction in processing time and quicker assistance for farmers and ranchers. USDA worked with crop insurance companies to provide flexibility to farmers within the Federal Crop Insurance Program, freeing up about $20 million for producers. USDA opened millions of Conservation Reserve Program acres for emergency haying and grazing—making an estimated $200 million in additional forage available for producers while still meeting our conservation goals. We further expanded credit, effectively lowering the Farm Service Agency (FSA) Emergency Loan interest rate and working with the Small Business Administration to extend nearly $7 million in SBA emergency credit for rural small businesses. USDA also purchased over $170 million of pork, lamb, chicken, and catfish to help relieve pressure on American livestock producers and bring the nation's meat supply in line with demand.

While I am proud of these efforts, it is clear that more must be done to provide a complete safety net that comes with the certainty of a multi-year Food, Farm, and Jobs Bill. For example, many in the dairy and livestock industries remain severely impacted by rising input and feed costs and tight margins as a result of the drought and other disasters. Our current farm safety net is centered on crop insurance, which is critically important for many farmers but does not provide certainty for dairy and livestock producers, or growers of many specialty crops. Additionally, without a comprehensive, multi-year farm bill that provides long-term certainty for producers, it is difficult to ensure that a strong and viable safety net of programs is consistently offered by USDA.

In addition to our efforts to provide a strong safety net, USDA will work in the coming years to support production agriculture by expanding new markets around the world, building on three new trade agreements signed by President Obama with Korea, Colombia, and Panama. Agricultural exports have increased 43.6% from 2009 through 2012, from $101.2 billion to a record $145.4 billion. This progress means that agriculture is making a strong contribution to achieve President Obama's goal under the National Export Initiative of doubling exports by the end of 2014. Over the course of 2013, I am hopeful that the United States can achieve additional trade with the European Union and with a number of Asian nations through progress on a Trans-Pacific Partnership.

USDA will also continue to support production agriculture by investing in strong agricultural research, particularly as we investigate new measures to adapt agriculture to extreme weather events. Since 2009, USDA has thoughtfully restructured its science agencies to ensure the most effective and efficient use of its resources, while leveraging the strengths of our partners across the scientific community to achieve even more results. For example, the National Institute of Food and Agriculture (NIFA) was created to advance knowledge by supporting research, education and extension programs in the Land-Grant Universities and other partner organizations. In 2012, we celebrated 150 years of partnership with the Land-Grant Universities, which have educated more than 20 million students and opened the doors of education far and wide. Studies have shown that every dollar invested in agricultural research returns roughly $20 in economic benefits to the nation.

Unlimited Opportunity for the Rural Economy

As I mentioned, the rural economy is stronger today—led by the continued strength of the agricultural economy and record efforts by President Obama to invest in the prosperity of rural communities. For example, since 2009 USDA has provided nearly 15,000 loans and grants to help more than 60,000 rural businesses grow and support more than 320,000 jobs; helped more than 620,000 rural families to achieve the dream of homeownership; and invested in nearly 8,000 projects to help rural towns and communities provide vital community facilities.

At the same time, the Administration recognizes the long-standing challenges that the decline in rural population, as well as continuing rural poverty, pose to our nation's well-being. In addition to our continuing support for production agriculture that stands at the heart of the rural economy, USDA is focused on helping to achieve new markets and new partnerships for local and regional agricultural markets; conservation, natural resources and outdoor recreation; and further development of an advanced biobased economy—all of which will complement the strength of production agriculture to create new opportunity in rural America.

USDA is focusing on providing new local and regional marketing opportunities for farmers and ranchers. Our efforts to promote local and regional marketing opportu-

nities have increased the number of farmers' markets to more than 7,800 nationwide, a 67 percent increase over 2008. We also have taken steps to increase the number of regional food hubs to more than 200 in operation nationwide today. We will also continue looking for new steps to aid smaller farmers and farm businesses, an effort that will complement investments in local and regional marketing opportunities. In January, USDA finalized a new Microloan Program within FSA's Direct Operating Loan program. The program will provide loans up to $35,000 to help launch startup farm businesses, provide needed resources, and increase equity so farmers can graduate to commercial credit and expand their operations. Access to credit is especially important for young farmers who are faced with high start-up costs and record land prices.

USDA will help spur job creation through conservation and management of America's natural resources. Visitors to National Forests have helped support more than 200,000 jobs annually in rural communities. By protecting and strengthening these National Forest System lands and resources, we can provide even greater opportunities for outdoor recreation in the national forests. In the coming years USDA will take new steps to support conservation efforts while providing new opportunity for farmers to generate income. For example, USDA set a new goal last year to target 1 million acres for wildlife habitat to further support hunting, fishing and conservation efforts through the Conservation Reserve Program (CRP). USDA has supported states and other partners in their efforts to establish ecosystem trading markets, an effort that will continue in 2013. USDA also is further investigating the potential use of multi-cropping by farmers to further expand the availability of cost effective biofuel feedstocks while reaping significant economic and natural resource benefits.

USDA will continue to make investments needed to grow opportunity in the biobased economy. USDA has helped create markets for advanced biofuels from non-food, non-feed sources—from the farm field to the end user—and we are taking the necessary steps to create more jobs through rural manufacturing. Since 2009 USDA has helped jumpstart efforts to provide a reliable supply of advanced plant materials for biofuels. USDA has provided incentives to produce advanced feed stocks for biofuels; invested in efforts to build advanced new biorefineries; invested in six regional research systems across America to develop advanced biobased energy technology appropriate to every region; and worked with agencies across the government—including the U.S. Navy—to strengthen markets for the use of advanced biofuels. Meanwhile, biobased manufacturing is stronger, with 3,000 companies producing more than 25,000 plant-based products today. The Administration has supported this growing industry, prioritizing more than 9,000 "biobased" products for Federal procurement. In the coming year, USDA has set a goal to assist 50 additional U.S. companies producing homegrown biobased products.

The Administration believes that in the wealthiest nation on Earth, no American who works hard at a full-time job should live in poverty. Even as we create more jobs in rural America, the Administration recognizes that there are areas of persistent poverty across rural areas. In 2013 USDA will continue to expand a pilot program—the Strike Force for Rural Growth and Opportunity—to identify persistent poverty communities in pilot states and carry out targeted efforts to increase program awareness and opportunity in these areas. USDA piloted the Strike Force Initiative in 2010 in the States of Arkansas, Georgia and Mississippi. In 2011, the Strike Force expanded to the Southwest adding Colorado, New Mexico and Nevada. The efforts to target resources to areas in the pilot have already been successful. For example, FSA loans in Strike Force areas were up almost ten percent in 2012 over the previous year—even when the nation as a whole saw farm lending drop ten percent. USDA intends to further expand the Strike Force initiative to additional states in the coming months.

Conclusion

Finally today, I want to reiterate the critical nature of providing certainty through a balanced and sensible plan to stop the sequester that took effect on March 1, as well as a through passage of a comprehensive Food, Farm and Jobs Bill.

Like all American families, it's important that USDA and other Federal agencies get our job done within a sensible budget. USDA's efforts have helped to deeply reduce USDA's operating expenses over the past 2 years. Through the Blueprint for Stronger Service we have achieved more than $100 million in cost avoidances already, with efforts underway to achieve $250 million in such savings over the course of this year. However, the across-the-board spending cuts known as sequestration are now severely limiting our ability to deliver critical programs for the American people, and I share the President's hope that Congress will stop these harmful cuts.

Through passage of a comprehensive, multi-year Food, Farm and Jobs Bill, Congress would provide much-needed certainty to millions of Americans impacted by

this legislation and USDA programs. The farm bill provides for a great number of critical programs delivered by USDA, including programs for farm commodity and price support, conservation, research, nutrition, food safety, and agricultural trade. Over the course of 2013, I look forward to working with Members of this Committee, and with Congressional leaders, to achieve passage of a comprehensive, multi-year Food, Farm and Jobs Bill that will allow USDA to continue to provide a strong safety net, combat rural poverty and create even more good jobs in rural America.

Mr. Chairman and Members of the Committee, thank you for this opportunity to speak briefly about the current state of the rural economy in the United States. Rural Americans have shown over the past year their resolve and their willingness to embrace innovation—and I believe that the same tools that kept the rural economy resilient over the course of an uncertain year will help rural America continue to drive the economy forward.

The CHAIRMAN. Thank you, Mr. Secretary, and I would note for the record that the Secretary of Agriculture's position has always been one of the most challenging in any Presidential Cabinet, and those who serve for a full term or potentially two terms are to be greatly respected and admired.

That said, let us talk for a moment about the February 27 memo, but first I should note, the chair would like to remind Members that they will be recognized for questioning in the order of seniority for Members who were here at the start of the hearing, and after that, Members will be recognized in order of arrival. I appreciate the Member's understanding, and I recognize myself for 5 minutes for questions.

Let us talk about that February 27 memo, Mr. Secretary, from OMB regarding agency responsibilities in the event of sequestration. It states that agencies must be guided by the principles of protecting the agency's core mission to serve the public to the greatest extent practical. Wouldn't you agree that providing the essential inspection services that protect public health and provide wholesome and affordable food is consistent with that directive?

Secretary VILSACK. It is, Mr. Chairman, so long as there is adequate appropriations to provide that assistance, and that is the problem. The sequester, the way it is structured, requires every account to be reduced by the same percentage amount, and in the food safety area, there are very few accounts. Eighty-seven percent of the budget is frontline inspectors and the support system for those frontline inspectors. We have a limited period of time in which to implement the sequester, 6, 7 months. The impact of it is basically 10 to 12 percent of our remaining budget, and no matter how you slice it, no matter how you dice it, there is nothing you can do without impacting the frontline inspectors. You don't have the luxury as you do in normal circumstances of transferring money because there is no money to transfer based on the way the sequester is structured.

So I agree with you, the inspections are very, very important, and we will do everything we can to minimize the disruption, but I have to be truthful with this Committee that based on the way the sequester is structured, it will impact food inspection.

The CHAIRMAN. But you will, Mr. Secretary, utilize the maximum flexibility you have? I mean, you have substantial inspectors and plants all over the country, plants that work on different hour schedules. The odds that we would furlough every inspector on the same day are rather minuscule, correct?

Secretary VILSACK. Well, the problem, Mr. Chairman, is that it is not just a circumstance of flexibility in terms of the facilities. There are 6,263 facilities, and the reality is that you have to be careful about how you structure this because some facilities are actually dependent upon the work of other facilities, and we are now seeing some of these facilities actually reducing their hours because of the overall economy, so it is a complicated process that we have to go through to determine how and under what circumstances, plus this is not just something I can determine by myself. There are requirements to bargain with the union that represents the inspectors in terms of the sequencing and the structure of the sequester and how it is implemented. So it is extraordinarily complicated.

The CHAIRMAN. So if the sequester trumps the food safety Acts, which is basically what you are saying, do your union labor agreements trump the sequester act?

Secretary VILSACK. No, Mr. Chairman. The way I see this is, the Food Safety Inspection Act requires companies that want to sell meat, process pork whatever, to have those items inspected before they can sell them to customers. The law also requires that the companies cannot privatize, if you will, that inspection service. It has to be done by USDA officials, USDA employees. That is subject obviously to having the resources and the appropriations to be able to pay for those inspections because you have anti-deficiency issues. So it is not a matter of trumping, it is just a matter of the sequencing of this is such that if you don't have the money to pay for people, you can't have people on the line, and that is, candidly, where we are.

The CHAIRMAN. So in the circumstance you have described, it would sound like there are things that obligate you not to begin immediate furloughs. How far down the road is it before those issues will be sorted out?

Secretary VILSACK. That is a fair question. This week we will send out notices to the union representatives that a furlough is possible, and one of the challenges is that not every one of our workers in this particular area has e-mail, so we actually have to hand-deliver a letter or written notification to those employees. That has to be followed up under the agreement with oral conferences that have to take place for any employee who requests an oral conference. That will be done at the local level by local or regional supervisors. So we are looking at a several-month period, if you will, before a furlough could be implemented, assuming that we can negotiate with the unions a process, and I obviously don't know when those negotiations will take place, but I am assuming that we will be able to get to a resolution of how and under what circumstances. So the industry will have some notice of what will actually happen, which we hope we will be able to some extent, a minimal extent avoid the disruption that is going to occur.

The CHAIRMAN. Mr. Secretary, could your lawyers down at the Department—we are going to get questions as Members and as a Committee as a whole about how all this works. Could your lawyers provide us with the legal background on how they make their decisions on what takes priority over what so that we can understand what is going on?

Secretary VILSACK. Sure. I think Senator Grassley requested an evaluation, which we are furnishing today or tomorrow, and we would be more than happy to furnish that to the Committee.

The CHAIRMAN. Thank you, Mr. Secretary. My time has expired. I now recognize the Ranking Member for 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman.

So I am trying to understand this. So 87 percent of the money goes to inspectors, and you just said it is going to take some matter of months before you get through this process, so I don't know what that is, maybe 3, 4 months.

Secretary VILSACK. Well, it is going to take several months because——

Mr. PETERSON. So my question is this. You have to cut five percent, and you now have by September 30, right?

Secretary VILSACK. I am sorry. What?

Mr. PETERSON. By September 30, you have to cut five percent?

Secretary VILSACK. That is correct.

Mr. PETERSON. So if it is going to take some number of months, you could get down to a situation where you have only have 3 months left in the year by the time you get this ready to go?

Secretary VILSACK. That is correct.

Mr. PETERSON. Does that mean that you are going to have to make bigger reductions in order to meet the five percent? Is that the reality of what the situation is?

Secretary VILSACK. If you have 6 months left to implement this, you have, in essence, a ten percent reduction of your remaining resources. If there are 3 months, you have a 15 percent reduction of your remaining resources.

Mr. PETERSON. So that is how it is going to work?

Secretary VILSACK. Well, we may have a bit more than 3 months but it won't be a lot more than 3 months, and that is one of the problems.

Mr. PETERSON. Now, last year, a year ago, FSIS issued a proposed rule on modernization of poultry inspection, and according to your data, establishments operating under this HACCP-based inspection model project called HIMP, a pilot project, that performs as well or better than traditionally inspected plants, and furthermore, the rule created additional poultry plant jobs and will have budgetary savings for FSIS. Can you give us an update on when USDA plans to issue a final rule on this?

Secretary VILSACK. Well, we are hopeful of getting this through the process this year, Congressman. This is an important opportunity for us to improve the safety of food inspection in poultry plants. It really hasn't changed for probably 60 years. It is an opportunity for us to really focus on where we think the risk of pathogens is greatest. It does require a shifting of responsibility with companies assuming more responsibility for examining defects of poultry that are not necessarily tied to food safety, and that would free up our inspectors to actually do a better job of inspecting the entire plant. We do believe it will save money and we believe, based on the experience, that it will reduce illnesses and the risk of death.

Mr. PETERSON. But it won't happen before September 30th?

Secretary VILSACK. No, no.

Mr. PETERSON. A few weeks ago, Deputy Secretary of Defense Ashton Carter testified regarding the sequester that if they had additional flexibility, well, I guess he testified that at this late date would do little to offset the effects of sequestration, even if they had flexibility. Is the Department seeking any legislation to give it flexibility? I know we have had discussions that if you had some flexibility, you might be able to avoid some of the problems with the meat inspectors, for example. Are you able to pursue anything, or where are you all with all of that?

Secretary VILSACK. Well, respecting the process here, knowing that you all are going to be faced with a circumstance in a couple of weeks of having to decide what to do with the continuing resolution and discussions that will take place in terms of the farm bill. Our focus has been on basically implementing the sequester, focusing on what we would do in the event the continuing resolution is not continued and trying to do the best we can to deal with the extension of the farm bill and to work with this Committee and the Senate Committee to try to get a farm bill through. That is where our focus has been.

You know, we will work with whatever Congress provides us but you have to give us the tools, and the reality is that there are micro problems and macro problems with the sequester. You know, $85 billion taken out of the economy in addition to the payroll tax increase that took place at the 1st of the year is a pretty significant hit to the economy. It is going to probably impact growth. We are trying to avoid that the best we can.

Mr. PETERSON. But bottom line, if you had some flexibility, you might be able to soften some of the problem with the meat inspection situation?

Secretary VILSACK. Well, the reality of a sequester is that it doesn't allow you any ability to prioritize.

Mr. PETERSON. Right. So if you had flexibility to move things around, it might not be as big of an issue with the meat inspectors?

Secretary VILSACK. We would obviously recognize the important role of mission first and we would do everything we could to make sure that the most important missions were completed and done. We don't have that capacity today. That is why this is recognized by all as bad policy.

Mr. PETERSON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Iowa, Mr. King, for 5 minutes.

Mr. KING. Thank you, Mr. Chairman, and thank you, Mr. Secretary for your testimony and your service as our Secretary.

I am following up on the gentleman from Minnesota's questions. The viewpoint I would have would be that if you had more—what I am hearing is, if you had more flexibility, you could diminish the effect of the potential furlough of our meat inspectors, and I don't hear you say yes to the question, have you submitted a plan or proposal as to where you might take that money if you had full flexibility within the Department. Can you tell us here today where you would take that money from if you had full flexibility?

Secretary VILSACK. Congressman, I am a little reluctant to do that because I would like to obviously have the opportunity to understand precisely what flexibility I have, what directions Congress

is providing to me and what our staff has to say. These are difficult choices that we make. Do we take it from the Foreign Agricultural Service and reduce exports? That is not a particular——

Mr. KING. But I am really interested in what you might do, and rather than what would be a bad thing to do, and as I watch the Pentagon, they seem to be able to propose that they can furlough civilian employees with a significant amount of flexibility. I am going to expect that they went to OMB for analysis of the sequestration language. Have you had any directives from OMB that would illuminate this thing in such a way that you have less flexibility than the Pentagon, perhaps?

Secretary VILSACK. Well, no. The Pentagon—the difference, Congressman, is depending upon how many accounts you have in a particular area. So, for example, NRCS in my world has far more accounts than the food safety account and so you do have some degree within the NRCS world of being able to prioritize because you have different accounts. But with food safety, you only have a couple of accounts and they are all basically people, and most of them are people on the front lines.

Mr. KING. I do understand that, and that has been part of your public statement over the last few days. I would ask you if you would be willing to, and just ask you to submit to this Committee your recommendations on what you would like to see written into the CR to give you the flexibility necessary so that the meat industry no longer has to be concerned about the backup that could be caused by furloughs of meat inspectors?

Secretary VILSACK. Well, the answer to that question is relatively easy, Congressman. Just give us the resources.

Mr. KING. That is not an option, Mr. Secretary, as you well know.

Secretary VILSACK. Well, see, now, that is a choice you all are making.

Mr. KING. That is a choice that was actually recommended by the President and it is the current law. I am suggesting this: staying within sequestration caps, which you have said that you intend to do and follow the law. Do you have a recommendation you would be willing to offer this Committee that could go into the CR that would alleviate the meat inspection problem that you say is impending?

Secretary VILSACK. Well, again, if I was going to make a recommendation, it would be to adequately fund that line item of the budget.

Mr. KING. We have reached an impasse on that, Mr. Secretary. So let me pose a couple of other things. Can you cite any evidence that the School Lunch Program is contributing to the obesity of our children?

Secretary VILSACK. Well, there is an Institute of Medicine study that was done prior to the Healthy, Hunger-Free Kids Act passage in 2010 that suggested that our School Lunch Programs were providing our youngsters with too much sodium, too much sugar and too much fat content, all of which do in fact contribute to obesity.

Mr. KING. Out there across the people that are providing the food to these kids, I can't find anybody in the industry, in the cafeterias

that would concur that the food they are getting now is contributing to obesity.

Secretary VILSACK. Well, there is a difference, Congressman. You asked if there was evidence——

Mr. KING. You cited the study, and I recognize that.

Secretary VILSACK. So if you are asking the question today, obviously we are taking steps to improve our meals and providing more fruits and vegetables, less sodium, less sugar, less fat, more whole grains and low-fat dairy. So we believe that it is making a difference, and the fact that we have seen obesity levels in major cities basically plateau is a good indicator of perhaps——

Mr. KING. I read the First Lady's op-ed on that. I didn't see a lot of evidence in it, but I saw her op-ed. But can you cite a statutory directive to cap calories or meat in the School Lunch Program, or isn't that an option that you have taken when you wrote the rules?

Secretary VILSACK. Well, one of the concerns obviously is calories in and calories out, and what we have done in light of the concerns that have been expressed by school officials is to provide some degree of flexibility on this. I think there is greater appreciation and greater acceptance of this because of the flexibility we provided. So there has been flexibility but we haven't necessarily sacrificed the principles that the Healthy, Hunger-Free Kids Act directed us to do.

Mr. KING. What is the rationale for rationing meat?

Secretary VILSACK. Well, it is not rationing meat. It is balancing the meal, Congressman. It is making sure that there is a balance between fruits, vegetables, grains and protein.

Mr. KING. You have a cap written into it, meat that can be supplemented by other forms of protein, so I would define that as rationing meat. What would the rationale be?

Secretary VILSACK. Well, it is giving school districts choices in terms of their protein choices and making sure that they understand the importance of a balanced plate and a balanced meal.

Mr. KING. Thank you, Mr. Secretary. I yield back.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. DAVID SCOTT OF GEORGIA. Thank you, Mr. Chairman.

Mr. Secretary, given that in respect to the furloughs of the food safety inspectors under sequestration, and the fact that these food inspectors do not just stop at the plant but they deal with the ranchers, the farmers and ultimately the consumers under sequestration, so it would be very interesting to get your take: will sequestration give the American people cause for alarm about the safety of the food they will eat?

Secretary VILSACK. Congressman, I don't think it is so much the safety of the food in my world, in USDA. Now, if I were the FDA Commissioner, I might answer that question a little bit differently. But we know that when inspectors leave the plant, the plant shuts down. I think it is more about the supply and production of food and whether we are faced with higher prices or lower prices as a result of disruptions in supply and the impact that it has on producers. I mean, the reality is, if you feed a chicken one more day than you should, then basically it creates potential issues with that

chicken going down the line and the equipment and the machinery that is used to process. So there are ramifications to this. I think it is less about the safety and more about production, but on the FDA side, it is more about safety.

Mr. DAVID SCOTT OF GEORGIA. And you say that given the fact that we have had a number of foodborne illnesses, *Salmonella* outbreaks, given the current status of food inspectors. And now we are going to have this furloughing system, and you can give the American people assurances that the food safety will not be jeopardized through this sequestration and loss of the number and the availability of man-hours for food safety inspectors?

Secretary VILSACK. Our number one goal, Congressman, is to make sure that product that leaves those plants is safe, and we have taken steps in the last couple of years to reduce the risk of *Salmonella* and we are going to continue to work hard to make sure that food is safe. I don't want to—this is not about creating great concern among consumers. This is about being very truthful about the consequences of sequester, which is that it is going to disrupt production in these facilities.

Mr. DAVID SCOTT OF GEORGIA. So it will disrupt production but will not jeopardize food safety?

Secretary VILSACK. Just simply because it is a situation where the production of food is stopped and it creates a clog in the system or it creates shortages, which has an impact on consumers and on grocery stores and things of that nature.

Mr. DAVID SCOTT OF GEORGIA. Well, tell us how these furloughs will work. That will be helpful. Will they be staggered or will all 15 furlough days have to be taken continuously?

Secretary VILSACK. I don't think that you are going to see a continuous furlough because that would basically shut the pipeline down completely. What we are going to try to do is to maintain some degree of movement through the pipeline to avoid a more significant disruption.

Mr. DAVID SCOTT OF GEORGIA. Well, does an individual plant's production cycle have any bearing on when the inspectors assigned to that plant will suffer their furlough days?

Secretary VILSACK. If I understand your question, it is not so much the cycle that the plant is on, it is more how we can coordinate the furloughs to make the most sense and to avoid the least amount of disruption and to treat all plants equitably.

Here is the issue. You know, just a hypothetical. Let us assume for the sake of discussion we wanted to create a regional impact and we would start in the Southeast initially and we would furlough people in the Southeast and then let us assume that Congress decided through a CR or the farm bill or some other mechanism to provide resources to end the sequester or to change the sequester or to create greater flexibility. If you don't treat everybody the same, you have a situation where some plants will be inequitably treated, and we think it is important as a principle of this to try to be as equitable as we can in this process.

Mr. DAVID SCOTT OF GEORGIA. And your process of dealing with the furloughing of these food inspectors that you have outlined so far is basically categorized by the $85 billion sequester that will go through September 30th. Let us suppose that continues. Has any

thought been given to what the impact will be if we go beyond, if we are not able to come up with a substitute to the sequester in this short period of time? What will happen if it goes on 2 years, 3 years?

Secretary VILSACK. That gets back to the Ranking Member's point about the poultry slaughter inspection process. At least as it relates to poultry, there are potential savings that could be realized with this new system if it is instituted and implemented. That is one thing. And obviously in a budget situation without the limitations of a sequester, you obviously have a much greater capacity to prioritize. That is one of the reasons why even though our budget is below Fiscal Year 2009 total, our operating budget, in the food safety area, it is pretty much flatline because there has been a recognition by Congress that that is an area that should not be reduced, but the Farm Service accounts, the Rural Development accounts, some of the other areas of our budget have been significantly reduced.

The CHAIRMAN. The gentleman's time has expired.

Mr. DAVID SCOTT OF GEORGIA. Thank you, Mr. Chairman.

The CHAIRMAN. The chair now recognizes the gentleman from Texas, Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here. I don't want to spend a whole lot of time on the food inspection but I want to go to a follow-up. I am a little concerned about the fact that you are going to wait 3 months before you begin to implement the sequester and so banking basically then on having to do a larger amount of cut in the last 3 months. I think the question is, why wouldn't you begin that process almost immediately and sit down with the stakeholders and say, "Where in your plants could we inspect 4 days rather than 5 days?" Because in some areas, as you mentioned, some of the production, the capacity is down in the beef industry, for example. Why wouldn't you start that now? I am not very concerned about the negotiations with the labor unions. What I am concerned about is farmers and ranchers all across America that are growing livestock or poultry and their ability to take that to markets and for the people of this country to be able to have safe food. So I am a little confused why you would start this labor union process now and possibly make this process more harmful than it needs to be.

Secretary VILSACK. Well, Congressman, first of all, we are contractually required to start the process and we are contractually required to give at least 30 days' notice. Unfortunately, not all of our frontline inspectors have e-mail so those people have to be hand-delivered.

Mr. NEUGEBAUER. I heard that.

Secretary VILSACK. Okay.

Mr. NEUGEBAUER. So here is the question. You have known this is coming. This is your Administration's plan. Why did we wait until March 1st to begin this process? Why didn't we begin that process sooner?

Secretary VILSACK. We couldn't begin until the President signed the order, Congressman. That was what actually triggered the Act and gave us the authority to then begin the process. If I can just

say one thing in response to your question to clarify this, it really doesn't make any difference in terms of the number of furlough days whether we do it in 3 months or 6 months. The number of furlough days is a finite amount of days based on the amount of savings that we have to accomplish. What it does provide is notice to the industry and producers a long enough period of time. To the extent they can prepare or adjust, they have a little bit more time to do that. And we are expecting that the furlough days might be in the neighborhood of 11 to 12 days at this point.

Mr. NEUGEBAUER. I want to move on. As you alluded to in your testimony, recently the CBO updated their scores for the House and Senate farm bills from last year that were passed out of committees but did not become law. In their analysis, both the House and Senate bills for nutrition funding, CBO stated that CBO now estimates that spending on nutrition programs under Title IV of the legislation would be $4 billion more in the next 10 years than it was estimated in 2012, primarily because of a change in our estimate of a provision regarding utility allowance, LIHEAP, I guess it is referring to, in the Supplemental Nutrition Assistance Program. CBO has obtained new information on states' practices and the USDA's interpretation of the current law with respect to how households qualify for utility allowances, and accordingly, CBO now believes that the states would have more flexibility under proposal than was assumed from the previous estimates. This is a quote from the CBO report. "Thus, now CBO expects that these provisions will bring little or no reduction to the cost of nutrition programs." I think that is very troubling because that was probably one of the most bipartisan aspects of the farm bill both in the House and the Senate, but what is troubling is, basically they went back and reevaluated how you are interpreting that provision, and it is how you are interpreting that provision that is causing them to say that this program is going to cost more money. How would you respond to that?

Secretary VILSACK. Well, I would say this, Congressman. With due respect to the CBO, I think that this issue is far from settled, and the reason I say that is, that it is not a situation where CBO, as I understand it, went out to all 50 states to find out precisely how they were administering this utility allowance. They only contacted two states. I think that we may have a small sampling here, and our view is that perhaps a larger sampling might result in a different conclusion.

Mr. NEUGEBAUER. What are you going to do proactively to—this is a major setback for the farm bill, and it is a major setback for the American people—if in fact it is becoming too easy for states to utilize this loophole, if you would call it that. This is a program that, as you know, when you look at the graph, is increasing at an alarming rate. Some people say one in seven Americans are now on food stamps, but at a time when were trying to cut back, making it easier for states to somehow game the food stamp program is a little disheartening.

Secretary VILSACK. Well, we are certainly not interested in having folks game the system. I would point out that there are many reasons for the increased number. Part of it is an economy that for many has not been what it needs to be. Part of is an aging popu-

lation. Seniors now comprise an ever-increasing amount of food stamp recipients. In fact, 80 percent of those who receive SNAP benefits are either senior citizens, people with disabilities, children or those who are actually in the workforce but simply are working at jobs that aren't paying enough.

I think the goal here, Congressman, and we would be happy to work with you on this, is ways in which we can figure out those people who are working at jobs, if we could get them to a better job with a little more training and a little more education, maybe we could get them out of the program which is to me the best way to do this is to get folks so they don't need the program, and we are happy to work with you on that.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from California, Mr. Costa, 5 minutes.

Mr. COSTA. Thank you very much, Mr. Chairman. A lot of questions, a little time. Thank you, Mr. Secretary, for your willingness to continue to serve as our Secretary of the United States Department of Agriculture, an important job.

Just an observation. I mean, we are still spinning who is responsible for the sequestration. Let us all remember that we all agreed to this a couple years ago, and while we may not like various aspects, we did so under the feeling that it would not be implemented. Well, it is here and now the fact is, we are all responsible, period, and the American public gets it.

On the issue of—and I am not going to beat this horse to death, but on the issue of our USDA inspectors, the carring out of their services, the Office of Management and Budget in the past has determined this to be an essential service. Now, how we handle this and the conversation that we just had is based on what happens. I am clear about that. But you deem that these services are not essential, and I am trying to understand, Mr. Secretary, why we would not deem these services as being essential.

Secretary VILSACK. Well, Congressman, that option is not available in a sequester circumstances. Here is the difference. When we are dealing with——

Mr. COSTA. I think they are essential.

Secretary VILSACK. Well, I do too, but that is not the issue. The issue is, you are asking in a continuing resolution where we are looking at a shutdown or lapse in budget, there is an expectation and anticipation that there are going to be a budget and there are going to be resources to essentially reimburse the food safety folks because you are going to have a budget and you will be able to reimburse, you will have the flexibility to do this. In this situation, we are not talking about a lapsed budget; we are talking about a cut in the budget. And so you have not provided sufficient resources to pay for the inspectors. It is not about their classification as essential or non-essential, it is that there simply is not enough money to pay them for the service that they have to provide.

Mr. COSTA. All right. I want to move on. You talked in your opening comments about the impacts of the drought throughout the country, and regionally they have been very difficult, devastating in some communities. We are finding a situation back in California where the last 2 months, January and February, have been the driest 2 consecutive months since 1925. I am wondering under your

definition of *drought* whether or not because nine percent of California is irrigated, whether or not we qualify under the definition of *drought,* because I can tell you, we just last week received a 25 percent allocation for water under the projects, 40 percent right now at the state. That may be cut back. And we are facing a very difficult situation, a possible repeat of 2009 and 2010 where we had over 40 percent unemployment levels in some communities.

Secretary VILSACK. Our definition of *drought* is based on the *Drought Monitor* and it is based on factors that are taken into consideration, and that *Monitor* is adjusted every week, which is why I was in a position to say to the Chairman that for over 30 consecutive weeks we had over 50 percent of America on that *Drought Monitor.* Now we are at 45 percent. It may very well include significant sections of California to make up that 45 percent.

Mr. COSTA. Okay. I want to follow up with you on that. The definition on *rural* has been a problem for many of us in this Committee, and we lamented in previous hearings where members of the USDA have testified why we didn't get a more timely response on the definition of what is rural. We finally got it last month, and I am not so sure that I am pleased. Maybe I will ask you to go back to the drawing board. But the fact is, we have oversubscribed accounts. What is the proposed rule on *rural* definition? What is your intent in terms of implementation?

Secretary VILSACK. Well, the proposed rule basically sets a sort of single definition as opposed to the 11 or 12 different definitions that we have in law at 50,000 people or less, and it is a reflection of what is happening to the demographics in the United States as the rural population now represents 16 percent of America's population and that is the lowest percentage in the history of the country. I think in order for us to make sure that we continue to be viable in terms of resource allocation, we have to make sure that we have sufficient resources coming into those rural areas. A definition will help in that respect.

Having said that, I recognize that we are going to have to ensure that very, very small communities are able to get their fair share of the resources we have, and what we have been attempting to do, Congressman, is encouraging small communities to work regionally because we are pretty convinced that you get more leverage and better bang for your buck and you extend the human and financial capital if folks think of themselves as part of an economic region as opposed to individual communities. We think we could have more success in developing economic opportunity that way.

Mr. COSTA. All right. My time has expired, but if there is a second round, I would like to talk to you a little bit about trade and dairy.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Texas, Mr. Conaway, for 5 minutes.

Mr. CONAWAY. Thank you, Mr. Chairman.

Mr. Secretary, welcome. Thank you for your response to my letter. As irritating as it is to have to answer letters to Members of Congress, I appreciate you sending your letter March 1st.

In that letter, you said the Department as a whole has planned extensively on how to address sequestration. It has taken all the actions feasible to mitigate its impacts. The second paragraph says

also in anticipation of sequestration, FSIS Administrator directed the initial Fiscal Year 2013 budget allocations to be reduced across program areas. So thank you for those proactive kind of comments. It does kind of run counter to some of the answers earlier when you said you really couldn't do anything until March 1st. You couldn't put out notices, you couldn't let folks know that this was in fact coming as part of your fiduciary responsibility as the leader of that organization. You have $1.9 billion that you have to trim in planned spending. Can you tell us this morning where you stand against that $1.9 billion based on all the good things that you did from October 1st through the end of February in terms of lessening the impact of the last 7 months of the year with things that you did the first 7 months?

Secretary VILSACK. Congressman, if I understand your question, we were taking proactive steps to control our budget, not necessarily because of sequester but because of the fact that——

Mr. CONAWAY. Thank you, sir. I have limited time.

Secretary VILSACK.—we have flatline budgets. I want to make sure that we are talking about——

Mr. CONAWAY. From October 1st forward, there was a petition for sequestration and there wasn't really a lot of movement away from it, and dollars saved between October 1st and February 18th count against that $1.9 billion, so can you tell us this morning, and maybe you don't know.

Secretary VILSACK. I don't think they count against the $1.9 billion, Congressman, and the reason they don't is because we were dealing with the consequences of Congress reducing budgets from the previous year and the year before that.

Mr. CONAWAY. You had a budget to start the year, right?

Secretary VILSACK. Yes, sir.

Mr. CONAWAY. Okay.

Secretary VILSACK. Well, we had a continuing resolution.

Mr. CONAWAY. Yes. You had funding authorized and appropriated to start the year.

Secretary VILSACK. For a section of the year, portion of the year.

Mr. CONAWAY. Right, through the 27th, so it is your testimony this morning that to the extent that you spent less than that in the first 5 months, that that does not count against the sequestration cut in spending? I don't want to use the word *savings* because that is an inappropriate term. Those funds don't count against the $1.9 billion that you are going to have to not spend this year?

Secretary VILSACK. The resources that we were able to save in travel and supplies and things of that nature allowed us to fit within the budget that you all gave us.

Mr. CONAWAY. All right. So your testimony is, in spite of the letter, that you have mitigated the impact of sequestration, your testimony orally this morning is in fact you have not——

Secretary VILSACK. No, I don't agree with that, Congressman. I think what we are trying to say is that the steps that we have taken, a lot of people say well, surely, there is a lot of fat and a lot of—what we were trying to suggest to you is that we have already taken those steps because of the——

Mr. CONAWAY. The letter says as well that those steps have resulted in savings that allow you to cut the number of days potentially for furlough by ½.

Secretary VILSACK. Well, furlough——

Mr. CONAWAY. So you can't tell me two things at the same time, Mr. Secretary.

Secretary VILSACK. Furloughs obviously would have been higher——

Mr. CONAWAY. Right. So how much——

Secretary VILSACK. I think it is $30 million, Congressman.

Mr. CONAWAY. Thirty million dollars out of the $1.9 billion that you have to come up with?

Secretary VILSACK. Right.

Mr. CONAWAY. Now, back on the union issue, can the unions drag their heels and force sequestration to occur in the last 15 days of September?

Secretary VILSACK. No. There is a——

Mr. CONAWAY. Why can't they?

Secretary VILSACK. There is an impasse process. If after a week or so of negotiations and discussions——

Mr. CONAWAY. Okay. And that week starts March 1st?

Secretary VILSACK. No, sir. You have to get a 30 day notice.

Mr. CONAWAY. Okay. And that notice has gone out?

Secretary VILSACK. I believe it goes out today or tomorrow.

Mr. CONAWAY. Why wouldn't it have gone out on the 1st?

Secretary VILSACK. It is going to go out today or tomorrow, and unfortunately, we can't necessarily get everyone an e-mail, which would have been the most efficient way to——

Mr. CONAWAY. They all get paid, Mr. Secretary. That argument that the union negotiators don't have e-mail, really?

Secretary VILSACK. It is not negotiators, sir. It is every worker.

Mr. CONAWAY. Well, I understand, but you aren't negotiating furloughs with each and every worker, do you?

Secretary VILSACK. Well, actually, the G7s have to receive notice, and not all G7s have e-mail. So you have to actually hand-deliver or mail them a notice. Thirty days after they have all been notified, the clock starts on 30 days, and then during that 30 day period we can start the process of negotiation, and it is not about stopping the furloughs, it is how you are going to implement the furloughs. After that, there are oral conferences that are required under the contract, so if an employee says I want an oral conference, you have to do that, and that will be done at the local level. So, we are going to try to do this as quickly as we can but it isn't going to impact the number of days.

Mr. CONAWAY. You said that earlier, but 12 days spread over 6 months is less of an impact than 12 days taken all in September.

Secretary VILSACK. We are not going to have them all in September.

Mr. CONAWAY. But you said that early on in February. You said the implication was you were going to shut the entire process down for 15 days.

Secretary VILSACK. No, sir, that is basically how you interpreted it. That is not what I said, with due respect. What I said was, there was going to be——

Mr. CONAWAY. You did not mention the word furlough until late February.

Secretary VILSACK. Well, the furlough——

Mr. CONAWAY. The staggered furlough until late February.

Secretary VILSACK. Well, no. What I said was, there were going to be so many days of furloughs. I never said they were going to be continuous. You interpreted that, and I am sorry that you did that because——

Mr. CONAWAY. Well, I am not the only one.

Secretary VILSACK. Well, I am sorry that anybody did it because I was making a truthful statement. There were going to be furlough days, to give everyone notice of the fact that what was going to happen with the sequester, and it is not something we want to do, sir. It is something we have to do.

Mr. CONAWAY. I understand. It is the law. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Minnesota for 5 minutes.

Mr. WALZ. Thank you, Mr. Chairman, and Mr. Secretary, thank you for being here, and thank you not just for being a friend of agriculture but being a friend of rural America. And I go back to—it is interesting, this hearing is titled *Review of the State of the Rural Economy* and yet as the American people see, we are in the minutiæ of idiocy on policy instead of allowing us to have a vision that grows the country, grows rural America, lets us create the jobs that allow families to live where they want to, and I am thankful that you continue to stay focused on that.

I have two questions that I think would go a little broader than what the title of the dang hearing was about. A diverse rural economy is the strongest hedge we have against economic downturn and natural disaster. When we put all of our eggs in one basket, it becomes a problem. You are doing things through USDA that I believe is broadening that economic diversity. Two programs or two things I would like to just mention and get your feeling on as to the future of these beyond sequestration when we get back to actually wanting to govern and get beyond crisis mode. What is the future of the RUS program in creating energy efficiency, job creation, stability and that, and then how do you see, Mr. Secretary, the energy title portion of the farm bill and the ability to create jobs and make sure we are energy independent in rural America through those programs?

Secretary VILSACK. There are four cornerstones to revitalizing and renewing the rural economy. One of those is production agriculture and exports, local and regional food systems, conservation and outdoor recreation, and the biobased economy. Within the biobased economy, there are tremendous opportunities for taking our plant material, livestock waste, grasses and converting them into energy and converting them into fuel and converting them into chemicals, plastics, polymers, fabrics, fibers, a whole wide variety of manufacturing opportunities. So it is important to have an energy title that is a bit extended to include biobased products. We have 3,100 companies located throughout the country that are in this biobased space and that number is growing. We as the Federal Government are trying to purchase biobased products in a BioPre-

ferred Program that we are running. We have doubled the number of products that we can purchase, and we also have a bio-labeling program, which is basically giving people, consumers the awareness that when you are buying something, you are helping an American farmer, producer out.

As far as RUS is concerned, that combined with the REAP program, I can tell you in the last 4 years, we have done 6,600 energy efficiency and renewable energy projects that are individualized to farms and businesses. They have saved or generated over 7 billion kilowatt-hours of electricity, which obviously is important to the RECs that are out there providing good utility service. We have improved 91,000 miles of electric transmission lines and we are creating a development through our rural development housing effort and RUS to sort of reenergize and create more efficient homes. Our housing stock in rural America, there are a lot of energy efficiency opportunities there and there are training and job opportunities that are connected to retrofitting homes with energy efficiency. So there is a lot of activity in this space but a 5 year program would provide the certainty, especially if there is an energy title that is adequately funded and we have an expanded opportunity to move into the biobased area.

Mr. WALZ. Well, I appreciate that vision, and just for the record, I want to make it clear, this Committee did pass a farm bill and at any given time it could have been brought to the Floor for an up-or-down vote. It did not happen. Our commitment to making that happen is certainly strong. Thank you, Mr. Secretary.

The CHAIRMAN. And I thank the gentleman from Minnesota for his vote for that farm bill.

The chair now recognizes the gentleman from Ohio, Mr. Gibbs, for 5 minutes.

Mr. GIBBS. Thank you, Mr. Chairman.

Mr. Secretary, I know this is a little bit out of your area but I want to see how you weigh in on it. Earlier the EPA released raw data to certain groups dealing with livestock operations, businesses and personal information, it was the raw data, and I know that the associations out there are really concerned about that and potential for harassment, intimidation, whatever. Did you in your capacity weigh in on that to the EPA expressing your thoughts or make sure it doesn't happen, or where do you stand on that?

Secretary VILSACK. We know that EPA has taken this issue very seriously, as they should, and we have indicated to them a concern that you have expressed and that has been expressed to them by various groups, and I think that they realize that this is something that probably shouldn't have been done.

Mr. GIBBS. So you expressed your strong opposition to that type of thing?

Secretary VILSACK. Well, we expressed a concern as we always do. We have a relationship with the EPA. When we see something that they are considering or doing that we think may have an impact on rural America, it is our job, and we have a good line of communication. They just recently hired someone from USDA to be their ag liaison, Sarah Bittleman, who worked in my office, so we will continue to have a close relationship with them in terms of being able to communicate concerns or advice.

Mr. GIBBS. All right. I am going to move on. Of course, I am a strong believer that we need to have a safety net program, and crop insurance is a good vehicle. I was wondering—some of the opponents of crop insurance said the claims might reach $40 billion in 2012. Do you know what the claims were?

Secretary VILSACK. Well, at this point, Congressman, they are a little over $15 billion.

Mr. GIBBS. Okay.

Secretary VILSACK. I don't know that the books have been closed on this but it is probably a pretty close estimate.

Mr. GIBBS. On average over the last 10 years, how much premium was paid compared to the indemnities that were paid out? Do you know what the ratio is?

Secretary VILSACK. Well, the ratio is probably 2 to 1. For every dollar that was paid in premiums, there is probably $2 in indemnity payments out, somewhere between $250 billion and $500 billion.

Mr. GIBBS. I just want to talk a little bit about farm credit. We have seen 2011 record net farm income in 2012 even with the drought, estimated to be the second highest ever. What kind of default rates does the Farm Service Agency seeing?

Secretary VILSACK. In past years, the default rates were down a little bit in the direct programs. The previous year, they were 6.5 percent default. This year, 2012, they were 6.3 percent. On the guaranteed program, the default rates in 2011 were 1.3 percent, and in 2012, they were 1.14 percent.

Mr. GIBBS. It has been in the press a concern that maybe farm income, we were in a bubble. Do you see the potential for a farmland bubble?

Secretary VILSACK. Well, I am with the Chairman on this. You always have to be cautious about this, but this is different than the 1980s when the debt-to-asset ratio was significantly higher than it is today. There is quite a bit of equity that is built up, and we are not quite in the same circumstance we were in the 1980s. Obviously, the land price issue is one that concerns me for this reason. It is more difficult for beginning farmers to basically get into the business or stay in the business, and that is an issue because of the aging nature of farmers generally.

Mr. GIBBS. And high capital costs to get into, right?

Secretary VILSACK. Correct.

Mr. GIBBS. What is the status of the MAP and programs in the FMD program?

Secretary VILSACK. Well, both the Market Access Program and the FMD program will receive reductions as a result of the sequester, I would estimate somewhere in the neighborhood of $12 to $15 million in those programs. Every dollar that we use to promote trade generates about $35 in trade activity. So if we reduce those resources, obviously that is going to have an impact on trade, but we are still looking at a record year for exports.

Mr. GIBBS. For this year, the direct payments and ACRE programs, what is the status or what percent cut would you be looking at, do you think, in the sequester?

Secretary VILSACK. Well, I am not clear about that, and the reason I am not is because we are still in the process of trying to fig-

ure out precisely how this all works with the CCC and whether or not there is any degree of flexibility. Part of the challenge that we have with sequester is that some accounts we have already paid money out, and the question is, do you have to ask people to return the money that you paid to them or is there a way in which you can avoid that disruption, and we are still in the process of trying to figure out precisely what we can do. But I would anticipate and expect that there will be a slight reduction but we are still on track. The signup is taking place for both of those programs.

Mr. GIBBS. Thank you, Mr. Chairman.

Mr. KING [presiding.] The gentleman yields back. The chair recognizes the gentleman from Oregon, Mr. Schrader.

Mr. SCHRADER. Thank you, Mr. Chairman. I appreciate it. Thank you, Mr. Secretary, for being here. I really enjoy your leadership at the Department of Agriculture in some pretty tough times.

I was generally pleased with the President's State of the Union speech, particularly the bipartisan balanced approach to deficit reduction, but was a little concerned that he didn't really talk much about the rural economy, so I appreciate you being here to clarify where the Administration is. And as you know, unemployment has been pretty high in rural America, actually for a long time. I would argue they have been in a depression, not just a great recession here recently.

In a lot of states out West and some back East, Federal forestland plays a key role in potential economic growth in a lot of these communities. We tried a variety of approaches to forest policy not really working very well, and you wrote a letter to Senator Mikulski, just recently, talking about the effect sequestration would have in further reducing in my state the 90 percent reduction that has occurred in timber production and an increase in diseased, dead, dying forests in much of America—Colorado, New Mexico, Oregon, northern California.

Could you comment briefly on the letter to the Senator and the effects that not pursuing a thoughtful forest policy or being able to get at it and increasing timber production and cleaning up our forests so that we have a balanced approach? And maybe in this budget-limited environment, using some of the timber harvest receipts to actually help pay to hire folks to supplement our Federal tax dollars and get the job done for rural America.

Secretary VILSACK. Congressman, we have actually increased the amount of treated wood in this Administration. In our new forest planning rule, we understand the multiple uses to which our forests have to be put, and we have indeed increased the amount of board feet that we are treating, and we have also increased the wood-to-energy opportunities that are created. We have also——

Mr. SCHRADER. But in your letter—I don't mean to interrupt—you talked about expected 2.8 billion board feet going down to 2.4, which is a 15 percent reduction between 2010 and 2012.

Secretary VILSACK. I am sorry. I didn't know you were asking about sequester. I thought you were talking about the general policy. The sequester will obviously have an impact on our forests in the following respects. Number one, it does indeed reduce our capacity to treat board feet because we actually have to pay people to do that. Even though they get the benefit of the lumber, still,

because of the economy, we have to pay people to do that. Second, we will probably not be able to work with communities in the interface between the forests and urban areas to reduce the fire risk, about 200,000 acres. That too will obviously impact.

Mr. SCHRADER. So if were able to actually have a forest policy modification that allowed for the harvest to actually pay for some of the management that you talk about, that would increase our opportunity?

Secretary VILSACK. Well, what we need is Congress to extend the stewarding contract capacity, which expires this September. That is important that it be extended and also that it would allow us to go for longer contract opportunities. If we could go from 10 years to 20 year contracts, we think we could provide greater stability. Our goal is to treat more wood, it is to create more opportunities, to use research to develop new products, and our forest planning rule is the right policy. We just need the resources to be able to——

Mr. SCHRADER. And you have shown that because of your support of your green energy building policy, which I really appreciate the Administration and you in particular taking on the Department of Agriculture over the last couple years. My good friend, G.T. Thompson, and I are introducing a Forest Products Fairness Act that hopefully would start treating wood as one of our biobased products as opposed to having been discriminated against based on old 1970s work, and I am sure my colleague will comment on that.

Last quickie question is, I don't know if you are aware but the DEA has decided that mobile veterinary clinics—I was a veterinarian for 35 years before coming to this job—can no longer carry controlled substances, even though there is often a locked ambulatory box in the back of their rig. That poses huge problems for us to be able to treat the livestock, give the animals on those farms the veterinary care they need in a safe and efficient, humane manner. I hope you take some time and look at that bizarre bureaucratic piece of red tape. I understand the goal behind keeping our narcotics locked up, but I think there is a bit of practicality that has to ensue or we can't keep the food safety chain alive and well in our country. So I just bring that to your attention. If you had a comment, I would appreciate it. If not, please get back to me.

Secretary VILSACK. Well, Congressman, we appreciate your bringing this issue up and we will certainly reach out to our colleagues at DEA to make sure that we understand the policy and to see if there is any degree of flexibility in the crafting of that policy.

Mr. SCHRADER. Thank you very much, and I yield back.

Mr. KING. The gentleman from Oregon yields back, and the chair would now recognize the gentleman from Colorado, Mr. Tipton.

Mr. TIPTON. Thank you, Mr. Chairman.

Mr. Secretary thank you for being here for the state of our rural economy, particularly out in the West, be it agriculture or some of the recreational ends. Water is obviously key. We have a deep concern in the State of Colorado from a directive that was coming out of the Forest Service that was going to require as a condition use of permit for our ski areas to be able to sign over water rights that they had paid for, they had developed and were on their balance sheet to the Federal Government. This obviously is contrary to Col-

orado water law, private property rights. It is going to inhibit their ability with signing over those water rights to be able to leverage their resources, to be able to keep people employed. The directive that came out of your agency was struck down in court because it did not comply with the Administrative Procedures Act, but yet again, we see the Federal Government and your agency going back after Colorado water, western water in terms of conditional use of permits. Mark Amity's district out of Nevada had a rancher on BLM lands that was required to sign over their water rights.

So given the subversive nature that this has to state law in Colorado and what this directive will really represent, the potential negative impacts to our local communities, I guess I would like to have a little better understanding of why your agency feels that this is an appropriate use of agency resources.

Secretary VILSACK. Well, Congressman, as you were asking that question, I was thinking about my son, who is a lawyer in Colorado, telling me, the advice he gave me, is never get into water law issues, it is complicated. I think the Forest Service learned a lesson in terms of approaching this issue. We obviously did not provide enough notice and enough clarification and understanding. That is why we have gone back and——

Mr. TIPTON. But you are still going to pursue Federal preemption of Colorado water rights?

Secretary VILSACK. Well, we are in the process of reviewing precisely what we were thinking about and seeing whether or not we could respond in some way, shape or form to the concerns that have been expressed. I will tell you that the focus here is making sure that we use our forests, our U.S. forestlands, in the most appropriate way to conserve and preserve water. One of our driving principles of forest management is water management because we recognize how precious the water is, and I think that the impetus for this was really starting with that concern but recognizing that we need to balance that with the interests of those who need the water for economic purposes, the ski industry specifically.

Mr. TIPTON. Has there ever been any violation, any sale of water other than for those purposes?

Secretary VILSACK. I can't tell you that, Congressman. I don't know.

Mr. TIPTON. I actually know the answer to that question. It is no.

Secretary VILSACK. Okay.

Mr. TIPTON. So I guess the question actually, Mr. Secretary, is, why is the Federal Government continuing to pursue a water grab in western states when we already have water law, which works?

Secretary VILSACK. Well, it may very well——

Mr. TIPTON. It is private property right in our state.

Secretary VILSACK. It may very well be that that policy is going to be different than what we initially proposed because we learned from that lesson of not providing adequate notice and an opportunity to be heard. So their folks are looking at this now and trying to rethink this. I think the goal for us is making sure that as we use our forest areas, we use them in the best possible way to preserve and conserve water resources.

Mr. TIPTON. And I hope there will be heavy consideration again for the state water rights, state law and private property rights. It should not be preempted by the Federal Government.

One other area I would like to be able to move on, and I applaud some of the efforts to be able to grow some of our exports, and you noted that with the President's sequestration that we may well see some impacts actually to our ability to be able to export. San Luis Valley, we have a lot of potatoes that we would like to be able to export down into Mexico. Can you give us an update on where that is at? It seems like in dealing with the Mexican Government that we are having a real inability to be able to export our potatoes and they are trying to use some issues to be able to inhibit that.

Secretary VILSACK. Well, this is a good example of those circumstances where barriers are created that have no justification in science and we think are contrary to agreements, and we have been working with the Mexican Government to create a process by which our potato access to their markets would be expanded significantly.

We had an agreement with Minister Mayorga, who was of the previous government, to potentially open up that market. We are going through a process with the Mexican Government to sort of refine that agreement and the technical aspects of it, and the hope is that with the new Administration that we would be able to carry that agreement forward and ultimately see access. We have had some success in reopening the beef market in Mexico, and that gives us some degree of optimism that this is an opportunity for us to also reopen that potato market. It is very, very limited and we don't think it is justified.

Mr. TIPTON. My time has expired. Thank you, sir.

Mr. KING. The gentleman's time has expired and now the chair would recognize the gentlelady from Ohio, Ms. Fudge.

Ms. FUDGE. Thank you so much, Mr. Chairman, and thank you for being here, Mr. Secretary.

Mr. Secretary, we all know that building a diverse workforce is an extremely effective tool in addressing discrimination. Many of the civil rights complaints in the past, particularly those in *Pigford,* might have been mitigated had USDA had a more diverse workforce that was better able to interact with minority farmers. So to that end, what has USDA done to ensure a more diverse workforce? And I am particularly interested in hearing about how many African Americans serve in leadership roles within the Department, and before you respond, I just want to remind you that I asked this same question almost 2 years ago and have yet to get a response, sir.

Secretary VILSACK. Well, let me see if I can respond to your question here, and I apologize for not responding before that. That is something that shouldn't have happened. We have engaged in a process which we refer to as cultural transformation at USDA, and every month I get a report on the diversity of our workforce. I can tell you that we have seen significant increases in the hiring of African Americans, Hispanics, Asian Americans, Native Americans, people with disabilities, and veterans, and that is the focus of this report. We are casting a wider net to try to find good, qualified folks, and the result of that is that our numbers are increasing.

Within the SES ranks, 17 percent of our SESs, our Senior Executive Service folks, are African American, which is seven percent higher than the civilian workforce.

Ms. FUDGE. Let me just ask you this, and I could be wrong so you could please correct me. But it is my understanding that there are 12 positions that are Senate-confirmed positions within USDA, and one is an African American.

Secretary VILSACK. I don't think that is—well, that may be correct now because one of the positions that was Senate confirmed is no longer Senate confirmed. But we have an African American who is in charge of our entire operations, Dr. Parham, Greg Parham. We have an African American who is obviously in charge of the civil rights area. We have an African American who is the administrator of our largest part of our budget.

Ms. FUDGE. Well, if we know that, why is it so difficult for me to get a report?

Secretary VILSACK. Well——

Ms. FUDGE. Which I even asked you about as recently as a couple of months ago, a chart.

Secretary VILSACK. Well, I mean, I can give you the cultural transformation report if that would be of assistance and help to you.

Ms. FUDGE. Whatever answers my question is what I would like to have, sir.

[The information referred to is located on p. 67.]

Secretary VILSACK. Well, the other thing——

Ms. FUDGE. I am going to go to my next question.

Secretary VILSACK. May I just add one other thing, which I think is important?

Ms. FUDGE. As long as you do it quickly.

Secretary VILSACK. I understand. We have also added minority representation on our county committee process, which should address the issue that your question started with, which is the——

Ms. FUDGE. Whatever information you can give me would be helpful, sir.

Let me also ask, has there been any plan to in a very targeted fashion address rural hunger in this country? We know that, certainly I am not from a rural community, I am from an urban community, but I do understand hunger, and I know that the rate of rural hunger has been increasing. Is there some way you are going to target rural communities as it relates to the hunger issues that exist today?

Secretary VILSACK. I would say quickly two answers to that question. One, our Strike Force Initiative, which is now in Mississippi, Arkansas, Georgia, Nevada, Colorado, South Dakota, North Dakota, Virginia and North Carolina and New Mexico. This is an effort to really focus on the persistently poor areas of those states and part of that involves expanding opportunities in all of our programs. In New Mexico, we saw a rather significant expansion to our summer feeding program as a result of Strike Force.

The second thing is our Healthy Financing Initiative, which is designed to address the issue of food deserts in both urban and rural areas, and while we don't have resources appropriated by

Congress, we are using our existing programs to try to advance the cause of solving the food desert issues in those rural areas.

Ms. FUDGE. Thank you. And my last question for you is, how is the sequester going to affect TEFAP?

Secretary VILSACK. We will see a slight reduction in the amount of resource available for TEFAP, which obviously will mean that we won't be able to—that the food banks and so forth won't be able to have as much in the form of commodities. We anticipate roughly 700 million pounds of food being provided. It would be a little bit more were it not for sequestration.

Ms. FUDGE. Thank you very much. I yield back, Mr. Chairman.

The CHAIRMAN. The gentlelady yields back. The chair now recognizes the gentleman from Arkansas, Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Mr. Secretary, I know that the issue of CAFOs was raised earlier. One of my colleagues had discussed it with you briefly. I just want to ask some questions regarding that.

During the EPA's rulemaking process, can you tell me if USDA raised to OMB and EPA the same biosecurity food supply and producer safety concerns that were raised by the Department of Homeland Security?

Secretary VILSACK. Our focus in conversations with the EPA about that rule was to try to, consistent with their need to protect the environment, minimize the disruption in livestock operations.

Mr. CRAWFORD. Were those concerns conveyed in writing?

Secretary VILSACK. I am not sure about that. I know what we had was, we have a liaison who comes over to the USDA two or three times a week to discuss issues, and I am sure there were verbal conversations. I am not sure if there was a written message but I know that there was clearly verbal conversations about this because I was engaged in them as well. In addition, the EPA Administrator and myself met with livestock groups on a regular basis and had the opportunity to converse about a variety of issues.

Mr. CRAWFORD. Okay. If you have those in writing, I would appreciate it if you could supply those to the Committee. Was USDA aware that EPA was engaged in this effort after the withdrawal of the rule to collect detailed information from livestock and poultry operations across the country or that they intended to create this comprehensive national and searchable database for the public to use?

[The information referred to is located on p. 67.]

Secretary VILSACK. Well, I can't speak for the entire 94,000 people that work for USDA. I think we were generally aware of this. Obviously we are not aware of the fact that this could be released as it was.

Mr. CRAWFORD. I guess now the most important thing now that this information is out, what will you do as Secretary of Agriculture to protect producers and their operations from the possible misuse of this information?

Secretary VILSACK. Well, I am open to suggestions about this, Congressman. Other than basically suggesting that it was an unfortunate circumstance. I am not quite sure what we could do but I am open to suggestions. If you have some suggestions, I would be more than——

Mr. CRAWFORD. Okay. I would love to talk with you about that. In the interest of time, I have one more question for you on that particular issue. Can you tell us what steps you can take immediately to ensure that the EPA makes no further releases of that type of data in the future?

Secretary VILSACK. Well, expressing to them the concern that they heard from a variety of different sources is probably what we can do and what we have done.

Mr. CRAWFORD. I want to switch gears just a little bit and talk about catfish, a food safety issue that has gotten a lot of negative attention recently. I was hoping you can kind of help me clear the air in preparation for the next farm bill markup, but I am kind of running out of time. I want to make this clear here. The 2008 Farm Bill included a provision putting catfish inspection authority under the umbrella of FSIS, aligning catfish food safety standards with the rest of animal agriculture. This program has been repeatedly mischaracterized as duplicative and trade distorting. As you know, catfish inspection authority is simply being transferred from FDA to USDA and is in fact not duplicative. I wanted to question you on how often foreign countries have retaliated against American goods as a result of USDA's meat inspection requirements. I don't know if we have time for you to answer that, but I would like to say that USDA's time on implementing this program never seems to run out. It has been 5 years now almost since the 2008 Farm Bill was signed into law, so it is about time for the Department to get to move on this thing, and if you want to comment on what you know about foreign countries having retaliated against the United States in the context of what I just said, I would like to hear your comments.

Secretary VILSACK. Well, I am not sure this is going to be responsive to your question but it is an attempt. You know, we are confronted with barriers almost every week and every month by countries. I mean, APHIS last year knocked down 175 barriers alone just in their department. So there is constant pull and push in trade issues and constant barriers being constructed. Right now, we are dealing with Russia and China and ractopamine, an issue that has no scientific basis, where the international community has spoken through Codex Alimentarius Commission, and we still have these barriers being constructed. So that is happening all the time, and I would agree with you, Congressman, that it is time for us to take action on catfish and I would anticipate that that will happen this year.

Mr. CRAWFORD. Thank you. I yield back.

Mr. GOODLATTE [presiding.] I thank the gentleman. The chair now recognizes the gentlewoman from California, Mrs. Negrete McLeod. Oh, she is not here? The Congresswoman from Washington, Ms. DelBene, is recognized for 5 minutes.

Ms. DELBENE. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here and for all of your work in support of agriculture.

You highlighted the importance of investing in strong agricultural research in your submitted testimony. However, in the 1 year extension of the farm bill, critical research programs have been left without any funding at all including the Specialty Crop Research

Initiative, which is very, very vital to many of the fruit and vegetable growers that farm in my district and throughout our country. Can you describe the impacts on the economy for the lack of investment that we have in agricultural research and the long-term impact that might have?

Secretary VILSACK. Every dollar that we invest in agricultural research generates $20 of economic activity so whenever we don't adequately fund research, it has an impact on the economy. But more importantly, it makes it more difficult for us to deal with the production challenges and the protection challenges that crops face every single day. That is why it is important and relevant that we have not only a 5 year bill but in that bill there is a strong research title and that you all give us the tools that other areas of government in the health area in particular have to leverage and to attract additional private sector investment. Ag research has been flatlined for far too long and we will pay a penalty for that over the long haul in terms of reduced productivity if we don't begin to ratchet that up a little bit.

Ms. DELBENE. Thank you. And speaking of specialty crops, my district is the largest producer of red raspberries, and specialty crops are incredibly important in our region but they are also about ⅓ to ½ of the total value of U.S. crop production and they don't get the same share of attention in our farm bill programs. Now with sequestration likely to reduce the overall amount of funding for agricultural programs, can you address this issue and what we can do or any recommendations you have to make sure we support our specialty crop industries?

Secretary VILSACK. Well, the best advice I could give, Congresswoman, is to get a 5 year bill through and in that bill to do what at least the Senate Agriculture Committee bill and the Senate bill did last year, which is to make an increased investment in specialty crops, and the reason for this is twofold. One, we are obviously a country that is interested in producing and consuming more fruits and vegetables but, two, this is one of the fastest-growing areas of agriculture, and it helps to support local and regional food systems, which is also a fast-growing aspect of agriculture. The ability to expand farmers' markets, the ability to have farm-to-school programs, all of that is somewhat dependent on our ability to produce and to protect those specialty crops. I think there is a growing awareness in the agricultural community of the significance of specialty crops, and would hope that we would speak with a single voice about all crops and not just specific commodity crops in the farm bill.

Ms. DELBENE. Thank you for that. When the continuing resolution runs out at the end of the month, four communities in my district will become ineligible for rural housing loans because the USDA will revert to a definition that uses a population requirement that is pretty outdated. Changing that threshold shouldn't impact the budget but it would maintain current eligibility. Do you have an issue with changing that definition, especially when we are talking about a general definition of *rural* being 50,000? That is not currently what is used in this.

Secretary VILSACK. We have made a concerted effort to try to make sure that we didn't disenfranchise folks from the housing

programs based on a definition until Congress has had a chance to speak in the farm bill. I appreciate you raising the issue of the sequester. It is going to have an impact on housing programs generally. We anticipate that over 10,000 folks will probably lose their rental assistance as a result and there will probably be obviously fewer homes financed as well, which at a time when we want the housing market to continue to rebound, it is an unfortunate consequence of sequester.

Ms. DELBENE. So would you be open to Congressional action that would increase the population threshold potentially?

Secretary VILSACK. Well, I will tell you, what I am interested in is simplicity. I just want—it would be helpful if we did not have 12 different definitions because it makes it really hard to explain to people why they qualify for one program and don't qualify for some other program. What we are looking at is, is consistency and simplicity, trying to streamline the process, and we are anxious to provide as much help and assistance in rural areas as we possibly can. So if there is a way the definition could be cleaned up or clarified or to provide greater consistency and simplicity, I am for it.

Ms. DELBENE. Thank you. Thank you, Mr. Chairman.

Mr. GOODLATTE. I thank the gentlewoman, and the chair recognizes himself for questions.

Mr. Secretary, welcome. I want to start with an issue that I am not sure Members have asked you about but I am willing to bet that most Members of this Committee have seen the clips of the mandated sensitivity training that has been taking place at the Department. Could you please explain to the Committee the necessity of these trainings where workers are required to recite such things as, "The Pilgrims were illegal aliens." Are these trainings mandatory for employees?

Secretary VILSACK. Congressman, they are not mandatory. They are not—that process is not in play today. The effort was part of a larger loss prevention effort to try to reduce the number of program complaints and EEO complaints that we had in the Department when I came in as Secretary. We are now at record lows in both the program——

Mr. GOODLATTE. The objective was good but the messenger was not too desirable, in my opinion. Can you tell us how much money the USDA spent on the training, particularly the ones hosted by Samuel Betances? I have heard as much as $400,000 was paid to him.

Secretary VILSACK. I can't tell you the specific amount. I would be happy to provide that to you, Congressman. I would only point out, obviously they were provocative statements designed to get people to think in the context of how it feels in a diverse circumstance. This is a company that has been used by Fortune 500 companies and other agencies of the Federal Government. So it is not as if we plucked them out of someplace where they hadn't been involved before.

[The information referred to is located on p. 68.]

Mr. GOODLATTE. Were you as shocked as many of us were to see some of the statements that he made in those sessions on video?

Secretary VILSACK. Well, I understand that they are provocative and I am sure hindsight is always 20/20, but the point of this

should not be lost, and that is, we were faced with multiple billions of dollars of claims and multiple——

Mr. GOODLATTE. But then you get a whole new round of claims based upon the types of statements and actions that he took in those sensitivity training programs.

Secretary VILSACK. I am not sure about that, Congressman.

Mr. GOODLATTE. Subjecting people to that kind of nonsense.

Secretary VILSACK. You know, it wasn't mandated but it is important for us to reduce the number of these complaints and the number of these lawsuits, and we have done that, and that saves taxpayer money.

Mr. GOODLATTE. Well, I would hope, given the sequester, when the USDA is considering furloughs of meat inspectors, that the impact on public health of doing something like that compared to these trainings, that the trainings would get a healthy cut in this process, especially if you say that you are not experiencing the difficulties that you were before.

Secretary VILSACK. Mr. Chairman, we are reducing conferences, as I said earlier.

Mr. GOODLATTE. Let me ask you about farmers who have recently gotten surveys asking about injuries of youth on their farms. Given the DOL rule last year, this has raised concerns among producers about why this information is being collected, and could you provide us with background on why producers receive these surveys, many of which have complained bitterly about the intrusiveness of the questions, the length of the survey and want to know whether or not they are voluntary.

Secretary VILSACK. Is this part of the Ag Census, sir?

Mr. GOODLATTE. Yes.

Secretary VILSACK. Okay. Well, the Ag Census obviously is something that is a significant effort on the part of USDA to assemble an amount of data that will allow us to develop better policy. One point six seven million farmers have already responded to the Census, so that represents a significant reaction to the Census and a positive aspect of it. The Census, in terms of the Department of Labor issue, what we are doing now is we are developing with the universities a curriculum for farm safety because we believe that education is better than what was being proposed by the Department of Labor.

Mr. GOODLATTE. So you are saying the surveys are not voluntary then if they are part of the Census. Is that correct?

Secretary VILSACK. Well, people have the ability to return it if they want or not return it if they don't want it.

Mr. GOODLATTE. But they may face consequences if they don't return it?

Secretary VILSACK. No. I mean, the consequence is that we don't get the rich database that we need to be able to make policy decisions that are——

Mr. GOODLATTE. So you are saying if a farmer doesn't like the questions and doesn't want to return it, they don't have to? You have enough data from the ones who complied?

Secretary VILSACK. What I am saying is that they have the option, Congressman, Mr. Chairman, and they can exercise that option. We would hope that they would provide responses, because

the more farmers who respond, the better the information we have, the better the policies hopefully can be developed because we have good data.

Mr. GOODLATTE. And to the point about the youth injuries, is the USDA working with DOL to change those requirements on the issue of youth participation in agriculture?

Secretary VILSACK. As I said, we are working together to put together, along with the Farm Bureau and the National Farmers Union and universities and land-grant universities, a curriculum similar to what a college would have where there would be basic safety courses that could be available, and we are going to then try to work with the insurance industry to see if they might be able to provide incentives for folks, operations that would exercise——

Mr. GOODLATTE. If you have a small farm and your neighbor's child is working on your farm, are you going to have to have them or you participate in a safety program?

Secretary VILSACK. No, no. It is just we are trying to provide education about farm safety because we know that farm families are concerned about that. We are trying to provide information and then what we hope to have is more sophisticated and more detailed safety courses on more complex machinery. The whole goal here is to provide education to folks, not to provide mandates.

Mr. GOODLATTE. Thank you very much, Mr. Secretary. And now it is appropriate to recognize the gentlelady from New Hampshire, Ms. Kuster, for 5 minutes.

Ms. KUSTER. Thank you, Mr. Chairman, and thank you, Secretary Vilsack. As I mentioned on the way in, I am very excited to be representing the New Hampshire perspective on this Committee for the first time in 70 years, and I look forward to working with my colleagues on both sides of the aisle to advance commonsense solutions and to cut wasteful spending, as you have talked about. I am very focused on creating economic opportunity in our rural areas. I represent the 2nd District in New Hampshire, which is rural with agriculture and biomass and bioenergy projects, and my question relates to a project in our district in the City of Berlin, New Hampshire, up near the Canada border. A former paper mill is being repurposed into a 75 megawatt biomass power plant to provide renewable energy and new jobs, both at the plant and businesses, and I was particularly excited to visit recently to see the number of jobs. There were over 400 construction jobs while the project is in construction, and they expect hundreds of jobs continuing. Can you talk to us today about the impact of the funding and the sequester issues on development of energy in our rural areas, and in particular bioenergy development? Are we losing ground by not moving forward with the farm bill?

Secretary VILSACK. Well, when the farm bill was extended, it didn't include a reauthorization or additional resources in the energy title. So to that extent, we are sort of in a holding pattern as it relates to bioenergy. We still are funding nine biorefineries that are using non-food feedstocks. We still have a regional research effort underway. We still are helping advance biofuel producers with resources but we are pretty much limited in what we are currently doing. We can't really extend it until we get direction from Congress and resources.

In terms of the sequester, the one vehicle that could be used by a company potentially to embrace biomass energy production would be the Business and Industry Loan Program or some of our RUS programs, Rural Utilities Service programs. All of those are subject obviously to the sequester, so to the extent that we have to reduce those accounts by five or six percent, whatever it is, that obviously limits the amount of projects that we can fund. Just in the last 4 years, we have had 15,000 grants and loans in that B&I program helping over 60,000 businesses and helping to stimulate and support 300,000 jobs. So every time you have fewer resources, you obviously will have fewer projects, which means fewer jobs.

Ms. KUSTER. Thank you. And then the other question relates to conservation, which is a hallmark in our New Hampshire history and an important part of managing our forests and farmlands. We talked about the importance of USDA's conservation programs to farmers and particularly young farmers who are just beginning their operations. I have been involved in some conservation efforts to protect small farms so that we don't lose them in New Hampshire. Will there be impacts on individual farm bill conservation programs under the sequestration, and is there enough funding to pay out our existing obligations under the contracts that are in force right now?

Secretary VILSACK. There will be sufficient resources to pay out on existing contracts. The problem is, we won't be able to go quite a bit further. We estimate 2,600 farmers will not—and that is across the country—will not be able to get the help they need to even put a plan together because simply, we won't be filling vacant jobs, about 400 jobs.

Then second, there is somewhere in the neighborhood of 11,000, 12,000 producers that will probably not get the financial support they would have otherwise gotten but for sequester so they won't be able to proceed with their conservation program with the cost-share that they were counting on, so that probably will reduce the number of projects that move forward. And the problem with all that is, it also has a ramification not just on the environment but also on our ability to produce outdoor recreational opportunities to the extent that we use conservation to increase habitat or increase and improve water quality and fishing. That could potentially reduce over time the outdoor recreational opportunities as well.

Ms. KUSTER. And I am pleased to say that the outdoor recreational opportunities on the farms that we preserved have been terrific in terms of building community and creating a total mixed use. They have been very, very well received. So thank you very much, and I yield back.

Mr. GOODLATTE. I thank the gentlewoman, and the gentlelady from Alabama, Mrs. Roby, is recognized for 5 minutes.

Mrs. ROBY. Thank you, Mr. Chairman. Thank you for being here today, Mr. Secretary. I want to continue along the lines of conservation but specifically the Conservation Reserve Program, which we all refer to as CRP. I want to explain a little bit about what is happening specifically in Alabama's 2nd District because the majority of the acreage is designated—the acres designated in Alabama do reside—are part of the 15 counties that I represent. It is heavily weighted in southeast Alabama, and what is happening is,

CRP, as you know, was originally there to help preserve marginal to highly erodible pieces of property. What is happening now is, we have kind of turned it on its head and we are putting highly productive farmland into CRP program. So for the farmers in Alabama that lease their property, they are now in competition. So the families that own the property are seeing that they can put in a 40 year crop of a long-leaf pine, take that highly productive farmland out of production and it is decreasing the number of acres that our farmers actually have to farm.

With that being said, in the last farm bill, we offered up that we should reduce over the next 5 years the number of acres, and then I even took it a step further and said not only should we reduce the number of acres, we should put in some measure to say that marginal to highly productive—we left marginal in, but anything better than marginal property to highly productive would not qualify for CRP, thus protecting highly productive farmland for our farmers to farm. So I just want to ask, what do you see as the future role of CRP and what changes would you like to see in light of the facts that I have given you?

Secretary VILSACK. Well, it is a balance Congresswoman, and actually your question caught me a bit by surprise because we actually have increased the indexing score that we use to determine whether or not a contract is going to be awarded based on this issue of focusing on more marginal lands and highly erodible lands, so it is obviously something we need to look at in relationship to your statement. But, the overall policy is consistent with where you want it to be, which is focusing on these marginal lands, these highly erodible lands. And we fully expect that the number of acres that are enrolled in that program are likely to go down. As you look for savings, that is one place where you are likely to go.

In the meantime, though, we are going to—obviously we still have the program and we still have the directive from Congress. We are going to follow that. And to a certain extent, it helps protect that shrinking baseline within the farm bill, which I think is important to everybody on this Committee.

Mrs. ROBY. Well, in your position as Secretary, are you recommending a cap on the acres that are allowed under the CRP?

Secretary VILSACK. I am a big fan of CRP because I see the opportunities for these marginal lands to create more outdoor recreational opportunities. You know, it is not so much a recommendation of a cap, it is just a recognition that there is a lot of competition now. In other parts of the country, we are seeing CRP land being taken out that probably should be in the program because people can get $7 a bushel for corn or $15 a bushel for soybeans. So we have sort of the reverse situation in other parts of the country. So our goal here is to try to find the right balance——

Mrs. ROBY. I would really like you to take a hard look at how this is affecting, particularly in the southeastern portion of the United States where you don't have these large expanse farms, you have farms that are divided up and not so much acreage in one area, and you hit the nail on the head when it comes to competition because our farmers that do lease property are not competing with CRP in order to be able to do what they want to do, and that is farm, because the landowner sees an opportunity for this 40 year

crop in long-leaf pine. So if you would, please roll down on this because as you said, you are a big fan of CRP. We understand the conservation aspects but we also have to feed America and the world, and the more land that is taken out, highly productive land that is taken out, the harder it becomes for us to do that.

Secretary VILSACK. Well, it is a fair point, but I would point out that we actually have fewer acres in the program than we have had for quite some time because of the competition in other parts of the country, so it is a balance that we have to——

Mrs. ROBY. Well, let us look at the balance, because if we reduce over 5 years the number of acres, which we are not even using the full amount that is available now, and if we reduce it over 5 years, it equates to savings in the billions of dollars, and in this current financial scene that we are in that that is really worth taking a look at.

With that, I yield back. Thank you.

The CHAIRMAN [presiding.] The gentlelady's time has expired. The chair now recognizes the gentleman from Massachusetts, Mr. McGovern, for 5 minutes.

Mr. MCGOVERN. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here.

Mr. Secretary, as you know, there are over 50 million of our fellow citizens who are either hungry or food-insecure, and one of the reasons why we don't have starvation in this country is because we have kind of an anti-hunger safety net including SNAP, which provides people of modest benefit to be able to put food on the table. SNAP is the most effective and most efficient anti-hunger program that we have, and as far as I know, it is one of the most efficient programs in the Federal Government. It has the lowest error rate in the history of the program, and a large part of the errors are actually underpayments. And you never know when you listen to some of the rhetoric on this Committee. This program has been demonized and diminished in a way that I think is totally unjustified, and since this is a hearing about rural economy, I just want to focus there a minute.

According to USDA statistics, rural areas are poorer than urban areas, and according to the latest USDA data, households in rural areas are more likely to be food-insecure. While 14.9 percent of all households were food-insecure in 2011, 15.4 percent of those households in rural areas were food-insecure. Ten percent of the rural population relied on SNAP compared to seven percent of the urban population. Children under 18 made up 25 percent of the rural population but made up 40 percent of the rural population participating in SNAP.

Mr. Secretary, can you tell me if the impact of SNAP is more or less likely to reduce poverty?

Secretary VILSACK. Congressman, there is a study that I think was issued last year that indicated that the SNAP program was helpful in reducing poverty. I am sorry I don't have the precise percentage but to my memory, it has reduced it by seven to nine percent as a result of the SNAP program.

Mr. MCGOVERN. And second, in the last Congress, this Committee made a concerted effort to dramatically cut SNAP. Can you talk about how the cuts to SNAP that would range from $16 billion

to $33 billion or more would impact rural America? How would these cuts impact the ability of low-income rural families to purchase food? What would these cuts do to local economies? How would SNAP cuts impact the school breakfast or lunch programs?

Secretary VILSACK. Well, the SNAP program is part of the safety net, and it provides resources to families to be able to shop. Ninety-five percent of the SNAP program benefits are spent within the first 30 days of receipt, so they get into the economy very quickly and they circulate around in the economy. I think part of the focus, Congressman, if I might say, obviously people are concerned about the overall costs of the program, and I think there is an interesting debate that takes place about that but we are missing the point, and the point to me is that if you want to reduce SNAP, the one way to do it that is the most beneficial is to focus on the individuals who are very close to no longer needing SNAP and figuring out a way in which we could assist them with a better-paying job or more training that would allow them to access a better-paying job so they no longer would need the program.

Mr. MCGOVERN. I absolutely agree with you. I mean, that is one of the reasons why I have been urging the White House to do a conference on food and nutrition so that we can connect all the dots to not only make sure that people get what they need in the short term but that there is a clear path to be able to get off of public assistance, to be independent.

Finally, I just want to say that I think we need the Administration to stand up and fight for this program because I worry as we talk about balancing budgets that SNAP has become kind of the convenient ATM machine. I hear it in this Committee, I hear it in the Budget Committee that if we want to balance the budget, we have to dramatically reduce SNAP, which means that millions of families who currently receive a benefit will no longer receive a benefit, and the Administration did, to its credit, help us in the stimulus bill with an uptick in SNAP but we then paid for the FMAP bill and for the child nutrition bill with those SNAP dollars, and if we do nothing right now, the benefit will actually decrease by the end of the year.

I think we need the Administration to draw a line in the sand that enough is enough. We can't afford a $16.5 billion cut in SNAP without adversely impacting a lot of poor people, and I would hope that the Administration would draw that line in the sand and make it clear to this Committee or any other committee that is talking about those kind of dramatic cuts that there is a point where you go so far that we are not going to sign that kind of bill because it would adversely impact millions of poor people in this country.

Secretary VILSACK. I just want to reiterate, if folks—the thing about SNAP is that we know where people are. We know who these people are and we know what their circumstances are because we have to have that information to be able to know whether they are qualified for the program. Since you know where they are and you know those who are working, and there is a substantial percentage of people receiving SNAP that are actually working, if we could get them to a better-paying job opportunity, they would no longer qual-

ify for SNAP and you would get a cut in the program but you would get it in a way that wouldn't necessarily——

Mr. MCGOVERN. Look, I absolutely agree with you. I mean, the thing is that the way you reduce SNAP is put people back to work. I mean, when the economy is bad, the amount we spend goes up. When it gets better, it goes down. But in the short term, it is important that the Administration make it clear that a cut of $16.5 billion is unacceptable.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentlelady from South Dakota, Mrs. Noem, for 5 minutes.

Mrs. NOEM. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here today. I have an e-mail that is dated yesterday from someone in the USDA Animal and Plant Health Inspection Service from Raleigh, North Carolina, regional office. It appears to be an e-mail to his regional team, and I wanted to read you a part of that e-mail that concerns me. It says, "During the management team conference call this morning, I asked if there was any latitude in how sequestration cuts related to aquaculture could be managed spread across the region. The question was elevated to APHIS BPAS. The response back was, we have gone on record with a notification to Congress and whoever else that APHIS would eliminate assistance to producers in 24 states in managing wildlife damage to the aquaculture industry unless they provide funding to cover the costs. So it is our opinion that however you manage the reduction, you need to make sure that you are not contradicting what we said the impact would be."

Mr. Secretary, I am very concerned about that last line. I will read it to you one more time: "however you manage the reduction, you need to make sure that you are not contradicting what we said the impact would be." Mr. Secretary, is it the policy of your Department and within USDA to not use any flexibility that you may have in managing the sequester?

Secretary VILSACK. No, Congresswoman, and I am not sure whether that decision is a result of prioritizing and actually using flexibility. If we have flexibility, we are going to try to use it to make sure that we do sequester in the most equitable and least disruptive way. There are some circumstances, and we have talked a lot about the meat inspection, where we do not have that flexibility because there are so few accounts, but in other areas, you may have multiple accounts and you may have flexibility, in which case you have to prioritize what is the most important thing to adequately fund. I am not familiar with that e-mail, obviously, nor am I——

Mrs. NOEM. Would you agree that reducing the impact to producers should be a priority?

Secretary VILSACK. Yes, but if you have limited resources, and given the diversity of agriculture, you may have to choose how much of an impact you have on any one particular group of producers to be able to maximize the protection of a larger group or a group that has broader reach. I just don't know about that particular issue. I wouldn't say that we have said no to flexibility but there are certain circumstances where we don't have flexibility.

Mrs. NOEM. My concern from the e-mail is that it intends, I believe, and the way that it is worded is that it prioritizes staying consistent with the Administration of what they previously said and what they may decide to do to protect producers. I am hopeful that that isn't an agenda that has been put forward that really will look at the reductions that we have to deal with and do them in the best manner possible to make sure that we protect the industry and as many producers as we can.

Secretary VILSACK. I don't disagree with that.

Mrs. NOEM. Thank you. I just wanted to follow up quickly. You know that in South Dakota, we have a big problem with the mountain pine beetle, and the Mountain Pine Beetle Response Project has been wonderful for us to get that opportunity in the Black Hills to help manage that infestation, so I want to thank you for your help with that and getting that off the ground. My concern is that with sequestration coming, I recognize that there is going to be a decrease in logged areas and contracts within the Hills and throughout the nation because of those reductions in spending, but it appears to me when I look at the numbers that we are going to reduce actual board feet harvested to a greater extent than what the sequestration cuts would reflect, and I am wondering if you could comment on that.

Secretary VILSACK. Well, it may very well be a result of making a determination of what is the most significant thing we can do. Do we have to have adequate resources in our fire suppression budget? Is it more important to protect the safety of homes and people by treating more acres in that interface between the wildlands and the urban interface? There are a series of decisions within the Forest Service because we have a lot of different accounts that we can make, and I think that that is an estimate in terms of what will likely happen with reference to board feet. It costs us money when we have lumber treated, and I think there is a determination that that is a consequence of sequester. Now, whether it is disproportionate or not, I don't know, but if it is disproportionate, it may be because there is a higher priority related to safety in terms of the Forest Service, and we have, obviously as you well know, faced a horrendous set of fires in the last couple of years and the expectation is with drought and the pine bark beetle, that that is not going to go away for a while.

Mrs. NOEM. Yes, we absolutely have an emergency situation in the Black Hills, so communities that live amongst these dead and dying trees are a lightning strike away from wiping out an entire town or population. And so we are very concerned with that, and that is why when we look at the situation, we like to see those numbers increased. We would like to see full funding come into the programs that as they are allocated and hopefully that they will be prioritized within the Forest Service.

Secretary VILSACK. Well, we want to see more board feet. That is the goal. We are trying to get to 3 billion and beyond. We recognize the importance of that.

Mrs. NOEM. Thank you. I appreciate it.

With that, Mr. Chairman, I yield back.

The CHAIRMAN. The gentlelady's time has expired. The chair now recognizes the gentleman from Texas, Mr. Gallego, for 5 minutes.

Mr. GALLEGO. Thank you, Mr. Chairman, and thank you for being here, Mr. Secretary. You have a great command of all of the issues.

As a new Member, I am finding it interesting, Congress uses power of the purse to cut your budget but doesn't seem to like the idea that that means a reduction in services, and so I appreciate the spot that you are in in that sense.

I want to join in the conversation about the definition of *rural.* I heard you say, or perhaps I misunderstood you, that part of the philosophy going forward is to talk about it in terms of regions, and one of the challenges in the rural part of Texas that I represent as an example is Ozona, Texas, has about 3,000 people in it, but you have to drive a little over 100 miles to get to Fort Stockton, Texas, which has about 10,000 people in it. And so when you are talking about doing it regionally, the distances make it a little more difficult than perhaps in some of the other regions. Is that something that you all will take into consideration or is that——

Secretary VILSACK. The answer is yes, Congressman. I apologize for giving you a misunderstanding of this. When I talked about regions, I am suggesting that we are working with self-described—or it is not that we impose a regional definition. We essentially say to communities that can function as a region, you are going to get a bigger bang for your buck if you work together as opposed to individual communities doing things in isolation. If you could coordinate what you are doing, it may very well actually result in greater economic activity. If you have a situation where there are substantial distances between communities, obviously that won't work particularly well, so that is why we have a couple things. That is why we will focus on individual community grants and loans. That is why we have our Strike Force Initiative in some states that can really sort of go to those areas of persistent poverty.

Mr. GALLEGO. And even if you use the MSAs, there is a huge difference, for example, between the rural areas of El Paso County and the City of El Paso itself and some of the farming communities. And so even though they may be in the same region, the truth is that their interests are totally diverse, and many times they are not exactly aligned as well. I would hope that you would take that into consideration.

Let me ask you, with respect to—there has been some recent actions at the FCC to overhaul what is called the Universal Service Fund, and as a result of that, there are a number of providers in rural Texas that are facing substantial cuts to the USF, and as a result, there is a possibility or a danger that they might default on some of their USDA loans. I am wondering what steps the USDA has taken to prevent those kinds of defaults or potential bankruptcies and what you are doing proactively to help those companies that are going to be impacted by those Universal Service Fund decisions at the FCC.

Secretary VILSACK. Well, I sat down with the Chair of the FCC several weeks ago to discuss this issue, and there is a process within the FCC rules, a waiver process that can provide some degree of flexibility for the folks that are essentially on the bubble, that might find it difficult to comply with the new FCC structure and still be able to make their payments. Right now, it is a relatively

small number and so we have been working through those individual issues one by one, but we have acquainted the FCC with the concern.

The second thing that we have decided is that there needs to be a coordinated effort between Rural Utilities Service at the USDA and the FCC because we speak to a different universe here. The FCC is really focused on areas that can be protected and provided through the regional Bell Systems, the larger companies. We in turn are dealing with those small telecommunications companies. I think you are going to see better coordination between the two efforts, and we have suggested a couple of things that could be done to tweak the FCC approach that might make it a little bit easier and more likely that broadband and Internet activities are expanded in some of those remote locations.

Mr. GALLEGO. I look forward to working with you and your office on those issues. They are kind of core to the part of Texas that I represent, and offline at some point I would also like to have a conversation about some litigation with some Latino farmers in Texas and New Mexico that has been ongoing for a period of time. And so at some point if you could send your staff over to tell me what is going on, that would be wonderful.

Secretary VILSACK. Actually, I can send the same guy to talk about both issues.

Mr. GALLEGO. That would be great.

Secretary VILSACK. John Paladino is basically in charge of our RUS but he has also been involved in the Hispanic claims process, so we will arrange for him to come see you.

Mr. GALLEGO. Thank you so much.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from northern California for 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for appearing before us here today. Also, thank you for a recent trip you made to northern California to Trinity County to view some of the very difficult issues we have in forestry, and forestry practices or lack of forest management we have there. Two thousand and eight was one of the most devastating years for fire in California. The air was brown and actually extremely unsafe levels for that county for months up there, so I appreciate your viewing that and seeing what is going on with drug labs and the marijuana growers that are probably a thousandfold more harmful than any agricultural activity that may go on.

California's issues are many and very diverse and unique with our regional, our cost of doing business, foreign and domestic markets as well as the specialty crops we have, olives and olive oil. We have a lot of different things going on. I want to drill down on a couple specifics that I hear a lot about in my district with dairies and with rice. The issue on rice, there are a couple things going on here with Japan and in the Trans-Pacific Partnership, Japan wanting to come in on that. It is very important that we support that as well as that rice be included in any of the negotiations going on with fair and free trade through the USTR. So we want to be sure that that is included and encourage as much as possible Japan and California rice in that. And second, with California's rice situation, we have—again, it is a unique crop compared to the

southern portion of the country. Long grain is grown in the South but it is short and medium grain in the West, and so there is a different cost structure and price structure for medium and short grain that we would like to see addressed as an industry differently in that because, again, California's cost, price, *et cetera* for that. So I would ask for you on both those issues with Japan and the Trans-Pacific Partnership and fair trade that is coming up as well as with continued support through the Risk Management Agency a workable solution for California's uniqueness in rice, so I would ask if you could comment or if you could come in on those two issues, please?

Secretary VILSACK. As it relates to TPP and the Japanese involvement as was stated last week, we obviously will continue to work with the Japanese to see whether or not they can in fact be included in the TPP discussions. One of the hallmarks of inclusion in TPP is the willingness to actually reduce a lot of the barriers that exist in your country, and the Japanese obviously have to work through that process to determine if that is what they want to do, but that is sort of the cost of admission into the conversation is reducing trade barriers and things that are artificial barriers to products.

As it relates to rice, our RMA folks are constantly looking for ways in which we can do a better job of distinguishing between products and making sure that the crop insurance program is as diverse as the diversity of agriculture. Today we have 132 products that are covered, 281 million acres and so this is a constant effort on our part, and I think that they have been working on downed rice specifically to try to expand coverage, so this is something we can take back to them.

Mr. LAMALFA. Thank you. With regards to our dairies, they are really struggling too, and in California too, and California is the leading dairy-producing state. You know, it is the cost of feed, purchasing feed and extraordinary prices these days as well as the cost structure, especially in California, of milk prices, and it is very important we have that regional production there as opposed to having to bring it in from a long distance—including the jobs in the economy for our own state. So any continued effort to find relief for dairy producers in California to policy for feed prices as well as what we can do with price structure that would help them out, because it is extremely key for our local economy as well as the needs of our consumers of the state. So any comment there, sir?

Secretary VILSACK. Well, first of all, I certainly recognize the challenges that dairy has just as a general proposition. The volatility of the market makes it really hard for dairy producers to have the stability that other commodities have. We expect and anticipate good production this year, and if that occurs, the expectation is that crop prices will come down, commodity prices will come down, which would translate into more profitability for dairy producers. In the meantime, we will administer the program that we have to provide help and assistance.

The MILC program, it may be adjusted a little bit because of sequester, and it is one of those issues that we have to figure out folks who have already received their MILC payments whether or not there is any kind of reimbursement that has to take place, it

is one of those complexities of sequester but we will continue to administer that program in the hope that when the 5 year farm bill is done that you put in place a different program that will work more effectively to provide assistance and protection when feed costs are high or prices are low or a combination of both.

Mr. LAMALFA. Thank you. A quick note on that sensitivity training too. I received a lot of calls about that, and——

Secretary VILSACK. I am sorry. On what?

Mr. LAMALFA. On the sensitivity training. We received a lot of calls about that, and being provocative, depending on what racial group is being provoked, it could cut across all those lines, so I would say that you need to be a lot more careful about that because it could be hurtful or offensive to anybody, no matter who is on the receiving end. So thank you for looking into that.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from New York, Mr. Maloney, for 5 minutes.

Mr. MALONEY. Thank you, Mr. Chairman, and I look forward to serving with you on the Committee.

Mr. Secretary, thank you for your testimony today and for your extraordinary service to your own citizens in your home state but also to all of us in your current position. It is much appreciated.

I represent the Hudson Valley just above New York City, and we have a lot of specialty crop farmers in the Hudson Valley, in Orange County but also on the east side of the river. There is a real feeling in my part of the world, as important as the Secretary is to feeding New York City and to the economy of the local region, that the laws and the Department are oriented in such a way towards the large agribusinesses in other parts of the country that they often leave our folks behind. In particular, I have one of my constituents here today, Chris Pavelsky, who runs a fourth-generation, I believe, onion farmer from central Orange County. There is another couple he introduced me to, Jeff and Adena Bialis, who grow 250 crop varieties on 12 acres of land and sometimes they will change the crops during the season. They have real problems with the crop insurance programs, so I was hoping you might say a word about the attention of the Department to specialty crop farmers and to the way the crop insurance program works or in many cases does not work for those types of farmers.

Secretary VILSACK. Well, first of all, I am familiar with the Hudson Valley. I went to school in upstate New York, both college and law school, so——

Mr. MALONEY. Well, that explains your outstanding service to the country. It is all becoming clear to me now.

Secretary VILSACK. Right. Well, first of all, we continue to expand access to crop insurance. Basically 85 percent of commodity producers are covered by crop insurance, and that percentage is less for specialty crop producers. It is about 70 percent. Far more fruit producers are covered then vegetable producers but that is increasing. We are constantly looking at data and accumulating information that allows us to actuarially develop products and expand those products. We are also significantly expanding one area of the specialty crop world, which has not received a lot of attention until recently, which is the organic producer. Only about 20 percent

of organic production is covered by crop insurance. So it is unique because of the value-added proposition, so it is about really accumulating the data and the information.

Mr. MALONEY. If I could just interrupt briefly, would you support efforts to sort of minimize the—I understand part of the problem is getting good actuarial data to provide that type of insurance. There are some ideas out there to make this more cost-effective for folks in terms of the match and how it is done. Would you support those efforts?

Secretary VILSACK. Well, obviously we are always looking at whether or not the rates that are currently being charged for products are appropriate. We have actually had some adjustments in products recently as a result of a rate analysis. So that is part of our job.

The other thing is, we have really made a concerted effort to expand market opportunities as well. It is not just providing the risk management, it is also creating market opportunities, and that is one of the reasons why the local and regional food system effort, Know Your Farmer, is important because it creates new market opportunities. It is why the Farm to School Program is important. It creates new market opportunities. It is why we have knocked down trade barriers to some of our fruits and vegetables because that is market opportunity, and it is why we are looking for equivalency agreements on organics with the EU and Canada, for example, because it creates market opportunities. So it is a combination of both things.

Mr. MALONEY. If I can ask you as well in the minute and a half I have remaining, there is a real concern among my folks that they were not helped adequately after Hurricane Irene. You know, with all the attention on Superstorm Sandy, there was a hurricane a year before and it had a devastating impact in Orange County, New York, and so the rubber really met the road on a lot of these crop insurance programs, and there is a concern that loan rates have been adjusted for folks in light of the drought but not for smaller farmers as a result of Irene. Can you comment on that, sir?

Secretary VILSACK. The disaster loan rates are across the board. It isn't necessarily drought related. What we did do is, we streamlined the disaster declaration process, and anybody who is in a disaster area gets the benefit of that lower interest rate on disaster loans, number one. Number two, I actually traveled to upstate New York with Hurricane Irene, and there was an issue and continues to be an issue with our NAP product, and we are trying to make adjustments to make it a little bit more available or making a little bit more sense for specialty crop producers. I think it is an evolution, and I think there is a sensitivity in the Department to the need for us to continue to find ways to help these producers out because they are an important part of agriculture.

Mr. MALONEY. Well, thanks, and I would love to get you back in the Hudson Valley.

I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. The gentleman's time has expired. The chair now recognizes the gentleman from North Carolina, Mr. Hudson, for 5 minutes.

Mr. HUDSON. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here today. I really appreciate your time. I would like to direct this back to the question raised by the Ranking Member about the poultry inspection rule. You know, it seems as though the rule has been properly vetted and gotten widespread support. What is sort of holding us back from getting going? We have an opportunity for better food safety, for better production but also some cost savings there, and it seems to me we would want to get that online as quick as we can to start taking advantage of those benefits.

Secretary VILSACK. I don't disagree, but any time you are proposing something that hasn't been changed fundamentally for 60 years, it is an education process, making sure that people understand that it isn't revolutionizing or changing the process significantly but it is really providing inspectors to do a better job and freeing up folks. The cost savings are going to be some adjustments in terms of the overall inspection workforce. We are probably over a period of time going to have slots that will no longer be necessary but we will deal with that through attrition. Some of the inspectors will actually get better-paying jobs because there will be more responsibility. So it is a matter of educating people. It is complex, it is complicated, and it is a matter of educating, and hopefully we are in a better spot, people have a better sensitivity and understanding of what we are actually doing and hopefully you will see that rule forthcoming very soon.

Mr. HUDSON. I appreciate that, and that is certainly an area where we can all agree. It is very important in my part of North Carolina.

I wonder, though, as we are looking at sequestration and the issues you are having to deal with with inspectors, if we could start putting this process in place, would that enable you to—if you are going to need to trim back to do that quick enough?

Secretary VILSACK. We wouldn't be able to do it in time to make a difference in terms of this year because once we issue the rule, then there is a notice and comment period that we have to go through that administrative process. We would anticipate and expect a lot of people weighing in on this. There may have to be some adjustments. It will take time. So I don't think that this is the vehicle for creating a better circumstance than what we have in food inspection, unfortunately.

Mr. HUDSON. I understand. Well, just ballpark, are we talking about next year, implementation, or——

Secretary VILSACK. That is the hope, but to make sure you understand, it is likely that this will be staggered and it is likely that not every production facility will use this new system because it does depend on the way in which your plant is set up and the space of your plant, and it may not work for some plants but we think it will work for enough plants that we can save resources and certainly increase food safety.

Mr. HUDSON. Thank you, sir. I yield back my time, Mr. Chairman.

The CHAIRMAN. The gentleman very efficiently yields back his time. The chair now recognizes our friend from Illinois for 5 minutes.

Mr. ENYART. Thank you, Mr. Chairman. Welcome, Mr. Secretary. I am very impressed with your breadth of knowledge. You certainly have a firm grasp of the issues.

Mr. Secretary, the Navy, the U.S. Department of Agriculture and the Department of Energy have a Memorandum of Understanding in place promoting biofuels. Would you be supportive of expanding these efforts to include the United States Air Force as well as the Navy?

Secretary VILSACK. Well, yes, the Air Force is involved in other aspects of this initiative, but this specific initiative between the Navy, the Energy Department and us is really designed to create the infrastructure that will allow us to produce a drop-in aviation and marine fuel, which obviously could be used by the Air Force and the Army and the Coast Guard.

Mr. ENYART. So then your understanding would be that once the infrastructure is in place, that it would be expanded to the other military services as well as the Navy?

Secretary VILSACK. Well, it would create product that would be available, and frankly, would also be available to commercial air. We have a Farm to Fly Initiative, which is involving the commercial aviation industry, and they are very interested in this because in order to comply with international greenhouse gas reduction emissions, they are going to have to need this new fuel, so it is a very important thing for commercial aviation as well.

Mr. ENYART. Mr. Secretary, of particular concern in my district in southern Illinois—I like to say that I have the western coast of Illinois along the Mississippi River—is moving agricultural products to market via the Mississippi. Now, particularly in light of the low water levels that we have experienced recently due to the drought that you have spoken of, would you encourage USDA support in encouraging the Corps of Engineers to address the need for infrastructure improvements on the river?

Secretary VILSACK. Yes.

Mr. ENYART. I love those kinds of answers, as does the Chairman.

Could you tell me, Mr. Secretary, what is the impact of not having—this goes back to the energy question, the biofuel question. What is the impact of not having any funding for most of the energy title program for Fiscal Year 2013?

Secretary VILSACK. Well, it limits our ability to continue to expand beyond corn-based ethanol to non-food feedstocks, which carry economic opportunity in all regions of the country. We think there is an opportunity to use woody biomass, plant material, livestock waste, crop residue and municipal waste to produce new energy sources. To that extent, we would be limited in terms of our current investments if we don't get additional resources or additional authority.

Second, as I said earlier, it is important to extend that beyond just the energy. I think there is a biobased opportunity here. I have been to facilities that are taking corncobs and producing plastic bottles for Coca-Cola. I think there is just literally unlimited opportunities here for a new manufacturing revolution in rural areas, and these biorefineries because of the nature of the biomass that is necessary will have to dot the landscape of rural America to cre-

ate new job opportunities and maybe allow us to stem the population declines that we have seen in many small communities. I think there is tremendous opportunity here but we have to have the resources and we have to keep encouraging expansion of these new products.

Mr. ENYART. So what you are talking about then is taking what is essentially waste products now, turning them into valuable economic opportunities and increasing good job opportunities in rural America?

Secretary VILSACK. That is correct.

Mr. ENYART. One other question relating to the biofuels and the military. Can you tell me why is helping the Navy and the other branches of the military increase their use of renewable energy such an important goal for your Administration?

Secretary VILSACK. Well, there are a couple reasons. One, it is a national security imperative. If you talk to Secretary Mabus of the Navy, he will tell you that he is deeply concerned about the ability to adequately fuel the ships and planes necessary to defend our country if you have to be reliant on imported sources of that energy. Second, since most of—since a high percentage of the military, a higher percentage than the population would suggest, comes from these rural areas, a lot of these folks who are serving in the military go back into the rural areas that they came from and they want to have economic opportunity when they retire or leave the service. We are going to have a lot of young people leaving the service as a result of these wars being ended and we are going to create new opportunities, and I think there is a concern on the part of the Navy that those who have served their country admirably have economic opportunity back home, that they aren't necessarily compelled to go someplace else if they want to go back home. You know, it creates a new industry and there are obviously jobs connected with that new industry, and it creates an opportunity for our commercial aviation system to be more competitive internationally. So there are a lot of positives to this.

Mr. ENYART. Thank you, Mr. Secretary.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes another gentleman from Illinois, Mr. Davis, for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman.

Mr. Secretary, thank you for your time today. It was great to meet you before the hearing. I appreciate you taking the opportunity today to educate us on a few different issues too.

First off, I want to tell you, the number one issue on the minds of the farmers in central and southwestern Illinois is crop insurance. As a matter of fact, the President of the Illinois Farm Bureau, Phil Nelson, who has a mighty fine taste in ties, I must say, is here in the audience today to reiterate that point. Last fall, some opponents of crop insurance, they predicted that crop insurance indemnities would be about $40 billion. What is your latest estimate for the total indemnities paid for the 2012 crop year?

Secretary VILSACK. In terms of what has actually been paid out, it is roughly $15½ billion. You know, I don't know that all the claims have been satisfied but it is certainly substantially less than the number that you just quoted.

Mr. DAVIS. So we can easily say about ½ the estimated cost originally?

Secretary VILSACK. I think that would be safe.

Mr. DAVIS. Okay. Do you agree crop insurance is working?

Secretary VILSACK. Absolutely.

Mr. DAVIS. I am a father of three kids, one is high school, two in junior high, and I want to hopefully work with you on an issue that a lot of folks are talking to me about back home, and that is school nutrition. Our kids are not getting enough to eat at school. As a matter of fact, I understand the goal of the recent new changes to reduce the calories that the kids are eating, they make them make better choices, but it is having the opposite effect. I also coach Little League and football, and I know some of these kids are just not getting enough to eat at school. As a matter of fact, it is backfiring because they go out to the convenience store that is right across the street and they eat worse as soon as they leave. So I would ask that you give the schools the flexibility they need to make sure that they are able to feed the kids, and one size does not fit all with our children and the energy they need. Can you please comment on what USDA is actually doing to allow more flexibility?

Secretary VILSACK. Well, there are 32 million children that are involved in this program and so you aren't going to have 32 million different menus. You are not going to be able to individualize it to that point. It is somewhat surprising that people are concerned about this because the calorie count is not significantly less than what it was the year before this went into effect but it does change the makeup of the meal and the makeup of the calories to provide a nutritionally balanced meal. That doesn't prohibit additional *à la carte* opportunities nor does it prohibit additional snacks nor does it prohibit youngsters using vending machines that are in school with healthy snacks. So we recognize the need for flexibility and so we indicated to school districts that they could adjust within the week portion sizes so long as they kept within the basic framework.

I mean, we do have a serious issue with obesity. A third of our children are overweight or obese. That is going to have consequences in the classroom. It is going to have consequences in health care. It is going to have consequences in opportunities. It is a national security issue. We have had retired generals and admirals come in this very building and testify on behalf of these nutrition standards because they are concerned about the shrinking number of young people available to serve in the military. So it is an issue, and we have provided flexibility, and I think that there is at least perhaps not in your area but at least in many parts of the country a greater acceptance and understanding of what we are doing, and we have seen particularly among the elementary school kids that they are really excited about this.

Mr. DAVIS. Well, I am not getting that excitement out of the folks that are in my district, but I would be happy to work with you and let you know some of the individual circumstances that some of our schools are facing.

I have one last question in the balance of my time. You know, Mr. Secretary, it was reported in today's *Washington Times* that the Federal Government has actually posted 400 new jobs yester-

day including three insect production workers to help grow bollworms in Phoenix. At a time when this Administration is claiming the sequestration is going to cause flight delays, meat shortages, are you going to still fill those three positions in Phoenix?

Secretary VILSACK. Well, I am not familiar with those three positions, Congressman, and I will be happy to check on that, but I do want to say a couple things in response to your question.

First of all, we have eight percent fewer workers than we had when I took over. We have a budget that is less than it was in Fiscal Year 2009. We have made a lot of changes and a lot of things that have created a great deal of difficulty in terms of getting our job done but we are getting it done. We are going to continue to be mindful of the importance of working with taxpayer dollars, and I am pretty proud of the effort at USDA to save and reduce spending by $700 million.

With due respect, you can pick out one or two items but on balance, you will get a workforce that is very committed——

Mr. DAVIS. Mr. Secretary——

Secretary VILSACK.—to the people of rural America.

Mr. DAVIS. I appreciate what you have done at USDA and I am glad you guys have cut, but with sequestration and what we are seeing in the news media today, the fact that we have three positions that are in the USDA—granted, there are many others that I think should be pulled down before we start furloughing some of the workers that are on your payroll now. I just want to make sure, I want to know, can you please look into the fact that we have three brand-new positions to actually grow bollworms in Phoenix. If we could please look at——

Secretary VILSACK. Well, I will look into that but if you will understand that even if those positions are not filled, it doesn't have any impact on meat inspection. That is the thing that seems to be missing here is a recognition of what you all have done. With the sequestration the way it is structured, every account item has to be cut by a certain percentage and so in the food safety area, there are only a couple of accounts and they are almost all labor. So even if you eliminate those jobs, it isn't necessarily going to resolve the issue that we are all concerned about.

The CHAIRMAN. Would the gentleman from Illinois yield to the Chairman for a moment?

Mr. DAVIS. Yes, sir.

The CHAIRMAN. The Secretary is exactly right. One of the challenges we face here is trying to come up with ways to mitigate the effects of sequestration. That was my earlier line of questioning about whether the Department had worked with OMB or the appropriators to try to come up with language. We as a Committee have been trying to work with the appropriators when there is an opportunity in this CR or legislatively to give you the flexibility. They say they have heard nothing from the Department or OMB or the Administration. That is our concern.

Thank you, Mr. Secretary. The gentleman's time has expired. The chair now recognizes the gentlelady from New Mexico for 5 minutes.

Ms. LUJAN GRISHAM. Mr. Chairman, thank you very much, and Mr. Secretary, it is a pleasure. I am delighted to get to meet you

today and to have you before this Committee. I also appreciate that several questions today and much of your testimony has been focused on food security issues and hunger and that New Mexico is included in your recent efforts, Strike Force, is the language that you used, to address this problem. As you are already well aware, New Mexico has one of the highest hunger or food insecurity rates in the country, and you identified that in food security are a couple of those programs, both SNAP and the Commodity Supplemental Food Program, that we have a growing number of disabled adults and seniors on those programs, and in fact, in New Mexico, what you have is another dynamic. Not only do we have some of the highest poverty rates among those populations and diversity rates among those retirees, but in addition, we have the fastest or one of the fastest growing seniors raising or grandparents raising grandchildren populations. So you have a double exposure, if you will, to a lack of resources, a lack of support and a growing problem with hunger. You also mentioned the First Lady's Let's Move Initiative and how that could provide some positive impacts in rural efforts to address those populations. Can you talk to me about how much has been appropriated or funded for that program, the efficacy of that, and can you give me some of those outcomes that are working for us in rural America?

Secretary VILSACK. Well, the First Lady's Let's Move Initiative is really a function of her outreach to the private sector and it is predominantly being funded by private foundations and private enterprise, private companies. But it has had a profound impact in one particular area. We have a thing called the U.S. Healthier Schools Challenge where we encourage schools to embrace better nutrition as well as physical education and more exercise, more physical movement. We have seen a dramatic increase in the number of those schools basically reaching the various levels that we have. We have a bronze, silver and gold level and a platinum level. We have seen thousands of schools participate in that program, and we think over time that is going to make a difference, maybe a small reason why in some of the major cities we are beginning to see the obesity levels abate a bit.

Ms. LUJAN GRISHAM. Mr. Secretary, I appreciate that. I am going to take this to maybe a more complex area to address in that regard. We also have in New Mexico some of the highest type 2 diabetes rates, among adolescent, some of the highest obesity rates. Our health disparity issues are problematic, and when I was the Secretary of Health, I worked diligently to actually ban junk food out of the schools and recognized that all of the research indicates that if you want to see better outcomes in education, you can tie that directly to a healthier school environment, which goes right to nutrition and then saves us billions of dollars in health care costs for both those issues.

But I am really concerned in addition to that effort, and I do see great promise at focusing on healthy school initiatives, which include both better nutrition and exercise, but outside the school and in rural areas, what are we doing about those families in the summer and what innovations can we take from some of the healthy school initiatives and apply to making sure that those kids and families get the nutrition that they need in the off-school months?

Secretary VILSACK. Well, we have seen a significant increase in summer feeding spots and locations. We have 38,000 locations that we are involved in supporting. They serve about 143 million meals a year during the summer months. We are continuing to reach out to faith-based organizations and the private sector to help fund mobile units that can go to where the kids are as opposed to the kids coming to a central location. In a rural area, that is particularly important to have a mobile area where you have healthy snacks or healthy meals that can wheel around to the Little League diamond or the swimming pool or locations where we know kids are congregating and provide them access to decent food. So that is one thing that we are encouraging, greater expansion of the summer feeding program.

Ms. LUJAN GRISHAM. And Mr. Secretary, on that point, I appreciate that, and one of your nonprofit partners in New Mexico, Appleseed, is doing a fantastic job, but I do worry that sometimes the lack of flexibility has stunted some of that innovation and their ability and other nonprofit partners to really do their job. I would love for the Department to entertain that flexibility, and given that I have very little time left, I would also want you to talk about with the sequestration and notwithstanding sequester that is my sense that we don't have enough people on the ground in USDA to partner productively in those programs or to get any grants and loans out either for rural economic development.

Secretary VILSACK. Well, with due respect on that rural development, we are still going to have people on the ground and still people doing business. We just not going to be able to do as much business because we don't have the resources. We will see a reduction in wastewater and business and industry loan programs and utility programs but we are still going to do our job, and we are going to continue to focus on getting the job done in rural areas. It is one of the reasons why we have focused on process improvement. We, for example, reduced the loan application for smaller loans in rural development so we don't have to spend as much time so we can do more of those smaller loans. We have created new opportunities in the FSA area with microloans to help small farming operations. So there is a lot of work being done but we are not going to be able to do as much of it, just simply because we don't have the financial resources that we would have had but for sequester.

The CHAIRMAN. The gentlelady's time has expired. I would note to my colleagues, we have five more Members in the queue. Secretary, your patience has been very much appreciated, and with that, I recognize the gentleman from New York, Mr. Collins, for 5 minutes.

Mr. COLLINS. Mr. Secretary, we have covered a lot of territory today, and I am a little surprised. I represent the 27th District of New York, the eight counties on the western part of the state, and we have one of the largest dairy-producing counties in the entire country. We need jobs. We need to grow the economy. We need legal workers. And as the Secretary in the Administration, I hope somewhat rhetorically, we are counting on you to be a voice for the dairy producers so we can get the legal workers we need 24/7, 365 as this immigration debate moves forward, and I am just curious

if you have some comments, certainly recognizing that that is the issue with the dairy farmers—legal workers.

Secretary VILSACK. Well, Representative, I talk a lot about this issue and the need for comprehensive immigration reform that would include and respond to the unique nature of agricultural workers. It is something that I have talked to groups about. It is something I have talked within the Administration about, so we are clearly focused on this, and we understand the unique nature of farm work, and our hope and our prayer is that we finally get this broken system fixed and get it fixed once and for all, that we provide better border security, that we provide a pathway to legitimacy and citizenship for those who are here that we want to stay here, that we make sure that people are held accountable by paying fines and paying taxes and learning the language but that we get this process fixed and that we get it fixed in a way that doesn't make it cumbersome and difficult for producers to comply with the law. One of the concerns we had about e-verify that was discussed in past Congresses is that it may apply very well for a large industry but it doesn't apply particularly well for a small dairy operation, so we are very, very sensitive to this issue.

Mr. COLLINS. Well, we will be counting on your voice as this moves forward. I do think that bipartisan support is there to get it done this year, and I hope that is not just optimism.

Secretary VILSACK. We are counting on your vote, Congressman.

Mr. COLLINS. Moving forward, we covered a lot of things and there were a few questions that I may ask you to go back over, but do you consider yourself the CEO of the Department of Agriculture, I am assuming?

Secretary VILSACK. Actually, to a certain extent I have to be careful about how I answer that question because the President is my boss and the people of this country are my boss, so I am middle-level management in that scenario.

Mr. COLLINS. Well, I would think and hope you would consider yourself more of that, because it goes back to in my world, a CEO should be proactive—I think you would agree with that—anticipatory, do contingency planning, and I guess my question is, do you do those things?

Secretary VILSACK. We have done them, Congressman. That is why we have been able to deal with a budget that is less than it was in 2009 and still provide service.

Mr. COLLINS. So if you are proactive, anticipatory, you do contingency planning and you are the CEO of the Department of Agriculture, how is it that for 18 months you have done no planning related to the sequester and in fact today you can't even contact all your employees. We are 4 days post sequester and you don't even know how to get a hold of your employees.

Secretary VILSACK. Well, that is not a fair statement, Congressman. First of all, we have done planning. We have been doing planning all along, so we have a good understanding of some of the challenges. We know, for example, that we are going to have 1,500 fewer farm loans as a result of sequester. We know that we are going to be able to do a lot less conservation. We know that we are going to be able to do a lot less rural development. We know the implications of this. What I said in terms of contacting folks is that

folks don't have e-mail and so there is a process by which we have to follow for folks who don't have e-mail to be able to notify them legally pursuant to contracts and pursuant to the law. So we know where the folks are. It is just a matter of using different techniques to communicate with them.

Mr. COLLINS. Well, I would suggest had you done some advance planning, they could have already been contacted.

Secretary VILSACK. You can't contact them until the sequester is triggered, Congressman. That is the legality of what we are faced with. As soon as the President signed the order, we began the process of notifying people.

Mr. COLLINS. You know, with 1 minute left, have you heard of Lean Six Sigma?

Secretary VILSACK. Yes, sir. We are using it in process improvement at USDA. We have a number of Lean Six Sigma trainings. We have a number of black belts in that process.

Mr. COLLINS. And are you trying to utilize that as a way to minimize the sequester impacts on, for instance, your meat inspectors and a way to improve processes? Because Lean Six Sigma will reduce the need for employees, which could reduce the need for furloughs.

Secretary VILSACK. I don't think it would work in this particular area but we have used it in other areas. We have used it specifically in our biotech regulatory area is one place where we have used it. As I say, we have a number of black belts throughout the entire USDA process. I am very keen on this.

The problem with food inspectors is the amount of time and the amount of the cut and the fact that the budget is predominantly inspectors, and there is just not much flexibility. It is not like a regular budget. It is not like you can prioritize. That is the problem that people just can't get their arms around but that is the reality we have to face.

Mr. COLLINS. Well, respectfully, I do believe Lean Six Sigma would help you with meat inspectors, and I request that you take a look at it. It will pretty much work everywhere.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Florida, Mr. Yoho, for 5 minutes.

Mr. YOHO. How are you doing today?

Secretary VILSACK. All right. How are you?

Mr. YOHO. I admire you for sitting through this. I learned a long time ago that the mind can only absorb what the rear end can endure, and you are doing a great job.

I have been proud to be associated with agriculture pretty much all my life. You know, since I was 16, I have worked around agriculture. I have been a large-animal veterinarian for the last 29 years, and I have worked with the USDA and I am proud of that organization, and you have a tough job and you have been at the helm for 3 years. My question kind of goes along with Mr. Collins's here too. Knowing that sequestration was a possibility 2 years ago, the planning stage, you have to work out your budget, knowing this was coming, I have heard you had the response that you did and the steps that you took, and I realize that you did do like a lot of the farmers in our area and I did certainly in practice, do more with less, and I commend you for that. But again, with your mis-

sion statement as you stated is to make sure our food supply is safe in this country and it is important when we address the topic for today's discussion to review the state of the rural economy, we want to make that strong. The small businesses are the backbone of this country, and of course, the farmers are the breadbasket of this country and a large portion of the world. And so with the statements that come out of the Administration or through the USDA when you say the money is not there, we are going to have to lay off the meat inspectors, I find that somewhat disheartening to come out of an agricultural community because by sending that message out, you are stating to the rest of the world, not just the country, not just the region that our food could possibly not be safe, and that is a bad message to send out, and I would caution in the future to use different messaging techniques because we are trying to expand agriculture. I am proud to be from Florida, which is such a strong ag area, that we want to make sure that we continue our trade with other countries and I would just like to hear your comments on that.

Secretary VILSACK. Congressman, we are expecting a record year of exports in beef, poultry and pork. We have seen 4 of the best export years in the history of this country in the last 4 years. This is the reality of the circumstance to give everyone adequate notice to be able to begin the process of adjusting to the reality that we are going to have to not lay people off but furlough people, and by furloughing people, because of the nature of the inspection process in this country in which companies are required to have food inspected and are required to have USDA inspectors as opposed to their own privately funded inspectors, it is going to cause a reduction in production for a period of time, and that is the unfortunate circumstance. We did take steps to try to minimize that, but at the end of the day when 87 percent of your budget is that line item, there is just not much you can do.

Mr. YOHO. I realize that, I worked in a slaughterhouse, I have worked with the inspector and I have seen that process and I know the importance. My concern is the messaging going out to people when we are trying to expand exports, and you have done a great job, and I commend the government for expanding that, but when we send a message out like that, it is kind of like BSE. When they hear one cow has BSE, the markets close down, and if the foreign countries hear that we are not inspecting our meat, it sends a signal and that is what concerns me, and if we are to keep the rural agricultural economy growing——

Secretary VILSACK. It is not that we are—and I don't think anybody ever said we are not inspecting the meat. We are furloughing people and as a result those production facilities are going to shut down for a period of time. It is not that food isn't going to be inspected.

Mr. YOHO. It is one of those things. I know what we say but we don't know what people hear, and when you hear in the news that meat inspectors are going to be laid off not inspecting the meat, it sends a signal and that concerns me.

Secretary VILSACK. Well, we will communicate to our cooperators in foreign countries precisely what this is all about, and we actually began that process. We have—another part of sequester which

we haven't discussed today is the impact on the Brazilian cotton situation which is a very serious issue that has to get resolved. We are going to have to—sequester applies to that account as well, and so we are in the process of reaching out to our foreign friends and explain to them precisely what this is, and I don't anticipate that we are going to continue to have a strong, robust commitment to exports now. It will be impacted by the fact that not only are we dealing with this issue of meat inspection but we are also dealing with less money in promotion, which is unfortunate.

Mr. YOHO. Well, and the other thing is, we need to work together for the betterment of not just ag but of the country, and that is a bipartisan commitment, and I look forward to doing that. I have several other questions but I am going to run out of time, but I would like to talk to maybe somebody from your Department on immigration, on the Food Stamp Program, as a possibility of cutting back on our expenses since that eats up about 80 percent of the farm bill, and I look forward to talking to you at a later date. Thank you for your time.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Pennsylvania, Mr. Thompson, for 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Mr. Secretary, good to see you again.

Secretary VILSACK. Nice to see you.

Mr. THOMPSON. We bumped into each other in an airport not too long ago.

Secretary VILSACK. In the great State of Iowa.

Mr. THOMPSON. In the great State of Iowa, absolutely.

Secretary VILSACK. Where your grandchildren are.

Mr. THOMPSON. My grandson, one of many in the future, I hope, but he is the only one there.

I was actually going to go down the road with Mr. Schrader. We work very closely together, but he had already kind of talked about the biopreferred bill, the Forest Products Fairness Act. We are going to be reintroducing that. I mean, it amazes me that we discriminate against U.S. forest products and yet that program, which is a Federal program, promotes foreign products. So we are hoping to fix that, and we have some support to do that and we will go down that road.

I wanted to stay with forestry in terms of just some questions for you. You know, we are beginning to address the budget issues that confront us, and I want to move beyond sequestration because obviously we have a responsibility to operate in a fiscally responsible manner, and we all know that. You all have demonstrated a commitment to that with what you have been doing since you became Secretary, but one of the areas and the opportunities I just don't see us taking full advantage is is the revenue from our timber production. I am not talking about stewardship cuts because those do create local jobs and you can keep some of that money, quite frankly, in the forests for other projects but I am talking about the green timber sales. Those are the ones that when U.S. national forests were created, it was local folks, my predecessors 100 years ago all sat at the table and said, "Well, how can we make sure we have robust rural economies and how we manage our national forests in

a way that they produce timber?" You know, we talk a lot in the literature about the Forest Service about multiple use. I happen to believe that it is all secondary to producing resources. That is what those national forests were all about. And we just have never come close and we have been on a decline in terms of timber production that promotes healthy forests. That is how we prevent, as you know, invasive species. We prevent wildfires. We promote healthy forests by timbering, and we promote robust rural economies.

And so are there any thoughts, or what are your thoughts—and we are going to have a Subcommittee hearing next week so I will really go into depth with Chief Tidwell. Great guy. I enjoy working with him. And so we are really going to pursue this. But can you update the Committee on what the Forest Service is doing to increase timber sales on Federal forests so that we as U.S. taxpayers quite frankly can start to capitalize on our investments, because it is not just about healthy forests and healthy rural economies, but that is revenue that can come into the Treasury.

Secretary VILSACK. Well, as I sit here I am thinking of three things that we have done. One is, we have increased commitment to treat more board feet to get up to 3 billion board feet over the course of the next couple of years, and part of that does require a process that we have to go through in terms of projects in NEPA. What we have done with NEPA is, we try to figure out a way in which we could streamline that process so we don't spend quite as much time, and that obviously reduces the amount of work we can do, and we have been pretty successful.

Mr. THOMPSON. I appreciate your steps in that direction, that landscape approach.

Secretary VILSACK. Second, or third, so it is one, increasing sales, two, reducing the administrative burdens associated with those sales, and then three is actually continuing to research a new product development. You know, I was at the Forest Product Lab recently and saw the development of new tornado shelters, and most tornado shelters are made from metal but they are now experimenting with wood shelters that can withstand something going into it at 150 miles an hour. I actually saw a 2 x 4, they shot it into this facility and it didn't penetrate the facility. So creating new products for wood. We have also seen nanotechnology potentially creating armor opportunities and a variety of things that could be used in cell phones, the film for cell phones. I mean, it is unlimited here.

So the key here is continuing to increase the sales, understanding that it is consistent with proper forest management, reducing the administrative burdens that can slow this process down, and making sure that we are constantly on the edge of researching new products.

Mr. THOMPSON. And new products are important, innovation is incredibly important but I would argue that what has been excluded because it has been considered mature is really, it was shortsighted when it was put in place. We have lost 300,000 jobs in the forest products industry, and so we also have to maintain—we have a commitment to maintain as well as developing emerging markets.

Secretary VILSACK. Well, and obviously we need help from you on that to better clarify the definitions so that there is greater flexibility in what we can do there, but we are looking at new and emerging market opportunities and if you all change the direction and focus on this, we will obviously respond to it.

Mr. THOMPSON. I appreciate that. And another comment but just real briefly. You know, I do have concerns, and I am out of time, so I don't want to set this up and not give you a response time, but we can talk later on it. You know, your response to the Senator talked about the impact of sequestration. You only projected a $4 million cut in land acquisition, which quite frankly takes lands off the tax rolls and this makes it very challenging for rural communities when they have lands that go into the National Forests and off the tax rolls, especially if we are not doing our job with harvesting timber. At the same time, your letter outlined a projected 15 percent reduction in timber harvesting, and I just have real concerns about that, but that is something I look forward to talking to you in the future on.

The CHAIRMAN. The gentleman's time has expired. The chair now recognizes the gentleman from Georgia, Mr. Scott, for 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman, and Secretary Vilsack, I was happy to hear you talk about research and the importance of research. I think it has been an extremely valuable part of agriculture that actually helps us increase our yields per acre and allows us to increase export opportunities. So thanks for mentioning that. As you know, that falls into kind of that other category of the ag bill, if you will, on the spending.

My question deals with the 2014 budget request that you would have submitted to the President. Can you tell us what your top-line number is?

Secretary VILSACK. Congressman, that process has not been completed, and it would be premature for me to respond to that question. We would be more than happy to explain to you the intricacies of our budget after it is published. But let me just simply say this. You know, we are continuing to be challenged to do the job you all want us to do when we are dealing right now with a budget that is less than what it was in Fiscal Year 2009 for operating.

Mr. AUSTIN SCOTT of Georgia. Let us talk about that for a second then because we hear that from pretty much every Administration official, but the President's budget was due February 4th. I didn't ask you for a detailed explanation. I just asked you if you would give us the top-line number, and you are telling us that you have not turned in your budget to the President yet. Is that correct?

Secretary VILSACK. No, what I am telling you is that the process has not been completed in terms of our discussions.

Mr. AUSTIN SCOTT of Georgia. Let me ask it this way. Have you turned in your budget to the President?

Secretary VILSACK. Well, the answer to that is yes and no. We have turned in information to the White House and to the OMB but that process has not been totally locked down yet.

Mr. AUSTIN SCOTT of Georgia. Okay. So you will have to forgive me, Mr. Chairman. It is kind of baffling that you stood there or sat there and said what you all have done when the President was supposed to deliver a budget to us February 4th and you can't even

tell us or won't, I should say, you won't, because you are making a choice to tell us yes and no instead of just saying yes or no. But the fact of the matter is this. In 2013, according to your website, your total outlays were $155 billion; 2012, $151; 2011, $139; 2010, $129; 2009, $95.

Secretary VILSACK. That doesn't tell the full story, Congressman, because those are——

Mr. AUSTIN SCOTT of Georgia. Sir——

Secretary VILSACK.—eliminated programs, and I am talking about operating here. In order to do the programs, we have to do have——

Mr. AUSTIN SCOTT of Georgia. Sir, I will ask you the question. Do those numbers from your website accurately reflect the total spending of the USDA?

Secretary VILSACK. If they are on the website, I am sure they are accurate, Congressman.

Mr. AUSTIN SCOTT of Georgia. You said that there was a $700 million cut. If you take $129 from $155, that is a $26 billion increase in spending over the last 4 years. Where is the $700 million cut?

Secretary VILSACK. Congressman, what I said was, our operating budget, which is the discretionary part of our budget. Now, we have no control over the mandated expenses. They are what they are. If SNAP is X, it is X. If other mandated programs are what they are, they are.

Mr. AUSTIN SCOTT of Georgia. What percentage of the farm bill do you think should actually go to support production agriculture, farm and commodity programs? What percentage of what we call the farm bill do you as the Secretary of Agriculture believe should go to support those programs?

Secretary VILSACK. You know, it is an interesting question because what you want me to say is a large number.

Mr. AUSTIN SCOTT of Georgia. No, sir, I just want an honest answer.

Secretary VILSACK. Well, it is not an honest question, Congressman.

Mr. AUSTIN SCOTT of Georgia. Sure it is.

Secretary VILSACK. No, it is not. It really isn't.

Mr. AUSTIN SCOTT of Georgia. It is an honest question.

Secretary VILSACK. The reason it is not is because you want to pit parts of our budget against each other, and that is not right.

Mr. AUSTIN SCOTT of Georgia. Sir, what is not right is the fact that you won't give a straight answer. Have you given your budget——

The CHAIRMAN. The gentleman——

Mr. AUSTIN SCOTT of Georgia.—to the President or not?

The CHAIRMAN. The gentlemen will allow each other to answer.

Secretary VILSACK. The process is that we submit information and OMB responds back. So there is a give and take, and that give and take has not yet been completed, so I can't tell you what the number is because it hasn't been finalized. It could be this number or they could come back tomorrow and say, "You know what, we need to give the Defense Department X number of dollars and so we are taking this from you." You know, it is a process.

Mr. AUSTIN SCOTT of Georgia. I don't expect this President to give any more money to the Defense Department. I am on Armed Services as well. The fact of the matter is this: Spending has increased dramatically under your agency, and the other fact is that in 2013, the total percentage of funds that went to farm and commodity programs is 16 percent. Sixteen percent is what actually went to production agriculture.

Secretary VILSACK. That is—I could quibble with that number and here is why——

Mr. AUSTIN SCOTT of Georgia. This is part of your website.

Secretary VILSACK. Here is why I can quibble with that——

Mr. AUSTIN SCOTT of Georgia. If the information is not accurate, it is because you are putting out false information on your website.

Secretary VILSACK. No, no, no. It is because I need to explain it to you, Congressman. The SNAP program is part of that, right? And you are going to suggest that that is not part of the farm programs. It is not technically but——

Mr. AUSTIN SCOTT of Georgia. It is not part of commodity and production agriculture.

Secretary VILSACK. Well, but it helps commodity and production agriculture because 16¢ of every food dollar that is spent in this country ends up in a farmer's pocket. So you have to look at the totality of the programs in terms of how we support agriculture in this country, and the research budget, a part of that is used for production agriculture. So I don't think it is fair to suggest that title I or the crop insurance title is the only thing that goes to production agriculture. That is what I am saying.

The CHAIRMAN. Would the gentleman from Georgia yield?

Mr. AUSTIN SCOTT of Georgia. Yes, sir, Mr. Chairman, I will yield, but that is a long, long stretch of a rubber band right there.

The CHAIRMAN. I would just note to my good friend from Georgia that he cuts to the core issue of what this farm bill debate will be about this summer and into the fall and the conference committee process: how do we allocate our resources? Is the 80/20 spilt that we are operating under right now between programs that help consume food *versus* in the general sense the programs that help raise the food, is that the right balance. There are a good many folks on this Committee, and I suspect on the Floor of the United States House, who will say that that ratio is out of balance, and we will address those issues. The folks in the Senate may have a different perspective. But you and I are going to have a lot of fun with this topic, sir.

Mr. AUSTIN SCOTT of Georgia. Well, Mr. Chairman, I appreciate that, and what I tell you is my farmers have told me that we no longer want to be held hostage.

The CHAIRMAN. I understand that.

Mr. AUSTIN SCOTT of Georgia. Thank you, and I yield my time.

The CHAIRMAN. The gentleman yields back. I recognize the gentleman from New York for our concluding 5 minutes.

Mr. GIBSON. Well, thanks, Mr. Chairman, and I appreciate the opportunity to be part of this hearing, the state of the rural economy, so vitally important to upstate New York. I want to thank the Secretary. Good to see him again. I appreciate the work that he

has done for my area, and certainly he has been well received as he has traveled in upstate New York.

We have talked about a number of issues that are important to my farmers and to the ag economy. I just want to list some of these in terms of my support with this upcoming farm bill. Number one, crop insurance for fruit and vegetable growers, this is critically important to them, particularly given the needs of the Northeast, and I think the Secretary agrees on that. I just want to echo the comments, and actually associate myself with my neighbor in the Hudson Valley, Mr. Maloney. Research for fruits and vegetables is vitally important. I am proud of my *alma mater*. I am an alumni of Cornell and I am proud of the work that they do with the cooperative extension. I want to see us continue to support that in the farm bill. Dairy security, margin, margin insurance, critically important to my dairy farmers. Number four, ag labor. We won't see that in the farm bill but I concur, this is something that I hear every time when I meet with my farmers has to be addressed, so I appreciate your support for that. Number five is, I want to actually support what the report that your agency or Administration came up with with regard to definition of *rural*. You know, I have Kingston in upstate New York and that mayor there, Mayor Gallo, is working hard to revitalize parts of his downtown, and among the parts of his vision is supporting the agricultural economy by bringing the farmers' market and so having access—it is 23,000 in Kingston, so having access to that program is going to be helpful. So I am going to be supportive of that, and I was in the process here during the farm bill.

I do want to mention three other priorities that are important for upstate New York to pose you on these. Number one is broadband. I know it was brought up at least tangentially earlier in the hearing but the FCC has found that the Low Interest Loan Program is something we have a need for yet, of course, the demand for it seems to be declining. I have my own views on it. I will be interested to hear yours in a second. Beginning Farmer Program, critically important. I am so proud of our farmers in upstate New York, but we recognize that the average age is 57, so this is a national security issue too. We need to inspire a whole new generation to come to the farm, and our office is going to be involved in the farm bill continuing to strengthen that program, going forward. And then Lyme, which is a public health scourge certainly in the Northeast in my district but I would argue around the country, and we are working with your folks in terms of ag research service to try to make a difference on that.

So I appreciate the opportunity to express the priorities for upstate New York, Mr. Secretary, and I would be interested in your viewpoint on the Low Interest Loan Program for broadband and perhaps at this time other follow-up.

Secretary VILSACK. Well, in terms of USDA's capacity to provide assistance, we are going to focus our attention on the area that is not being served as well by the FCC efforts, and as I indicated, the FCC is pretty much focused on the regional Bells and where their capacity is to expand broadband. There are many areas of the country that are served by small telephone companies that don't necessarily fall into that world, and that is the world that we want

to try to help and provide assistance to, and we do it in providing loans but we also do it in providing distance learning and telemedicine opportunities. We have had a number of projects, over 1,400 projects that we funded over the last couple of years in that area. That is going to continue.

I do think there are things that the FCC could potentially do to make it a little bit easier for those regional folks to—the rate of return for carriers to participate in their program and we have had conversations with them about that and we will continue to try to have a coordinated effort.

I appreciate you mentioning the Beginning Farmer Program. I would tell you that as we went about closing labs, ARS labs, we noticed that there was a great deal of real estate associated with those labs, and the process that we have to follow is that we have to provide opportunities for land-grant universities that are located in and around the lab first dibs, if you will, on the land but we made it as a condition of most of the transfers that they establish or beef up their Beginning Farmer and development programs. It is a way in which we can use a bad situation and a tough financial situation to find opportunity. So those land-grant universities are going to do an even more extended job on the Beginning Farmer. I would encourage you with the mayor to take a look at the Know Your Farmer compass on our USDA website. That provides a lot of information about the programs that that mayor could potentially use to build a farmers' market economy in his downtown area, and I would agree with you on ag research. The challenge will be limited resources and a lot of pests and a lot of diseases and a lot of issues, trying to prioritize them as best we can, but this area is one area that has been ignored in terms of conversation and discussion, which may be in the long term one of the most important areas.

Mr. GIBSON. I greatly appreciate those remarks. I look forward to working with you, your team, and of course this Committee as we move forward with this process in the coming weeks and months.

Mr. Chairman, thank you, and I yield back.

The CHAIRMAN. The gentleman yields back. I recognize myself.

Mr. Secretary, I would note that I will send down to you some questions about the Small Watershed Dam Program, one of our very successful things that your Department has been a part of since the 1940s and look forward to your responses. Other than that, thank you for your time today and your insights and your interactions with Members of the Committee. This is always a good use of our time, and I believe it is a good use of your time too.

With that, under the rules of the Committee, the record for today's hearing will remain open for 10 calendar days to receive additional material and supplemental written responses from the witness to any question posed by a Member.

This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 1:12 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUPPLEMENTARY INFORMATION SUBMITTED BY HON. THOMAS "TOM" J. VILSACK, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Insert 1

Ms. FUDGE. Thank you so much, Mr. Chairman, and thank you for being here, Mr. Secretary.

Mr. Secretary, we all know that building a diverse workforce is an extremely effective tool in addressing discrimination. Many of the civil rights complaints in the past, particularly those in *Pigford,* might have been mitigated had USDA had a more diverse workforce that was better able to interact with minority farmers. So to that end, what has USDA done to ensure a more diverse workforce? And I am particularly interested in hearing about how many African Americans serve in leadership roles within the Department, and before you respond, I just want to remind you that I asked this same question almost 2 years ago and have yet to get a response, sir.

Secretary VILSACK. Well, let me see if I can respond to your question here, and I apologize for not responding before that. That is something that shouldn't have happened. We have engaged in a process which we refer to as cultural transformation at USDA, and every month I get a report on the diversity of our workforce. I can tell you that we have seen significant increases in the hiring of African Americans, Hispanics, Asian Americans, Native Americans, people with disabilities, and veterans, and that is the focus of this report. We are casting a wider net to try to find good, qualified folks, and the result of that is that our numbers are increasing. Within the SES ranks, 17 percent of our SESs, our Senior Executive Service folks, are African American, which is seven percent higher than the civilian workforce.

Ms. FUDGE. Let me just ask you this, and I could be wrong so you could please correct me. But it is my understanding that there are 12 positions that are Senate-confirmed positions within USDA, and one is an African American.

Secretary VILSACK. I don't think that is—well, that may be correct now because one of the positions that was Senate confirmed is no longer Senate confirmed. But we have an African American who is in charge of our entire operations, Dr. Parham, Greg Parham. We have an African American who is obviously in charge of the civil rights area. We have an African American who is the administrator of our largest part of our budget.

Ms. FUDGE. Well, if we know that, why is it so difficult for me to get a report?

Secretary VILSACK. Well——

Ms. FUDGE. Which I even asked you about as recently as a couple of months ago, a chart.

Secretary VILSACK. Well, I mean, I can give you the cultural transformation report if that would be of assistance and help to you.

Ms. FUDGE. Whatever answers my question is what I would like to have, sir.

USDA staff met with Rep. Fudge's staff to provide additional information on April 18, 2013 and will continue to work with her office to provide updates on hiring within the Department.

Insert 2

Mr. CRAWFORD. Thank you, Mr. Chairman.

Mr. Secretary, I know that the issue of CAFOs was raised earlier. One of my colleagues had discussed it with you briefly. I just want to ask some questions regarding that.

During the EPA's rulemaking process, can you tell me if USDA raised to OMB and EPA the same biosecurity food supply and producer safety concerns that were raised by the Department of Homeland Security?

Secretary VILSACK. Our focus in conversations with the EPA about that rule was to try to, consistent with their need to protect the environment, minimize the disruption in livestock operations.

Mr. CRAWFORD. Were those concerns conveyed in writing?

Secretary VILSACK. I am not sure about that. I know what we had was, we have a liaison who comes over to the USDA two or three times a week to discuss issues, and I am sure there were verbal conversations. I am not sure if there was a written message but I know that there was clearly verbal conversations about this because I was engaged in them as well. In addition, the EPA Administrator and myself met with livestock groups on a regular basis and had the opportunity to converse about a variety of issues.

Mr. CRAWFORD. Okay. If you have those in writing, I would appreciate it if you could supply those to the Committee. . . .

USDA staff discussed a number of issues with the EPA concerning the draft section 308 rule governing CAFOs, including biosecurity, producers' concerns about publicly available addresses, and others. Because this was a deliberative, interagency rule-making process, we cannot share specific written materials that we provided EPA. If Rep. Crawford would like, USDA staff is happy to set up a meeting or phone call to discuss the conversations between USDA and EPA in more detail. Please contact the USDA Office of Congressional Relations if this is of interest.

Insert 3

> Mr. GOODLATTE. The objective was good but the messenger was not too desirable, in my opinion. Can you tell us how much money the USDA spent on the training, particularly the ones hosted by Samuel Betances? I have heard as much as $400,000 was paid to him.
>
> Secretary VILSACK. I can't tell you the specific amount. I would be happy to provide that to you, Congressman. . . .

APHIS had two separate contracts in 2010 and 2011 with Dr. Betances to provide training to employees. Together these contracts amounted to approximately $175,000 paid by APHIS to Dr. Betances.

SUBMITTED QUESTIONS

Response from Hon. Thomas "Tom" J. Vilsack, Secretary, U.S. Department Of Agriculture

Questions Submitted By Hon. Frank D. Lucas, a Representative in Congress from Oklahoma

Question 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.

Answer. 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. (See *Attachments 1* and *2*)

Question 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?

Answer. 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.

Question 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.

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

Answer. 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.

Question 3a. 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?

Answer. 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.

Questions Submitted By Hon. K. Michael Conaway, a Representative in Congress from Texas

Question 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.

Answer. 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.

Question 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.

Answer. 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.

Question Submitted Hon. Bob Gibbs, a Representative in Congress from Ohio

Question. 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 CAFOs. Could you please provide us with the conversations you had with EPA regarding this matter?

Answer. 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.

Questions Submitted Hon. Eric A. "Rick" Crawford, a Representative in Congress from Arkansas

Question 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 Trans-

formation 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?

Answer. 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 ¼ 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.

Question 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 ten 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.

Answer. 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.

Question 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¢ a pound. Yet, Brazil was able to win a WTO case against the United States which has an equivalent marketing loan rate of 52¢ a pound: 13¢ 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?

Answer. 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.

Question Submitted Hon. Reid J. Ribble, a Representative in Congress from Wisconsin

Question. 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?

Answer. 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.

Questions Submitted Hon. Jeff Denham, a Representative in Congress from California

Question 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?

Answer. 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.

Question 2. Mr. Secretary, if I am correct the U.S./EU 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?

Answer. 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.

Question 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?

Answer. 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.

Question 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 3 years ago. Since then, I am unaware of any further action by USDA. When will USDA finally complete action on these long-overdue rules?

Answer. 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.

Question 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.

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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.

Questions Submitted Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 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?

Answer:

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.

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

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer:

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.
- Milk Production reports:
  - ➢ streamlined version of the *monthly* 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 *annual* 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

Question 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?

Answer. 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

Question 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?

Answer. AMS grading and verification activities are fully financed by user fees. Sequestration mandates a reduction of AMS grading programs' administrative ex-

penditures. However, AMS does not expect sequestration to significantly impact the delivery of fee-funded services.

Question 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?

Answer. The passage and signing of H.R. 933 ("Consolidated and Further Continuing Appropriations Act, 2013") assures funding of grading and inspection services for FY 2013. Prior to passage of H.R. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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 P.L. 113–6.

Question 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?

Answer. 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 to 11.8 million new acres this fiscal year.

Question 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?

Answer. 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.

Question 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.

Answer. 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.**

Question 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?

Answer. 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.

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

Answer. 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.

Question 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?

Answer. FSIS estimates that modernization of poultry slaughter inspection, if fully implemented as proposed, would save taxpayers approximately $90 million over a 3 year period after implementation begins.

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* **Editor's note:** The hyperlink to the official referenced document in PDF format, *Modernization of Poultry Slaughter Inspection, Proposed Rule,* FEDERAL REGISTER, Vol. 77, No. 18, Friday, January 27, 2012, Part II is: *http://www.gpo.gov/fdsys/pkg/FR-2012-01-27/pdf/2012-1516.pdf.*

Question 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?

Answer. In FY 2012, USDA completed a 4 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 million 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.

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

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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.

Questions Submitted Hon. Mike McIntyre, a Representative in Congress from North Carolina

Question 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 Development's 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?

Answer. 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.

Question 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?

Answer. 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 1,000 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 con-

sidering 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.

Question 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?

Answer. 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 struc-

ture, 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.

Question 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.

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?

Question 4a. 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.

Question 4b. How can Congress and the affected industries assist you in fixing this problem?

Answer 4–4b. 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.

Question 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 2 days cleaning, sanitizing and drying barns before the next group of livestock move in. I'm concerned that if a furlough situation continues for 2 or 3 days that there will be no place to put these livestock, and this could pose a huge biosecurity and welfare risk for livestock producers.

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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.

Question 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 U.S. beef, pork and turkey imports in those countries?

Answer. 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.

Question 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?

Answer. 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.

Question 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?

Answer. 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.

Question 13. I'm also concerned about how certain green building standards, especially the U.S. 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?

Answer. 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.

Questions Submitted Hon. Kurt Schrader, a Representative in Congress from Oregon

Question 1. My colleague, Mr. Glenn Thompson and I have reintroduced the Forest Products Fairness Act (H.R. 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:

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?

Answer. 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, D.C. or by telephone. USDA suspended the labeling program on January 31, 2013 due to lack of funding for our third party independent certification organization.

Question 1a. 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?

Answer. 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.

Question 1b. 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?

Answer. 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.

Question 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?

Answer. 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

Questions Submitted Hon. Joe Courtney, a Representative in Congress from Connecticut

Question 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?*

Answer. 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.

Question 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?

Answer. 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.

ATTACHMENT 1

February 5, 2013

Hon. BARBARA MIKULSKI,
Chairwoman,
Senate Committee on Appropriations,
Washington, D.C.

Dear Madam Chair:

Thank you for your letter of January 18, 2013, requesting additional information on the impact of potential across-the-board spending cuts on the Department of Agriculture's (USDA) operations. Like you, I am very concerned about the impact of the March 1 sequester on the American economy, specifically in the areas of food, agriculture, natural resources, rural development, nutrition, and related issues.

Since Fiscal Year (FY) 2010, USDA's operating budget has been reduced by about $3 billion, or 12 percent. As part of our Blueprint for Stronger Service, USDA has saved taxpayers millions in travel and printing costs and is consolidating more than 700 different cell phone contracts into about 10. We are also pursuing other cost reduction efforts in several areas such as sourcing uniforms from the AbilityOne Strategic Alliance, standardizing bulk mail and processes, and implementing a "Shared First" acquisition policy to consolidate IT-related acquisitions. What's more, the Department is achieving significant savings by closing more than 250 domestic and foreign offices while ensuring that the vital services they provide are not cut.

If Congress does not act before March 1, it is estimated that the across-the-board spending cuts would indiscriminately reduce funding for USDA programs further by almost $2 billion in FY 2013. About ⅔ of these cuts would come from programs funded by discretionary appropriations under the Committee's jurisdiction. While the Department is still developing plans on how to operate under a sequester, agencies have already taken actions—in addition to those mentioned above—to prepare for additional funding reductions through prudent practices such as hiring freezes and limiting operating costs. Should a sequestration occur, we would likely need to implement furloughs impacting about ⅓ of our workforce, as well as other actions. These furloughs and other actions would severely disrupt our ability to provide the broad range of public services we administer. Examples of these programmatic impacts include:

- A reduction of 600,000 low-income women and children who could receive nutrition assistance and associated nutrition education and breastfeeding support through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). WIC has been shown to provide important improvements in nutrition of women and children, lower health care costs, and improved cognitive development of children.
- A nationwide shutdown of meat and poultry plants during a furlough of inspection personnel. The furlough could result in as much as 15 days of lost production, costing roughly over $10 billion in production losses, and industry workers would experience over $400 million in lost wages. Consumers would experience limited meat and poultry supplies, and potentially higher prices, and food safety could be compromised.
- Elimination of rental assistance for more than 10,000 very low income rural residents, generally elderly, disabled, and single female heads of households. With an average monthly income of approximately $803, these Americans are the least able to absorb rent increases and would face very limited options for alternate housing if landlords increase rents to cover the loss of the rental assistance payments.
- A curtailing of conservation technical and financial assistance to approximately 11,000 producers and landowners, thereby limiting benefits to water quality and quantity, soil erosion, and wildlife habitat that benefit the public.

- Increased risk to communities from wildfires with as many as 200,000 fewer acres treated for hazardous fuels.
- A loss of over $60 million resulting in more than 100 fewer grants awarded for agricultural research conducted by both university scientists and private partners, disrupting critical progress being made in many topical areas such as water, nutrient management, bioenergy production, animal and plant disease, and childhood obesity.
- A reduction in assistance to states for pest and disease prevention, surveillance, and response, potentially leading to more extensive outbreaks and economic losses to farmers and ranchers.
- Furloughs and other reductions in a number of USDA agencies that would limit the ability to provide program oversight, leading to potentially higher levels of erroneous payments and/or fraud. Even small increases in improper payments have large public costs given the magnitude of programs involved.

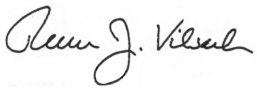
Additional information on impacts covering selected accounts is enclosed.

In addition to impact to programs under the Committee's jurisdiction, ⅓ of USDA's sequestered funds would come from mandatory programs, including those authorized through the farm bill. While plans are still being developed on how the sequester would be implemented for these programs, reductions have the potential to impair important elements of support for agriculture and the environment, including disaster assistance, conservation, and export enhancement programs.

I deeply hope that Congressional leaders will reach an agreement to achieve deficit reduction while averting an across-the-board cut. I look forward to working with Congress to preserve the many priorities of rural America while making sensible program reforms and reductions that will lead to deficit reduction.

Again, thank you for writing.

Sincerely,



Hon. THOMAS J. VILSACK,
Secretary.

Additional Sequestration Information

Bureau: **Food and Nutrition Service**

Program: **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

Sequestration Amount: **$333 million**

Impact:

Grants to States

- WIC is a federally funded program. If funding is inadequate to maintain the current caseload—as it would be under sequestration—State WIC programs would have to reduce participation and establish waiting lists using the priority system provided in regulation.
- A full year continuing resolution, coupled with sequestration, will result in a budget authority of about $6.3 billion. Using all available resources, including carryover and all contingency funds, will allow the program to support about 8.6 million participants—a reduction of approximately 300,000 participants on an annual basis from last year or about 600,000 participants if the reductions are compressed in the last two quarters of the fiscal year.
- Even before sequestration occurs, states may begin to implement cost-cutting strategies sometime in February. These strategies could range from reducing clinic hours, closing clinics, to establishing waiting lists as a last resort.
- When funds are not sufficient to support caseload, WIC agencies implement a priority waiting list of individuals. The first to lose benefits would be non-breastfeeding postpartum women and individuals certified solely due to homelessness or migrancy. African-American women have the lowest breastfeeding rates so they are more likely to represent a significant proportion of these women.
- Nutrition Services and Administration funding provided to states would be reduced by about $75–$100 million from the Fiscal Year (FY) 2012 level, which could result in up to 1,600 state and local jobs lost.

Bureau: **Food Safety and Inspection Service (FSIS)**

Program: **Salaries and Expenses**
Sequestration Amount: **$51 million**

Impact: Sequestration would result in an across-the-board furlough of as much as 15 days for all FSIS employees, including inspectors. Since Federal law mandates inspection of meat, poultry, and egg products, production will shut down for that time period, impacting approximately 6,290 establishments nationwide. Due to lost production volume of more than 2 billion pounds of meat, an additional 2.8 to 3.3 billion pounds of poultry and over 200 million pounds of egg products, the industry would experience a production loss of over $10 billion. Consumers would experience a shortage of meat, poultry, and egg products available for public consumption, and the shortage may result in price increases for these products. Restaurants, grocers, local merchants, and others who rely on FSIS-inspected products would suffer multiplier effects from the shortfall in production. The impact could force smaller businesses and merchants out of business. Industry workers would also be furloughed, resulting in over $400 million in lost wages. The livestock industry would also incur additional costs for disruption of the pipeline from farms to production establishments as farmers and livestock producers would have to feed and store animals longer than anticipated.

FSIS would also eliminate export inspections, resulting in losses for U.S. producers and causing additional storage costs and or loss of product. Export inspections could adversely affect other nations since the volume of products would decline. Furthermore, public food safety could be compromised by the illegal selling and distribution of uninspected meat, poultry, and egg products. Because FSIS is also responsible for verifying the safety of imported products, cutting import inspections would result in a reduction of 154 to 178 million pounds of imported meat, poultry, and egg products entering the country, in addition to the lost production capacity within the United States. Cutting import inspections might be construed as an international trade issue. Moreover, there is limited storage space along the border so that unless foreign countries stopped shipments, chill/frozen storage capacity and refrigerated truck/train/ship capacity would be compromised.

Bureau: **Rural Development, Rural Housing Service**
Program: **Rental Assistance**
Sequestration Amount: **$46 million**

Impact: The Rental Assistance Program provides assistance to eligible low-income tenants in USDA-financed multi-family housing so that Americans pay no more than 30 percent of their incomes for rent. Approximately 286,000 tenants receive the benefit of rental assistance in almost all of the apartment complexes financed by Rural Development. The sequestration would cause more than 10,000 current recipients to lose rental assistance. The average monthly income of families and individuals receiving rental assistance (generally female-headed households, elderly, and the disabled) is approximately $803. These Americans are the least able to absorb any increase in the rent due to the loss of rental assistance. Loss of this rent supplement may cause property owners to increase rents, making the units unaffordable to the very low income residents who have few options for decent, affordable housing.

With the loss of rental assistance, or higher vacancies resulting from very low-income Americans being unable to afford higher rents, many properties will be unable to pay all of their operating costs. Owners may be unable to maintain the property and allow it to fall into disrepair, or the properties may become delinquent in their loan payments. Potentially, 411 projects may become delinquent by October 2013. Ongoing delinquencies will lead to defaults and foreclosure and may result in long-term loss of affordable housing in rural communities in future years.

The loss of rental assistance supporting new construction of Farm Labor housing would result in the loss of affordable housing for approximately 28 farm workers and their families; the loss of rental assistance supporting construction of multi-family assisted housing would result in the loss of affordable housing opportunities for 17 low or very low income families.

Bureau: **Natural Resources Conservation Service (NRCS)**
Program: **Conservation Operations and Farm Security and Rural Investment Programs**
Sequestration Amount: **$222 million**

Impact: NRCS will implement a hiring freeze and reduce travel and other costs. This will impact NRCS' ability to ensure timely, complete conservation planning activities and delivery of financial assistance, which would affect program accomplishments and service to farmers and ranchers nationwide. This would result in longer timeframes to address these challenges continuing to put at risk the business operations of the agency. In addition, NRCS would implement significant cuts in agree-

ments and contracts with non-Federal entities by over $20 million in technical assistance and about $109 million in financial assistance. These reductions will have a deleterious impact on the ability to provide technical and financial assistance services to conservation customers, resulting in reduced conservations opportunities and reduced natural resource benefits with short and long effects on the nation's private lands.

Overall, these cuts will undercut the ability to support priorities including landscape-scale conservation, water quality improvements, wildlife habitat protection, open space protection, as well as natural infrastructure restoration, carbon sequestration, weather prediction capacity, plant material development and other programs and services that support extreme weather and climate change adaptation and mitigation.

Bureau: **Farm Service Agency (FSA)**
Program: **Farm Loan and Salaries and Expenses**
Sequestration Amount: **$80 million**

Impact: Sequestration would require reductions of $80 million in FSA salaries and expenses and Farm Credit programs. The following highlights address some of the impacts of these reductions.

FSA Program Management

The sequestration would reduce the spending authority for FSA salaries and administrative expenses by about $75 million. In order to accomplish this reduction, FSA will implement a number of actions including hiring freezes, reducing contract operations for both Information Technology (IT) and non-IT operations, eliminating states flown in the National Aerial Imagery Program, and furloughing employees up to 5 days. FSA employees are responsible for managing a wide range of programs including farm loans, conservation and disaster activities with budgets totaling over $11 billion annually. Reduced ability to effectively manage these major nationwide programs will limit the ability to provide timely support to producers during the ongoing extreme, widespread drought and will erode the capability to provide oversight to limit erroneous payments.

Farm Loan Programs

FSA provides direct loans to family farmers and ranchers who cannot obtain commercial credit from a bank or other lender. The program is an important source of credit for beginning farmers, who tend to have limited resources and as a result, are less likely to meet commercial credit standards. Extreme drought conditions prevailing in significant areas of the nation that have weakened the financial condition of agricultural producers significantly increase the importance of these loan programs. Operating loans are used to purchase items such as livestock, feed, farm equipment, fuel, farm chemicals, insurance, minor improvements or repairs to buildings, refinance farm-related debt excluding real estate and other operating costs, including family living expenses. Sequestration would reduce the budget authority for Farm Credit Programs by approximately $5.4 million ($35.6 million in program level), meaning that 890 fewer direct farm operating loans and 661 other farm loans could be made. The sequestration of farm loan funding could result in a loss of over 1,650 private sector jobs (plus the hundreds of farmers that would be forced out of farming and into the off-farm job market), reduce the GDP by more than $259 million, and could reduce household income by $44 million.

Bureau: **Forest Service**
Program: **Wildland Fire Management**
Sequestration Amount: **$134 million**

Impact: This level of reduced funds would result in an appropriated funding level that is $42 million below the calculated 10 year average of fire suppression costs for FY 2013. In addition, a reduction of Preparedness funds typically increases suppression costs since the initial attack success will be reduced. Additionally, 2012 fire transfer funds are subject to sequestration, which results in needing to recover $20 million of funds repaid. The agency would complete as many as 200,000 fewer acres of hazardous fuel treatments, resulting in an increased risk to communities from wildfires.

Certain decisions may result in increased costs in the end. For example, the agency could reduce up-front costs by reducing use of Exclusive Use aviation contracts, 115 engines, and 10 hotshot crews. However, this could result in larger fires, which will result in higher expenditures.

Bureau: **Forest Service**
Program: **National Forest System (NFS)**
Sequestration Amount: **$78 million**

Impact: The agency's essential services to the public will be reduced for a variety of high demand activities (recreation, forest and watershed restoration, grazing, mining and oil/gas operations) as a result of reduced operations at campgrounds, visitor information centers, and offices. This would largely occur during the peak use seasons in spring and summer. Thousands of private sector jobs in rural communities across the nation would be lost due to a reduction of recreation opportunities, and minerals and oil and gas operations, which are completed through contracts, grants, and agreements.

The agency would close up to 670 public developed recreation sites out of 19,000 sites, such as campgrounds, picnic areas, and trailheads. Closing this many recreation sites would reduce an estimated 1.6 million recreation visits across the country, thereby harming the economies of remote rural communities that depend on recreationists' economic activity, and eliminating convenient vacation opportunities for rural residents.

Increased risks to health and safety for visitors to the 193 million acres of public lands would occur as a result of reductions of 35 sworn law enforcement officers, leaving 707 total officers to control drug trafficking organizations, prevent crime, and protect and serve the public. The reduction in sworn officers would result in an increase of illegal activities on National Forest System lands, like arson during fire season, timber theft, and other natural resource crimes.

Forest and watershed restoration work would be curtailed. Timber volume sold would be reduced to 2,379 million board feet from 2,800 million board feet proposed for FY 2013. The agency would restore 390 fewer stream miles, 2,700 fewer acres of lake habitat and improve 260,000 fewer acres of wildlife habitat.

Bureau: **National Agricultural Statistics Service (NASS)**

Program: **Census of Agriculture and Agricultural Estimates**

Sequestration Amount: **$8 million**

Impact: NASS is responsible for the collection and analysis of a broad range of agricultural statistics and completion of the Census of Agriculture. These statistics provide information critical to decisionmaking by a wide population of stakeholders and ultimately benefit all consumers by enhancing orderly and unbiased market conditions for agricultural products. Sequestration would stop FY 2013 scheduled activities for the Census, causing data processing to be placed on hold and potentially not recoverable. Data will become incomplete and will not be statistically sound for publication. Not having the 2012 Census will negatively affect decisions made by farmers, businesses, and governments and ultimately will bring volatility to food markets and impact prices consumers pay. Data collected by the Census includes the number of farms, value of land, market value of agricultural production, and inventory of livestock and poultry.

NASS' annual agricultural estimates reports are critically important to assess the current supply and demand in agricultural commodities. These unbiased, timely reports are extremely valuable to producers, agribusinesses, farm organizations, commodity groups, economists, public officials, and others who use the data for decisionmaking. The statistics disseminated by NASS support fairness in markets ensuring buyers and sellers have access to the same objective official statistics at the same pre-announced time. This prevents markets from being influenced by "inside" information, which might unfairly affect market prices for the gain of an individual market participant. The efficiency of commodity markets is enhanced by the free flow of information, which minimizes price fluctuations for U.S. producers. Statistical measures help the competitiveness of our nation's agricultural industry and have become increasingly important as producers rely more on world markets for their sales. There is no other source for the statistical surveys, estimates, and reports NASS produces.

ATTACHMENT 2

February 15, 2013

Hon. ROSA L. DELAURO,
U.S. House of Representatives
Washington, D.C.

Dear Congresswoman DeLauro:

Thank you for your letter of February 6, 2013, cosigned by Congressman Sam Farr, requesting additional information on the impact of potential across-the-board spending cuts on the Department of Agriculture's (USDA) operations. Like you, I am very concerned about the impact of the March 1 sequester on the American

economy, specifically in the areas of food, agriculture, natural resources, rural development, nutrition, and related issues.

Since Fiscal Year (FY) 2010, USDA's operating budget has been reduced by about $3 billion, or 12 percent. As part of our Blueprint for Stronger Service, USDA has saved taxpayers millions in travel and printing costs and is consolidating more than 700 different cell phone contracts into about 10. We are also pursuing other cost reduction efforts in several areas such as sourcing uniforms from the AbilityOne Strategic Alliance, standardizing bulk mail and processes, and implementing a "Shared First" acquisition policy to consolidate IT-related acquisitions. What's more, the Department is achieving significant savings by closing more than 250 domestic and foreign offices while ensuring that the vital services they provide are not cut.

If Congress does not act before March 1, it is estimated that the across-the-board spending cuts would indiscriminately reduce funding for USDA programs further by almost $2 billion in FY 2013. About ⅔ of these cuts would come from programs funded by discretionary appropriations under the Committee's jurisdiction. While the Department is still developing plans on how to operate under a sequester, agencies have already taken actions—in addition to those mentioned above—to prepare for additional funding reductions through prudent practices such as hiring freezes and limiting operating costs. Should a sequestration occur, we would likely need to implement furloughs impacting about ⅓ of our workforce, as well as other actions. These furloughs and other actions would severely disrupt our ability to provide the broad range of public services we administer. Examples of these programmatic impacts include:

- A reduction of 600,000 low-income women and children who could receive nutrition assistance and associated nutrition education and breastfeeding support through the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). WIC has been shown to provide important improvements in nutrition of women and children, lower health care costs, and improved cognitive development of children.
- A nationwide shutdown of meat and poultry plants during a furlough of inspection personnel. The furlough could result in as much as 15 days of lost production, costing roughly over $10 billion in production losses, and industry workers would experience over $400 million in lost wages. Consumers would experience limited meat and poultry supplies, and potentially higher prices, and food safety could be compromised.
- Elimination of rental assistance for more than 10,000 very low income rural residents, generally elderly, disabled, and single female heads of households. With an average monthly income of approximately $803, these Americans are the least able to absorb rent increases and would face very limited options for alternate housing if landlords increase rents to cover the loss of the rental assistance payments.
- A curtailing of conservation technical and financial assistance to approximately 11,000 producers and landowners, thereby limiting benefits to water quality and quantity, soil erosion, and wildlife habitat that benefit the public.
- Increased risk to communities from wildfires with as many as 200,000 fewer acres treated for hazardous fuels.
- A loss of over $60 million resulting in more than 100 fewer grants awarded for agricultural research conducted by both university scientists and private partners, disrupting critical progress being made in many topical areas such as water, nutrient management, bioenergy production, animal and plant disease, and childhood obesity.
- A reduction in assistance to states for pest and disease prevention, surveillance, and response, potentially leading to more extensive outbreaks and economic losses to farmers and ranchers.
- Furloughs and other reductions in a number of USDA agencies that would limit the ability to provide program oversight, leading to potentially higher levels of erroneous payments and/or fraud. Even small increases in improper payments have large public costs given the magnitude of programs involved.

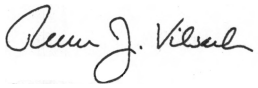
Additional information on impacts covering selected accounts is enclosed.

In addition to impact to programs under the Committee's jurisdiction, ⅓ of USDA's sequestered funds would come from mandatory programs, including those authorized through the farm bill. While plans are still being developed on how the sequester would be implemented for these programs, reductions have the potential to impair important elements of support for agriculture and the environment, including disaster assistance, conservation, and export enhancement programs.

I deeply hope that Congressional leaders will reach an agreement to achieve deficit reduction while averting an across-the-board cut. I look forward to working with Congress to preserve the many priorities of rural America while making sensible program reforms and reductions that will lead to deficit reduction.

Again, thank you for writing. A similar letter is being sent to Congressman Farr.

Sincerely,



Hon. THOMAS J. VILSACK,
Secretary.

ATTACHMENT

February 15, 2013

Hon. SAM FARR,
U.S. House of Representatives
Washington, D.C.

Dear Congressman Farr:

Thank you for your letter of February 6, 2013, cosigned by Congresswoman Rosa L. DeLauro, requesting additional information on the impact of potential across-the-board spending cuts on the Department of Agriculture's (USDA) operations. Like you, I am very concerned about the impact of the March 1 sequester on the American economy, specifically in the areas of food, agriculture, natural resources, rural development, nutrition, and related issues.

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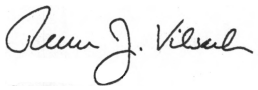
Again, thank you for writing. A similar letter is being sent to Congresswoman DeLauro.

Sincerely,



Hon. THOMAS J. VILSACK,
Secretary.

Additional Sequestration Information

Bureau: **Food and Nutrition Service**

Program: **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

Sequestration Amount: **$333 million**

Impact:

Grants to States

- WIC is a federally funded program. If funding is inadequate to maintain the current caseload—as it would be under sequestration—State WIC programs would have to reduce participation and establish waiting lists using the priority system provided in regulation.
- A full year continuing resolution, coupled with sequestration, will result in a budget authority of about $6.3 billion. Using all available resources, including carryover and all contingency funds, will allow the program to support about 8.6 million participants—a reduction of approximately 300,000 participants on an annual basis from last year or about 600,000 participants if the reductions are compressed in the last two quarters of the fiscal year.
- Even before sequestration occurs, states may begin to implement cost-cutting strategies sometime in February. These strategies could range from reducing clinic hours, closing clinics, to establishing waiting lists as a last resort.
- When funds are not sufficient to support caseload, WIC agencies implement a priority waiting list of individuals. The first to lose benefits would be non-breastfeeding postpartum women and individuals certified solely due to homelessness or migrancy. African-American women have the lowest breastfeeding rates so they are more likely to represent a significant proportion of these women.

- Nutrition Services and Administration funding provided to states would be reduced by about $75–$100 million from the Fiscal Year (FY) 2012 level, which could result in up to 1,600 state and local jobs lost.

Bureau: **Food Safety and Inspection Service (FSIS)**
Program: **Salaries and Expenses**
Sequestration Amount: **$51 million**

Impact: Sequestration would result in an across-the-board furlough of as much as 15 days for all FSIS employees, including inspectors. Since Federal law mandates inspection of meat, poultry, and egg products, production will shut down for that time period, impacting approximately 6,290 establishments nationwide. Due to lost production volume of more than 2 billion pounds of meat, an additional 2.8 to 3.3 billion pounds of poultry and over 200 million pounds of egg products, the industry would experience a production loss of over $10 billion. Consumers would experience a shortage of meat, poultry, and egg products available for public consumption, and the shortage may result in price increases for these products. Restaurants, grocers, local merchants, and others who rely on FSIS-inspected products would suffer multiplier effects from the shortfall in production. The impact could force smaller businesses and merchants out of business. Industry workers would also be furloughed, resulting in over $400 million in lost wages. The livestock industry would also incur additional costs for disruption of the pipeline from farms to production establishments as farmers and livestock producers would have to feed and store animals longer than anticipated.

FSIS would also eliminate export inspections, resulting in losses for U.S. producers and causing additional storage costs and or loss of product. Export inspections could adversely affect other nations since the volume of products would decline. Furthermore, public food safety could be compromised by the illegal selling and distribution of uninspected meat, poultry, and egg products. Because FSIS is also responsible for verifying the safety of imported products, cutting import inspections would result in a reduction of 154 to 178 million pounds of imported meat, poultry, and egg products entering the country, in addition to the lost production capacity within the United States. Cutting import inspections might be construed as an international trade issue. Moreover, there is limited storage space along the border so that unless foreign countries stopped shipments, chill/frozen storage capacity and refrigerated truck/train/ship capacity would be compromised.

Bureau: **Rural Development, Rural Housing Service**
Program: **Rental Assistance**
Sequestration Amount: **$46 million**

Impact: The Rental Assistance Program provides assistance to eligible low-income tenants in USDA-financed multi-family housing so that Americans pay no more than 30 percent of their incomes for rent. Approximately 286,000 tenants receive the benefit of rental assistance in almost all of the apartment complexes financed by Rural Development. The sequestration would cause more than 10,000 current recipients to lose rental assistance. The average monthly income of families and individuals receiving rental assistance (generally female-headed households, elderly, and the disabled) is approximately $803. These Americans are the least able to absorb any increase in the rent due to the loss of rental assistance. Loss of this rent supplement may cause property owners to increase rents, making the units unaffordable to the very low income residents who have few options for decent, affordable housing.

With the loss of rental assistance, or higher vacancies resulting from very low-income Americans being unable to afford higher rents, many properties will be unable to pay all of their operating costs. Owners may be unable to maintain the property and allow it to fall into disrepair, or the properties may become delinquent in their loan payments. Potentially, 411 projects may become delinquent by October 2013. Ongoing delinquencies will lead to defaults and foreclosure and may result in long-term loss of affordable housing in rural communities in future years.

The loss of rental assistance supporting new construction of Farm Labor housing would result in the loss of affordable housing for approximately 28 farm workers and their families; the loss of rental assistance supporting construction of multi-family assisted housing would result in the loss of affordable housing opportunities for 17 low or very low income families.

Bureau: **Natural Resources Conservation Service (NRCS)**
Program: **Conservation Operations and Farm Security and Rural Investment Programs**
Sequestration Amount: **$222 million**

Impact: NRCS will implement a hiring freeze and reduce travel and other costs. This will impact NRCS' ability to ensure timely, complete conservation planning ac-

tivities and delivery of financial assistance, which would affect program accomplishments and service to farmers and ranchers nationwide. This would result in longer timeframes to address these challenges continuing to put at risk the business operations of the agency. In addition, NRCS would implement significant cuts in agreements and contracts with non-Federal entities by over $20 million in technical assistance and about $109 million in financial assistance. These reductions will have a deleterious impact on the ability to provide technical and financial assistance services to conservation customers, resulting in reduced conservations opportunities and reduced natural resource benefits with short and long effects on the nation's private lands.

Overall, these cuts will undercut the ability to support priorities including landscape-scale conservation, water quality improvements, wildlife habitat protection, open space protection, as well as natural infrastructure restoration, carbon sequestration, weather prediction capacity, plant material development and other programs and services that support extreme weather and climate change adaptation and mitigation.

Bureau: **Farm Service Agency (FSA)**
Program: **Farm Loan and Salaries and Expenses**
Sequestration Amount: **$80 million**

Impact: Sequestration would require reductions of $80 million in FSA salaries and expenses and Farm Credit programs. The following highlights address some of the impacts of these reductions.

FSA Program Management

The sequestration would reduce the spending authority for FSA salaries and administrative expenses by about $75 million. In order to accomplish this reduction, FSA will implement a number of actions including hiring freezes, reducing contract operations for both Information Technology (IT) and non-IT operations, eliminating states flown in the National Aerial Imagery Program, and furloughing employees up to 5 days. FSA employees are responsible for managing a wide range of programs including farm loans, conservation and disaster activities with budgets totaling over $11 billion annually. Reduced ability to effectively manage these major nationwide programs will limit the ability to provide timely support to producers during the ongoing extreme, widespread drought and will erode the capability to provide oversight to limit erroneous payments.

Farm Loan Programs

FSA provides direct loans to family farmers and ranchers who cannot obtain commercial credit from a bank or other lender. The program is an important source of credit for beginning farmers, who tend to have limited resources and as a result, are less likely to meet commercial credit standards. Extreme drought conditions prevailing in significant areas of the nation that have weakened the financial condition of agricultural producers significantly increase the importance of these loan programs. Operating loans are used to purchase items such as livestock, feed, farm equipment, fuel, farm chemicals, insurance, minor improvements or repairs to buildings, refinance farm-related debt excluding real estate and other operating costs, including family living expenses. Sequestration would reduce the budget authority for Farm Credit Programs by approximately $5.4 million ($35.6 million in program level), meaning that 890 fewer direct farm operating loans and 661 other farm loans could be made. The sequestration of farm loan funding could result in a loss of over 1,650 private sector jobs (plus the hundreds of farmers that would be forced out of farming and into the off-farm job market), reduce the GDP by more than $259 million, and could reduce household income by $44 million.

Bureau: **Forest Service**
Program: **Wildland Fire Management**
Sequestration Amount: **$134 million**

Impact: This level of reduced funds would result in an appropriated funding level that is $42 million below the calculated 10 year average of fire suppression costs for FY 2013. In addition, a reduction of Preparedness funds typically increases suppression costs since the initial attack success will be reduced. Additionally, 2012 fire transfer funds are subject to sequestration, which results in needing to recover $20 million of funds repaid. The agency would complete as many as 200,000 fewer acres of hazardous fuel treatments, resulting in an increased risk to communities from wildfires.

Certain decisions may result in increased costs in the end. For example, the agency could reduce up-front costs by reducing use of Exclusive Use aviation contracts, 115 engines, and 10 hotshot crews. However, this could result in larger fires, which will result in higher expenditures.

Bureau: **Forest Service**
Program: **National Forest System (NFS)**
Sequestration Amount: **$78 million**

Impact: The agency's essential services to the public will be reduced for a variety of high demand activities (recreation, forest and watershed restoration, grazing, mining and oil/gas operations) as a result of reduced operations at campgrounds, visitor information centers, and offices. This would largely occur during the peak use seasons in spring and summer. Thousands of private sector jobs in rural communities across the nation would be lost due to a reduction of recreation opportunities, and minerals and oil and gas operations, which are completed through contracts, grants, and agreements.

The agency would close up to 670 public developed recreation sites out of 19,000 sites, such as campgrounds, picnic areas, and trailheads. Closing this many recreation sites would reduce an estimated 1.6 million recreation visits across the country, thereby harming the economies of remote rural communities that depend on recreationists' economic activity, and eliminating convenient vacation opportunities for rural residents.

Increased risks to health and safety for visitors to the 193 million acres of public lands would occur as a result of reductions of 35 sworn law enforcement officers, leaving 707 total officers to control drug trafficking organizations, prevent crime, and protect and serve the public. The reduction in sworn officers would result in an increase of illegal activities on National Forest System lands, like arson during fire season, timber theft, and other natural resource crimes.

Forest and watershed restoration work would be curtailed. Timber volume sold would be reduced to 2,379 million board feet from 2,800 million board feet proposed for FY 2013. The agency would restore 390 fewer stream miles, 2,700 fewer acres of lake habitat and improve 260,000 fewer acres of wildlife habitat.

Bureau: **National Agricultural Statistics Service (NASS)**
Program: **Census of Agriculture and Agricultural Estimates**
Sequestration Amount: **$8 million**

Impact: NASS is responsible for the collection and analysis of a broad range of agricultural statistics and completion of the Census of Agriculture. These statistics provide information critical to decisionmaking by a wide population of stakeholders and ultimately benefit all consumers by enhancing orderly and unbiased market conditions for agricultural products. Sequestration would stop FY 2013 scheduled activities for the Census, causing data processing to be placed on hold and potentially not recoverable. Data will become incomplete and will not be statistically sound for publication. Not having the 2012 Census will negatively affect decisions made by farmers, businesses, and governments and ultimately will bring volatility to food markets and impact prices consumers pay. Data collected by the Census includes the number of farms, value of land, market value of agricultural production, and inventory of livestock and poultry.

NASS' annual agricultural estimates reports are critically important to assess the current supply and demand in agricultural commodities. These unbiased, timely reports are extremely valuable to producers, agribusinesses, farm organizations, commodity groups, economists, public officials, and others who use the data for decisionmaking. The statistics disseminated by NASS support fairness in markets ensuring buyers and sellers have access to the same objective official statistics at the same pre-announced time. This prevents markets from being influenced by "inside" information, which might unfairly affect market prices for the gain of an individual market participant. The efficiency of commodity markets is enhanced by the free flow of information, which minimizes price fluctuations for U.S. producers. Statistical measures help the competitiveness of our nation's agricultural industry and have become increasingly important as producers rely more on world markets for their sales. There is no other source for the statistical surveys, estimates, and reports NASS produces.

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