

**ECONOMIC RESEARCH SERVICE**

**Statement of Dr. Mary Bohman, Administrator  
Before the Subcommittee on Agriculture, Rural Development,  
Food and Drug Administration, and Related Agencies**

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to present the Economic Research Service's (ERS) budget recommendations for 2013.

The mission of ERS is to inform and enhance public and private decision making on a broad range of economic and policy issues related to agriculture, food, the environment, and rural development. Activities to support this mission involve research and development of economic and statistical indicators including, but not limited to, global agricultural market conditions, trade restrictions, agribusiness concentration, farm business and household income, farm and retail food prices, food borne illnesses, food labeling, nutrition, food assistance programs, agrichemical usage, livestock waste management, conservation, genetic diversity, technology transfer, and rural employment.

The President's 2013 budget request for ERS's research programs is \$77,397,000, which represents a net decrease of \$326,000 from the Agency's 2012 funding level. The budget we are proposing reflects the difficult choices we need to make to control funding while still supporting agricultural research investments that are critical to long-term economic growth and job creation.

Funding is requested to continue ERS's highest priority core programs, including the following:

- Research exploring how investments in rural people, businesses, and communities affect the capacity of rural economies to prosper in the new and changing global marketplace;

- Research on economic issues related to developing natural resource policies and programs that respond to the need to protect the environment and the challenges of climate change while enhancing agricultural competitiveness;
- Research and market outlook on production agriculture, domestic and international markets, trade, and Federal farm policies to understand the U.S. food and agriculture sector's performance in the context of increasingly globalized markets; and
- Research to evaluate the Nation's food and nutrition assistance programs, to study the relationships among the many factors that influence food choices and health outcomes, including obesity, and to enhance methodologies for valuing societal benefits associated with reducing food safety risks.

The funding request also includes program reductions related to cooperative agreements and collaborations and environmental services.

ERS shapes its research program and products principally to serve key decisionmakers who routinely make or influence public policy and program decisions. This clientele includes White House and USDA policy officials and program administrators/managers; the U.S. Congress; other Federal agencies and State and local government officials; and domestic and international agricultural, environmental, consumer, and other public organizations, including farm and industry groups interested in public policy issues.

The agency's research program is designed to both anticipate and respond to decisionmakers' information needs through direct analyses and the development of analytic methods and supporting data. In FY 2012, ERS is undertaking a strategic planning process to define core research priorities, establish communications priorities to raise visibility, and develop a civil rights strategy.

ERS conducts research on specific topics at the request of Congress and USDA policy officials to assess the socio-economic consequences of public policies, regulations, and programs. These studies build on the Agency's analytic methods, data resources, and highly skilled staff. Recent

examples of research conducted at the request of our customers include analysis of farm and energy programs, food access, and child nutrition.

For example, ERS conducted a study of the conversion of native grasslands to crop production in response to a request in the Manager's Report accompanying H.R. 2419, the Food, Conservation, and Energy Act of 2008. In 2011, ERS produced and published a report that was prepared in consultation with the Farm Service Agency (FSA), Natural Resources Conservation Service (NRCS), and Risk Management Agency (RMA). The research found that a 5-year ban on crop insurance purchase for converted grassland could slow—but is unlikely to stop—grassland to cropland conversion, and that the incentives provided by crop insurance, disaster assistance, and marketing loan programs increased cropland acreage by about 2.9 percent between 1998 and 2007.

The House Report 111-181 accompanying H.R. 2997, the 2010 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, requested that ERS, in conjunction with the Office of the Chief Economist, conduct a study of land-use changes for renewable fuels and feedstocks used to produce them. The study's report, published on the ERS website in 2011, summarizes the current state of knowledge of the drivers of land-use change and describes the analytic methods used to estimate the impact of biofuel feedstock production on land use.

The Food, Conservation, and Energy Act of 2008 eliminates direct and countercyclical payments (DCP) and average crop revenue election program payments to farms with 10 or fewer base acres. A 2011 study conducted for FSA and published on the ERS website found that Federal budgetary savings from the provision are small. The effect of the provision varies among U.S. regions, with a larger portion of ineligible farms found on or near the East Coast.

### Food Deserts

In 2011, ERS expanded a previous congressionally mandated study of food deserts—areas with limited access to affordable and nutritious food—by mapping areas across the country where low-income residents do not have easy access to a grocery store. The resulting *USDA Food Desert Locator* is an Internet-based mapping tool that pinpoints the location of food deserts

nationwide. It also provides data on population characteristics of census tracts designated as food deserts. The Locator tool to identify underserved communities for new store locations and health and nutrition researchers use it to investigate the impact of food access and the food environment on food choices and health outcomes.

### Healthy, Hunger-Free Kids

ERS conducted an assessment for the Food and Nutrition Service (FNS) of the benefits and costs of regulatory action to implement the Healthy, Hunger-Free Kids Act of 2010. Under the Act, Congress directed USDA to take regulatory action regarding the pricing and nutritional quality for USDA school meals, as well as foods and beverages sold at school in competition with USDA meals (Sections 205, 206 and 208 of the Act). FNS asked ERS for analysis that would inform its development of the regulatory impact statements that would accompany the regulations. The ERS research team examined school meal price and participation data, as well as competitive food revenues under the existing and proposed regulatory conditions. ERS briefed the USDA Child Nutrition Reauthorization Regulatory Clearance Group on its findings and was subsequently asked to brief officials from the Office of Management and Budget (OMB). ERS's core program provided the expertise and data resources necessary to complete an analysis that met FNS's needs under tight deadlines.

The previous examples illustrate how ERS deploys its research expertise to carry out specific studies. Our research program also anticipates the information needs of decisionmakers by providing innovative economic and social science research on important issues of the day. The examples that follow document how customers and stakeholders in USDA, Congress, related government agencies, and the public use ERS analysis and data to make decisions.

### Land Use Estimates

ERS has produced estimates of land uses for over 60 years, and the *Major Land Uses* (MLU) series is the longest running, most comprehensive inventory of U.S. land uses available. ERS released the most recent estimates in 2011 in the report *Major Uses of Land, 2007*. Over the course of its long history, the MLU data have provided official land use estimates for the

Economic Report of the President, the Statistical Abstract of the U.S., and various international publications (e.g., by the Organisation for Economic Co-operation and Development and the Food and Agriculture Organization of the United Nations—FAO). MLU research has also been used by the Secretary of Agriculture to address questions about the use of Federal lands for agriculture and about the conversion of farmland to housing, by USDA’s Office of the Chief Economist to prepare projections of greenhouse gas emissions from agriculture for OMB, and by the Environmental Protection Agency (EPA) for greenhouse gas emission reporting purposes. Most recently, USDA used the MLU results in developing a television feature on the Future of Farming that was distributed to hundreds of TV stations in 38 States.

### Other Studies

A major interagency effort by ERS and Agricultural Research Service (ARS) researchers, the ERS report *Nitrogen in Agricultural Systems: Implications for Conservation Policy* provides information on nitrogen’s ability to affect the environment, examines the degree to which it is inappropriately applied for agricultural uses, and presents the pros and cons of programs and policies for improving its use. Water quality impairments from nitrogen are a hot-button issue for the EPA—it has requested three separate briefings on the report’s findings. Our research findings are helping EPA evaluate State watershed implementation plans in the Chesapeake Bay watershed and elsewhere.

First released in 2011, ERS’s *Atlas of Rural and Small-Town America* is an interactive mapping application providing a spatial interpretation of county-level, economic, and social conditions along four broad categories of socioeconomic factors: people, jobs, agriculture, and ERS county classifications. Since its initial release, the Atlas has been used by the Secretary of Agriculture, policymakers across USDA, other Federal agencies, the research and practitioner community, and the public at large. The Department of Housing and Urban Development (HUD) requires that the Atlas be used by applicants to its Rural Innovation Fund grants program. The Atlas has also recently been used by the Federal Highway Administration for a project developing performance measures for rural access transportation.

## Monitoring Financial Health

ERS has a leading role in monitoring the financial health of the farm sector, including the performance of farm businesses and the well-being of farm households. These core statistical indicators provide guidance to policymakers, lenders, commodity organizations, farmers, and others interested in the financial status of the farm economy. ERS's farm income statistics also inform the computation of agriculture's contribution to the gross domestic product for the U.S. economy. The financial outlook for U.S. agriculture remains favorable, despite expected price declines for most major commodities in 2012. Net farm income is forecast to be \$91.7 billion in 2012, down \$6.3 billion (6.5 percent) from the 2011 forecast but still the second highest nominal value on record. Changes in farm business earnings are expected to vary considerably across commodities and regions, especially when compared with earnings over the past 4 years. The combination of modest increases in debt and continued increases in the value of farm real estate are the foundation of the sector's strong equity position and resiliency to fluctuations in market conditions and incomes. Much like the situation for farm income, the performance of farm real estate markets varies substantially by region and this disparity and recent historical trends are highlighted in the ERS report *Trends in U.S. Farmland Values and Ownership*.

## Trade Agreements

The recent ERS report *Selected Trade Agreements and Implications for U.S. Agriculture* examines the effect on U.S. agriculture from regional trade agreements when the U.S. does not participate and when the U.S. does participate. Two recently concluded trade agreements between the Association of Southeast Asian Nations (ASEAN) countries and China and ASEAN countries and Australia/New Zealand could negatively affect U.S. exports to these countries as exports from the member countries receive preferential access. The report also measures the positive impacts on U.S. agricultural exports of implementing trade agreements between the United States and Korea, Colombia, and Panama. Findings from this research are considered the authoritative work on the impacts of these agreements for U.S. agricultural trade and have been used by the Foreign Agriculture Service (FAS), widely cited by Secretary Vilsack and the Office of the U.S. Trade Representative, and used by U.S. and Korean news media.

### Additional Studies to be Funded in FY 2013

It is the intent of ERS to look beyond the immediate horizon to conduct anticipatory research, the findings of which will be available when a topic “heats up.” In that regard, drivers of job creation in rural America, issues arising from debate and deliberation on the next farm bill, and the impact of globalization on U.S. agriculture motivate new and ongoing research programs that will deliver research findings in 2013 and beyond.

Understand rural job creation in innovative businesses. The 2012 Rural Establishment Innovation Survey, designed and conducted by ERS in cooperation with Washington State University, will collect information nationally on business adoption of new products, services, marketing methods, and ways of doing business. These innovations represent the true genius of America, but we know little about them from official statistics. Survey data will enable us to identify firm and community characteristics that encourage these cutting-edge practices and technologies. The information will also enable us to inform decisionmakers about the contribution of innovation in small and medium-sized businesses to competitive rural economies and job growth. The data will be available by 2013.

Design policies to mitigate population loss in rural counties. Individuals who return to the rural communities where they were raised (return migrants) are critically important to the hundreds of areas experiencing persistent population loss through outmigration. Through interviews in 21 rural communities, and in cooperation with the University of Montana, ERS is collecting information on return migrants—those who typically leave their community after high school graduation and return when they are ready to settle down and raise a family. Rather than pursuing efforts to help these communities retain high school graduates, it is becoming increasingly clear that encouraging return migration may be a more fruitful policy strategy. These data will allow ERS and other researchers to better understand the motivations of return migrants and the efficacy of strategies meant to encourage increased return migration. The data will be available in 2013.

Improve program cost effectiveness using approaches from the emerging field of behavioral economics. ERS is funding and leading a coordinated program of research applying the principles of behavioral economics. Behavioral economics suggests that the way in which choices are structured, presented, and paid for—the choice architecture—can influence an individual’s decisionmaking process. Incorporating the tools of behavioral economics into research conducted at ERS will increase the efficiency of food, farm, natural resource, and rural development programs by supporting government-wide efforts to improve program integrity and innovation. In one project, ERS is evaluating a school-based incentives program designed using behavioral economics theory and its effectiveness in increasing fruit and vegetable consumption. In another, ERS is exploring how accounting for behavioral characteristics in the design of incentives may improve the performance of conservation programs and future environmental services markets.

Address the economic and environmental impacts of adaptation of U.S. agriculture to a changing climate. ERS research is assessing the ability of farmers to adapt to changes in local weather, resource conditions, and price signals by adjusting crops, rotations, and production practices. Such adaptation, using existing crop production technologies, can significantly mitigate the impacts of climate change on national agricultural markets; advancements in the development of drought-tolerant cultivars have the potential to provide additional gains in this area.

Analyze the effect on global agricultural markets of the rapid growth in, and changing course of, China’s domestic agricultural support programs. Many of China’s new policies are modeled on those used in developed economies, but they are implemented in a very different institutional environment. The effects of these policies will have implications for U.S. agriculture via China’s influence on global commodity markets and future trade liberalization initiatives.

Improve indicators of global food security. ERS is collaborating with FAO to improve global indicators of food security. Complementing the indicators, country case studies provide a basis to assess options to measure food security. ERS analysis of food-insecure households in India focuses on how the use of different statistical methods applied to the same data can result in significantly different estimates of the global food-insecure population. The study uses data



from a unique household survey conducted in India to estimate levels of household food security using different assumptions about caloric intakes.

Understand social safety net through innovative use of administrative data. ERS is undertaking the first research effort to link Supplemental Nutrition Assistance Program (SNAP) administrative records with administrative data from the State Unemployment Insurance (UI) program. The resulting data provide a unique and cost-effective resource to address questions regarding how the two programs work together to provide financial and nutrition support to households experiencing unemployment. Linkage of confidential data was achieved through ERS partnerships with research institutions and the partnerships these institutions have with data-supplying State agencies. ERS is assisting with the development of common definitions, analysis approaches, and table shells so that empirical results from participating States may be compared with one another and with results from similar research being conducted under other ERS research grants.

Fill gaps in the current understanding of food acquisition behavior. ERS, with previous financial support from FNS, is conducting a major national food survey in 2012. FoodAPS will break new ground in social science research. It will gather unique, detailed data on food acquisitions not previously available to researchers from a single source. The survey will also use administrative data from SNAP to link private and public data files to collect information on nutrient content of acquired foods and local food environments. These data will help provide answers to important food policy questions, particularly as pertain to low income households. The data will enable researchers to perform more complete analyses of household food demand, and as such they have drawn interest from other Federal statistical agencies. In addition, the combination of data collection techniques and use of data from administrative sources will result in significant cost savings.

Mr. Chairman, this concludes my statement of ERS's budget recommendations for FY 2013. I will be happy to answer any questions that the Subcommittee may have.