Statement by Thomas Vilsack
Secretary of Agriculture
Before the House Committee on Agriculture
February 24th, 2016

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to discuss the state of agriculture and the rural economy in the United States. For more than seven years, I have had the honor and privilege of serving as Secretary of Agriculture. I've traveled to all 50 states and heard from farmers, ranchers and Americans far and wide, from all walks of life about the impact that USDA's staff, programs and services have on their lives. I could not be more proud of the work the men and women of USDA do each and every day. We have laid the foundation over the past 7 years to foster that innovation and to provide assistance to regions that need it most during times of adverse economic conditions. Today, the state of the agricultural economy remains sound despite lower commodity prices, and the innovation of American agriculture will continue to flourish and create economic opportunity across rural America.

U.S. Economy is recovering

Policies pursued by President Obama after the collapse of the US economy in the Great Recession helped the U.S. economy recover jobs and strength over the past 7 years. U.S. GDP is rising, and the National unemployment rate continues to decline. The U.S. agricultural sector has been a bright spot in the economy and played a major role in its recovery. Agriculture has made significant contributions to our trade balance by increasing exports to record high levels. We have added more agricultural-related jobs under this Administration, with one in twelve U.S. jobs currently supported by our agriculture sector; and our nutrition program programs have both helped children and families get the food assistance they need to be healthy and provided important employment and training opportunities to help adults move toward self-sufficiency. The Administration's focus on economic recovery over the past 7 years has helped the majority of farm households improve their financial condition, and we can expect that to continue as farm incomes face increased pressure from lower commodity prices. Between 2010 and 2015, median farm household income increased by more than 40 percent as farm households seized opportunities to increase off-farm income. During that period the median value of off-farm earned income also rose by 46 percent and nearly tripled for off-farm unearned income. Larger, commercial farms are more dependent on farm income for the majority of their household income. Those households benefited most from the recent commodity price highs several years ago, but are also more vulnerable to declining commodity prices and diminished returns from farming. In 2016, USDA forecasts additional increases in median farm household income across all farm types (residence farms, intermediate farms, and commercial farms), including increased off-farm income and on-farm income.

Net farm income under pressure, but balance sheet and land prices remain historically favorable

The current combination of the stronger dollar and relatively high global production has led to a large drop in expected 2015 and 2016 net farm income, relative to the 2011 through 2014 period. USDA expects real net farm income to be the lowest since 2002. There is some slowdown in land values, but these values have fallen modestly from recent record highs. However, the debt to asset ratio for U.S. producers is still near record lows indicating that the farm balance sheet is strong.

Although a strong dollar benefits U.S. consumers purchasing imported goods, it makes U.S. exports appear more expensive to customers and our products less competitive relative to exports by other countries. In particular, the currencies in countries such as Brazil, Argentina, and Russia have fallen dramatically against the U.S. dollar. Moreover, global food commodity production has been at or near record highs since 2013. Globally, countries have built substantial stocks relative to use for most of the major cereals and oilseeds. In addition, the United States is projected to maintain peak output for meat and dairy products in 2016. Increased meat and dairy production this year is expected to be accompanied by falling wholesale prices for all meat and most dairy products. That will tend to lower retail prices for those goods, but also will lower cash receipts for most livestock and dairy producers.

Farm safety net is working but gaps remain

As falling global commodity prices continue to depress farm income, there is the risk of negative impacts on farm equity, debt, and land prices. However, the current farm safety net is structured to provide important support for many crop and dairy farmers during a downturn.

Last year, USDA enrolled 1.76 million farmers in the new Agriculture Risk Coverage (ARC) and Price Loss Coverage (PLC) programs by conducting an unprecedented education campaign. ARC and PLC are a part of the farm-safety net, providing assistance only when there are year-to-year crop revenue or commodity price downturns. To date, ARC and PLC have provided over $5.2 billion in financial assistance for crop year 2014, to more than 900,000 farms. In addition, more than half of all dairy farms in the U.S. – over 23,000 – have enrolled in the new Margin Protection Program for Dairy (MPP-Dairy). This voluntary program provides financial assistance to participating farmers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the producer. USDA paid dairy producers over $400,000 in calendar year 2015 to provide financial support during times of lower margins.

Cotton producers are experiencing lower market prices and that the current safety net is not providing enough protection for producers. We want to help, but we will have to work with Congress to overcome the legal barriers that stymie more aggressive action.

The 2014 Farm Bill indefinitely extended the Farm Service Agency's livestock disaster programs and the Tree Assistance Program. Since the passage of the Farm Bill, these programs have paid producers over $5.8 billion dollars to recover from natural disasters, including drought and wildfires.

USDA worked with crop insurance companies to educate farmers and ranchers about the new conservation compliance requirements in the 2014 Farm Bill and as a result, over 98 percent of Federal crop insurance participants provided the documentation necessary to comply with those requirements and maintain their benefits. We also strengthened the Federal crop insurance program to include new support for beginning farmers and producers of specialty crops including fruits and vegetables. The new Whole Farm Revenue plan will be offered in all counties in the United States in 2016.

The Farm Bill included several reforms to the Federal crop insurance program; however, there remain further opportunities for improvements and efficiencies. The President's 2017 budget includes two proposals to reform crop insurance, which are expected to save $18 billion over 10 years. This includes reducing subsidies for revenue insurance that insure the price at the time of harvest by 10 percentage points and reforming prevented planting coverage. These reforms will make the program less costly to the taxpayer while still maintaining a quality safety net for farmers.

Access to credit remains a critical issue for producers, in particular for small and beginning farmers and ranchers. Since 2009, USDA has provided approximately 237,000 loans totaling over $33 billion to farmers and ranchers. We expanded credit by 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.

In recent years, USDA has responded to outbreaks of swine enteric coronavirus disease and highly pathogenic avian influenza. USDA responded quickly to the unprecedented outbreak of Highly Pathogenic Avian Influenza (HPAI) last winter and spring, working closely with industry, contractors, and States to depopulate nearly 50 million turkeys and chickens to stamp out the disease. USDA worked with trading partners to regionalize trade restrictions and reopen export markets for poultry and egg markets as quickly as possible. USDA also worked closely with USTR in developing and bringing a successful WTO challenge to India's AI restrictions on poultry and other products, obtaining critical findings in 2015 that India's measures failed to regionalize, were not based on international standards, and were more trade-restrictive than necessary. And we redoubled our efforts to develop a comprehensive HPAI preparedness and response plan for 2016 and beyond. USDA and the poultry industry as a whole learned a lot of lessons during the 2015 outbreak of highly pathogenic avian influenza, and as a result, will be better prepared should the virus resurface in 2016,

Commitment to increase opportunities for producers and revitalize rural communities

When I became Secretary of Agriculture, we recognized that a spark was needed to make rural communities places where businesses—farm and non-farm alike—want to innovate, grow, and create more good paying jobs. That is why we focused our efforts on increasing exports and taking advantage of the emerging bioeconomy, including biomanufacturing and advanced biofuels, local and regional food systems, broadband, and telemedicine. Our efforts not only supported the most productive agricultural sector in the world, but also assisted rural communities to be places where all businesses, farm and non-farm alike, prosper and create jobs. A more robust and diversified rural economy helps agricultural producers and rural residents alike by providing more resiliency in times when the farm economy is in a downturn.

Trade affected by slowing global economy, but trade agreements offer opportunities

Part of our strategy to create a diversified rural economy is to expand the country's reach around the world by creating increased opportunities to export our agricultural products. In Fiscal Year (FY) 2015, American agricultural producers achieved $139.7 billion in exports, the third highest year on record and up 45 percent from FY 2009. Agricultural exports totaled over $911 billion for the period FY 2009 through FY 2015, the best seven year stretch in history. In addition, agricultural exports have increased in volume, demonstrating an increasing global appetite for American-grown products.

USDA has worked hard to open new markets worldwide for farm and ranch products. Trade agreements, like those with Panama, Colombia and South Korea, create opportunities for trade growth. U.S. agricultural exports to these three countries grew by nearly 28 percent, from $7.6 billion in FY 2012, when the trade agreements were first going into effect, to $9.7 billion in FY 2015, supporting approximately 73,000 American jobs. U.S. agricultural exports to all U.S. FTA partners grew from $15.5 billion in 1994 to $56.9 billion in 2015, a nearly four-fold increase in 20 years.

U.S. farmers are facing unprecedented competition amid a slowing global economy and appreciating dollar. That's why it is important for Congress to approve the Trans-Pacific Partnership (TPP). When implemented, the TPP agreement, with 11 Pacific Rim countries representing nearly 40 percent of global GDP, will provide new market access for America's farmers and ranchers by lowering tariffs and eliminating other barriers. American agriculture needs the good deal laid out in the TPP agreement to bolster its position in the light of stiff competition and the state of the world economy. We are committed to working closely with Congress to obtain support for this historic deal so that our businesses can sell more rural-grown and rural–made goods around the world, and more American workers can compete and win.

Agricultural exports support farm income, which translates into more economic activity in rural areas. It is estimated that for each dollar of agricultural exports, another $1.27 in business activity is stimulated.

Closer to home, another important market for U.S. agriculture is Cuba. USDA is proposing to establish an in-country presence in Cuba to cultivate key relationships, gain firsthand knowledge of the country's agricultural challenges and opportunities, and develop programs for the mutual benefit of both countries. U.S. agricultural exports have grown significantly since trade with Cuba was authorized in 2000. Since the implementation of the Trade Sanctions Reform and Export Enhancement Act (TRSA) in 2000, the United States has exported nearly $5 billion in agricultural and food products to Cuba. Cuba's geographical proximity and demand for U.S. products makes it a natural market. In fact, from 2003 to 2012, the United States was the leading agricultural exporter to Cuba. A more open and normalized trade relationship with Cuba will benefit both countries and help address the competitive disadvantages that U.S. agricultural products currently face in this market. USDA's Economic Research Service (ERS) analysis suggests that greater liberalization could lead to higher and more diversified sales to Cuba, similar to what the United States exports to the Dominican Republic, a country with similar population and per capita income. U.S. agricultural exports to the Dominican Republic averaged $1.1 billion a year between 2012 and 2014, compared to $365 million to Cuba. Moreover, the United States exports a broad range of agricultural products – beef, turkey, breakfast cereals, and fresh apples – to the Dominican Republic that Cuba does not currently import in sizable amounts.

USDA devotes significant resources to promote U.S. agricultural trade and open new overseas markets for U.S. products. With 96 percent of consumers living outside the United States, the only way U.S. agriculture can continue to grow and prosper is to ensure that U.S. producers can compete in the global marketplace. Between 2009 and 2015, U.S. companies participating in USDA-endorsed trade shows reported total on-site sales of more than $1.7 billion and more than $8.7 billion in 12-month projected sales. An independent study found that U.S. agricultural exports increase $35 for every market development dollar expended by government and industry. Since 2009, USDA has also helped challenge 2,098 sanitary and phytosanitary, technical, and other barriers to the export of American agricultural products, helping to spur record exports of American agricultural products. For example, we have removed unfair restrictions to help farmers export more U.S. apples to China, a market with an estimated value of nearly $100 million per year, and expanded market access for U.S. beef in Japan, Mexico, Hong Kong, the Dominican Republic, Ecuador, Uruguay, and Colombia. Total U.S. beef and beef product exports reached a record $6.8 billion (1.2 billion tons) in FY 2014. We work closely with USTR to vigorously enforce our international trade agreements, such as through our ongoing WTO challenge, together with New Zealand, to Indonesia's import restrictions on horticultural products, poultry, beef, and other products. We will continue to work with you and the U.S. agricultural community to open new markets and level the playing field for U.S. farmers and ranchers.

Investments in the rural economy create economic opportunities for everyone

We have recognized rural opportunities beyond agriculture by making historic investments in rural communities, making them more attractive to non-farm businesses and talented hard-working individuals looking to get ahead. USDA has sought to revitalize rural areas and diversify our nation's agriculture by making significant investments in rural infrastructure. Since 2009, we invested a total of $13.3 billion in new or improved infrastructure in rural areas through 10,623 water projects. These improvements helped nearly 18 million rural residents gain access to clean drinking water and better waste water disposal. Modernized electric service was delivered to more than 5.5 million subscribers and over 180,000 miles of electric lines were funded. We helped nearly 103,000 rural small businesses grow, creating or saving an estimated 450,000 jobs between FY's 2009 and 2015. Since 2009, USDA assisted more than 1.1 million rural families to buy or refinance a home, helping 141,000 rural Americans become homeowners in FY 2015 alone.

We also saw the need to provide increased opportunities to allow everyone to share in the prosperity of the growing economy. So we targeted our efforts to the poorest communities, invested in new and beginning farmers, and supported our veterans, which have increased opportunities for hard working Americans. Our efforts are bearing fruit. Over the last 5 years unemployment rates in rural areas have fallen fairly consistently in rural areas, declining by a full percentage point or more in each of the last 2 calendar years. These efforts have contributed to the employment gains in rural America that have happened since 2009 and have led to increased economic activities in high poverty communities.

USDA's place-based efforts are making sure that the programs that help alleviate the impact of poverty are available and accessible even in the poorest and persistently poor areas. In 2016, we expanded the StrikeForce Initiative to four additional states to include a total of 970 counties, parishes, boroughs, and census areas in 25 states and Puerto Rico. We know that place-based efforts work and we have seen StrikeForce bring economic opportunity directly to rural Americans where they live and help rural communities leverage their assets. In 2015, in StrikeForce target areas, USDA partnered with more than 1,000 organizations to support 56,600 investments that directed more than $7.5 billion to create jobs, build homes, feed kids, assist farmers and conserve natural resources in some of the nation's most economically challenged areas. Since the initiative was launched in 2010, USDA has invested more than $23 billion in high-poverty areas, providing a pathway to success and expanding the middle class.

New and beginning farmers and ranchers are a fundamental part of the agricultural marketplace and are needed to carry on America's strong legacy of agriculture productivity. However, according to the 2012 Census of Agriculture, their numbers are continuing a 30 year downward trend. To reverse this trend, we need to equip the next generation of farmers and ranchers with the tools they need to succeed. Under the leadership of Deputy Secretary Krysta Harden, USDA has increased access to our programs by collaborating with partners and improving customer service to increase opportunities for all sizes, segments, and types of farmers and ranchers to break down the barriers they face during the first ten years of business. For example, USDA initiated a microloan program that has provided more than 16,800 low-interest operating loans, totaling over $373 million to producers across the country, and has recently expanded to include farm ownership loans. We have also developed an innovative web tool and conducted other outreach activities, to help support key groups, like veterans, women, the socially disadvantaged, as well as facilitate intergenerational transfer of farms and ranches. To ensure the success and sustainability of beginning farmers and ranchers, USDA has created an agency priority goal that will publicly share USDA performance goals and progress in support of new and beginning farmers.

Rural America needs a strong biobased economy

USDA continues to lead the way for renewable energy by supporting the infrastructure needed to grow the new energy economy. Since 2009, Rural Development has supported over 15,000 renewable energy projects to help producers and rural businesses save energy and increase their profitability and increase the production of renewable fuels. The Department has helped thousands of rural small businesses, farmers and ranchers improve their bottom lines by installing renewable energy systems and energy efficiency solutions, which will generate and save more than 9.4 billion kilowatt-hours - enough energy to power 820,000 American homes annually. Under expanded authority provided by the 2014 Farm Bill, we are working to expand the number of commercial biorefineries in operation that produce advanced biofuels from non-food sources through the Biorefinery Assistance Program. This focus on renewable energy has resulted in support for the construction of 6 advanced biofuels production facilities, over 2,200 wind and solar renewable electricity generation facilities, and 93 anaerobic digesters to help farm operations capture methane to produce electricity.

USDA recognizes that the bioeconomy has the potential to create unprecedented growth in the rural economy, by creating opportunities for the production, distribution and sale of biobased products and fuels. Therefore, we made available $100 million in grants under the Biofuel Infrastructure Partnership (BIP), nearly doubling the number of fueling pumps nationwide that supply renewable fuels to American motorists, such as E15 and E85. Twenty-one states are participating in the BIP, with matching funds from state and private partners, providing $210 million to strengthen the rural economy and increase the demand for corn and agricultural commodities used in the production of biofuels. We are also proud of our effort to partner with the Department of Energy and Navy to create advanced drop-in biofuels that will power both the Department of Defense and private sector transportation throughout America.

We also took new steps to support biobased product manufacturing that promises to create new jobs across rural America—including adding new categories of qualified biobased products for Federal procurement and establishing reporting by Federal contractors of biobased product purchases. The more than 2,200 products that have received certification to display the USDA Certified Biobased Product label are creating and increasing consumer and commercial awareness about a material's biobased content as one measure of its environmental footprint. We released a study of the bioeconomy last year and found the biobased products industry generates $369 billion and 4 million jobs each year for our economy. Biobased products industries directly employ approximately 1.5 million people, while an additional 2.5 million jobs are supported in other sectors. Shifting just 20 percent of the current plastics produced into bioplastics could create 104,000 jobs. Environmentally, the increased use of biobased products currently displaces about 300 million gallons of petroleum per year – equivalent to taking 200,000 cars off the road.

Local and regional food systems create opportunities for agriculture and communities

This administration has taken unprecedented steps to open the doors of USDA to new stakeholders and to adapt to changing consumer demands that impact agriculture. One of those changes has been the growing consumer interest in buying local – in supporting local farms and ranches with their food purchases. The value of local food sales has grown to at least $12 billion in 2014 from $5 billion in 2008, and some industry sources estimate that sales could hit $20 billion by 2019. At USDA, we recognize that this consumer interest is an opportunity for agriculture, and that strong local and regional food systems can help meet many goals. They harness the entrepreneurial innovation of small and medium-sized family farms and help them succeed in rural America; they drive the creation of new food businesses that in turn create jobs; and they are a strategy to connect low-income consumers with healthy food options in areas where they are currently underserved. Between 2009 and 2014, USDA invested more than $800 million in more than 29,100 local and regional food businesses and infrastructure projects. In FY 2015 alone, USDA directly supported nearly 10,000 farms and ranches, food entrepreneurs and communities through local food-related projects. In addition, USDA has made expanding SNAP recipients' access to fresh fruits and vegetables through farmers markets a priority in recent years. Between 2008 and 2015, the number of farmers markets and direct marketing farmers that accepted SNAP rose from about 750 to almost 6,500. Over $19 million in SNAP dollars was spent at farmers markets in 2015, up from $4 million in 2008. This is a win-win for both farmers and SNAP participants.

We must continue to reduce hunger and improve the health and nutrition of our nation's children

The Administration continues its strong support for the Supplemental Nutrition Assistance Program (SNAP). SNAP kept at least 4.7 million people, including nearly 2.1 million children, out of poverty in 2014. SNAP has been shown to have long-term benefits as well. Recent research indicates that for low-income individuals access to SNAP in early childhood led to a 16 percentage point decline in the likelihood of obesity as an adult and an 18 percentage point increase in the likelihood of completing high school. The Budget also supports WIC, ensuring that the program can serve all eligible applicants.

Because hunger does not take a vacation during the summer months when school meals are unavailable, we have expanded the Summer EBT for Children demonstration pilots over the last 2 years, and the President's FY 2017 Budget proposes to stand up a permanent, nationwide program. Rigorous evaluations of Summer EBT pilots demonstrate the program effectively reduces food insecurity and improves nutrition. In tandem, we have expanded the Summer Food Service Program. In total, summer meals sites have served over 1.2 billion meals to low-income children since 2009.

Schools around the country have made tremendous progress in improving the nutritional quality of school meals. During the 2014-2015 school year, over 97 percent of schools successfully met the nutrition standards by serving meals with more whole grains, fruits, vegetables, lean protein and low-fat dairy, and less sodium and fat. I am pleased the Senate Agriculture Committee passed a bill that ensures progress will continue to improve our children's diets and urge Congress to reauthorize Child Nutrition Programs for our young people without delay.

Fostering innovation increases productivity and protects the health of our citizens

We must continue to innovate to keep U.S. agriculture competitive. Long-term agricultural productivity growth relies on innovation through research funded by both public and private sectors. Innovations in animal/crop genetics, chemicals, equipment, and farm organization all result in American farmers producing more with less. In recent years, USDA scientists and university partners have developed new ways to deal with the influenza virus in pigs; increased milk production with fewer resources; created innovative and effective ways to manage pests; supported innovations in irrigation technologies resulting in water savings and improved nitrogen use efficiency; and increased profitability of farmers and livestock producers despite droughts and increasing temperatures. Studies have shown that every dollar invested in agricultural research returns between $10 to $20 in economic benefits to the nation.

USDA has facilitated the adoption of new technologies by streamlining the process for making determinations on petitions involving biotechnology. These improvements provided more rapid and predictable availability of biotechnology products to farmers, ultimately providing technologies to growers sooner and more choices to consumers. In FY 2015 alone, USDA reviews found safe genetically enhanced varieties of potato, corn, soybean, cotton, and alfalfa. USDA estimates that the cumulative number of actions taken to deregulate biotechnology products based on a scientific determination that they do not pose a plant pest risk will increase from a cumulative total of 82 actions in FY 2009 to an estimated cumulative total of 126 actions in FY 2017.

Since 2009, USDA has worked to safeguard America's food supply, prevent foodborne illnesses and improve consumers' knowledge about the food they eat. For example, USDA adopted a zero tolerance policy for raw beef products containing six strains of shiga-toxin producing E. coli, giving products that test positive for any of these strains the same illegal and unsafe status USDA has long given products testing positive for E. coli O157:H7. Additionally, USDA set tougher standards for Salmonella and new standards for Campylobacter on poultry carcasses, and developed the first ever Salmonella and Campylobacter standards for chicken parts, which are more commonly purchased than whole carcasses. Together, USDA estimates these new standards will reduce illnesses by about 75,000 annually, and help the agency meet Healthy People 2020 goals. The total number of illnesses attributed to USDA-regulated products fell nearly 11 percent from 2009 to 2015, which equates to more than 46,000 avoided illnesses on an annual basis.

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

America’s farmers, ranchers and landowners have led the way in recent years to conserve and protect our soil, water and wildlife habitat. With the help of Farm Bill programs, USDA partnered with a record number of producers since 2009 to create not only a cleaner, safer environment, but to create new economic opportunities. We have enrolled a record number of private working lands in conservation programs and implemented strategies - such as landscape-scale efforts - to restore our forests and clean our water supply. A new model for conservation investment established by the 2014 Farm Bill for the Regional Conservation Partnership Program (RCPP) has allowed USDA to leverage $800 million to support 115 high-impact conservation projects across the nation that will improve the nation's water quality, support wildlife habitat and enhance the environment.

USDA is also helping rural America respond to a changing climate. While U.S. agriculture and resource management have long histories of successful adaptation to climate variability, the accelerating pace and intensity of climate change presents new challenges. For example, increases in atmospheric carbon dioxide, rising temperatures, and altered precipitation patterns are already affecting agricultural and forestry productivity. To address this challenge, we are helping farmers, ranchers, and forest land owners respond to these challenges in many ways. USDA's Regional Climate Hubs are developing and deliver science-based, region-specific information and technologies to agricultural and natural resource managers across the U.S. The Hubs are also providing technical support, regional assessments and forecasts, and outreach and training to enable climate-informed decision-making. By partnering with farmers, ranchers, rural land owners, and other stakeholders we can improve the resilience of farm and forestry systems to the challenges posed by climate change

Using the authorities provided in the 2014 Farm Bill, we have developed a strategy to reduce net emissions and enhance carbon sequestration by over 120 million metric tons of CO2 equivalent (MMTCO2e) per year by 2025. The strategy, outlined in "The Building Blocks for Climate Smart Agriculture and Forestry," builds on USDA's history of cooperative conservation to support resilience to extreme weather, reduce greenhouse gas emissions, and increase carbon storage. Through this initiative, we will encourage actions that promote soil health, improve nutrient management, and conserve and enhance forest resources on private and public lands. In addition, USDA will redouble efforts to improve energy efficiency, develop renewable energy, and use biomass both as a liquid fuel and to contribute to heating, cooling, and electric needs.

USDA's approach to climate change is practical, results-driven, and recognizes that efforts to address climate change fit within USDA's broader mission of rural development, food security, and conservation.

Conclusion

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 challenging year will help rural America continue to drive the economy forward.