

HEARING TO REVIEW THE STATE OF THE RURAL ECONOMY

HEARING BEFORE THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS SECOND SESSION

FEBRUARY 24, 2016

Serial No. 114-43



Printed for the use of the Committee on Agriculture
agriculture.house.gov

U.S. GOVERNMENT PUBLISHING OFFICE

98-917 PDF

WASHINGTON : 2016

For sale by the Superintendent of Documents, U.S. Government Publishing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512-1800; DC area (202) 512-1800
Fax: (202) 512-2104 Mail: Stop IDCC, Washington, DC 20402-0001

COMMITTEE ON AGRICULTURE

K. MICHAEL CONAWAY, Texas, *Chairman*

RANDY NEUGEBAUER, Texas,
Vice Chairman

BOB GOODLATTE, Virginia
FRANK D. LUCAS, Oklahoma
STEVE KING, Iowa
MIKE ROGERS, Alabama
GLENN THOMPSON, Pennsylvania
BOB GIBBS, Ohio
AUSTIN SCOTT, Georgia
ERIC A. "RICK" CRAWFORD, Arkansas
SCOTT DESJARLAIS, Tennessee
CHRISTOPHER P. GIBSON, New York
VICKY HARTZLER, Missouri
DAN BENISHEK, Michigan
JEFF DENHAM, California
DOUG LAMALFA, California
RODNEY DAVIS, Illinois
TED S. YOHO, Florida
JACKIE WALORSKI, Indiana
RICK W. ALLEN, Georgia
MIKE BOST, Illinois
DAVID ROUZER, North Carolina
RALPH LEE ABRAHAM, Louisiana
JOHN R. MOOLENAAR, Michigan
DAN NEWHOUSE, Washington
TRENT KELLY, Mississippi

COLLIN C. PETERSON, Minnesota, *Ranking
Minority Member*

DAVID SCOTT, Georgia
JIM COSTA, California
TIMOTHY J. WALZ, Minnesota
MARCIA L. FUDGE, Ohio
JAMES P. MCGOVERN, Massachusetts
SUZAN K. DELBENE, Washington
FILEMON VELA, Texas
MICHELLE LUJAN GRISHAM, New Mexico
ANN M. KUSTER, New Hampshire
RICHARD M. NOLAN, Minnesota
CHERI BUSTOS, Illinois
SEAN PATRICK MALONEY, New York
ANN KIRKPATRICK, Arizona
PETE AGUILAR, California
STACEY E. PLASKETT, Virgin Islands
ALMA S. ADAMS, North Carolina
GWEN GRAHAM, Florida
BRAD ASHFORD, Nebraska

SCOTT C. GRAVES, *Staff Director*
ROBERT L. LAREW, *Minority Staff Director*

CONTENTS

	Page
Bost, Hon. Mike, a Representative in Congress from Illinois, submitted letter .	61
Conaway, Hon. K. Michael, a Representative in Congress from Texas, opening statement	1
Prepared statement	4
Peterson, Hon. Collin C., a Representative in Congress from Minnesota, opening statement	5
WITNESS	
Vilsack, Hon. Thomas “Tom” J., Secretary, U.S. Department of Agriculture, Washington, D.C.	6
Prepared statement	8
Submitted questions	62

HEARING TO REVIEW THE STATE OF THE RURAL ECONOMY

WEDNESDAY, FEBRUARY 24, 2016

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

The Committee met, pursuant to call, at 10:00 a.m., in Room 1300 of the Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Neugebauer, Goodlatte, Lucas, King, Thompson, Austin Scott of Georgia, Crawford, DesJarlais, Gibson, Hartzler, Benishek, LaMalfa, Davis, Yoho, Walorski, Allen, Bost, Rouzer, Abraham, Moolenaar, Newhouse, Kelly, Peterson, David Scott of Georgia, Costa, Walz, McGovern, DelBene, Lujan Grisham, Kuster, Nolan, Bustos, Maloney, Kirkpatrick, Plaskett, Graham, and Ashford.

Staff present: Bart Fischer, Callie McAdams, Jackie Barber, Matt Schertz, Mollie Wilken, Scott C. Graves, Skylar Sowder, Stephanie Addison, Faisal Siddiqui, John Konya, Anne Simmons, Liz Friedlander, Matthew MacKenzie, Mike Stranz, Nicole Scott, and Carly Reedholm.

OPENING STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN CONGRESS FROM TEXAS

The CHAIRMAN. Good morning. We call this hearing of the Committee on Agriculture on the state of the rural economy, to come to order. I would ask Rodney Davis to open us with a prayer. Rodney?

Mr. DAVIS. Thank you, Mr. Chairman. Please, if you will, bow your heads.

Thank you, Lord, for allowing us to come together today in these walls of this great institution that was built up around Your teachings. And as a practicing Catholic, I know one of the prayers that we always do together, I would ask each of you to join us in reciting the Lord's Prayer.

Our Father, who art in Heaven, hallowed be thy name. Thy kingdom come, thy will be done, on Earth, as it is in Heaven. Give us this day our daily bread. And forgive us our trespasses, as we forgive those who trespass against us. Lead us not to temptation, but deliver us from evil. For thine is the kingdom, the power, and the glory, for ever and ever. Amen.

The CHAIRMAN. Thank you, Mr. Davis. Mr. Secretary, welcome. Glad you are here this morning. I am pleased to welcome Secretary Vilsack to join us in this annual hearing to assess the economic

conditions in farm country. Again, Mr. Secretary, thank you for joining us for the eighth time, seventh time, quite a lot of them.

In the sense of the situation, it is fair to say that American farmers and ranchers are falling on very hard times right now. Worse yet, I don't really see a light at the end of the tunnel.

To quantify what I am talking about, consider these facts: The 2 year drop in net farm income that occurred between 2013 and 2015 marks the second largest drop on record, behind only the drop that occurred between 1919 and 1921. Moreover, the 3 year drop in farm income from 2013 to 2016 marks the third largest on record, behind the drops of 1918 to 1921, and 1929 to 1932, two of the worst periods in American agriculture history. From 2013 to 2015, net farm income is expected to drop by a staggering 54 percent. Over the 3 year period from 2013 to 2016, net farm income is expected to drop even more, by 56 percent.

While conditions on the farm are certainly different today than they were back in the early years of the 20th century, these statistics still put into context what American agriculture is going through right now, and just how problematic a sustained downturn could be. In addition, as history has repeatedly demonstrated, these conditions in farm and ranch country have ramifications not only for farm and ranch families, but also for rural communities and the national economy as a whole. In short, we have a very serious problem unfolding right now in rural America.

The farmers that I talk to from across the country tell me that they are very concerned that they do not see the kind of circumstances that are going to come along and end this downturn anytime soon. They are also concerned that even as the prices they receive plummet, the prices they are paying for inputs remain as high as ever. As Chairman of this Committee, my concern goes out to every farmer and rancher in the country, wherever they farm or ranch, and whatever they produce. But I have to confess that I really have a very special concern for those farmers and ranchers who not only fully share in today's economic downturn, but who never shared much in the economic boom that preceded the current bust. Of course, I speak of those farmers and ranchers who never saw a big run up in prices, and maybe none at all, or the farmers and ranchers who did see the run up in prices, but never had a commodity to sell due to natural disasters.

It is an accurate appraisal to say that a lot of farmers and ranchers from across the country are living on loans or burning up equity these days, but none more than the farmers and ranchers who never had an opportunity to build equity before these hard times came along. The best solution for this problem is for prices to turn around, but as I indicated earlier, farmers and ranchers I talked to are very skeptical that that will happen anytime soon.

For Congress's part, I believe it is our duty and responsibility to hold the line on the farm bill and crop insurance—to draw a hard line against attacks that would undermine these laws and further jeopardize our nation's farmers and ranchers. The Administration's budget, which proposes a 20 percent cut to crop insurance, as well as an attack upon crop insurance last fall during the negotiation of the bipartisan budget agreement, are not helpful. But I very

much appreciate what Secretary Vilsack has done to come down on the side of the farmer and the rancher in these kind of debates.

For the Administration's part, I believe there are at least five things in the Administration's power that would make a big difference for America's farmers and ranchers. First, oppose further cuts to the farm safety net provided by farm bill programs and crop insurance. Second, initiate WTO challenges against the high and rising foreign subsidies, tariffs, and non-tariff barriers that are key culprits in the current economic crisis and conditions on our farms and ranches. Third, withdraw the *Waters of the U.S.* regulation that threatens to federally regulate every ditch in the country, effectively gutting any exemption for agriculture. Fourth, persuade Senate Democrats to support voluntary labeling of biotech crops, and pass a Federal preemption of state and local biotech labeling regimes. I know, Mr. Secretary, that you are very much committed to getting this solved. And fifth, use your authority under the law to designate cottonseed as an oilseed for purposes of the farm bill.

On this last issue, you and I have spoken extensively. We have exchanged papers. At the bottom, the stumbling block that stands in the way in our view of you taking action to deal with this growing crisis in the Cotton Belt is your lawyers, and your lawyer's belief in a lack of legal authority. Your lawyers point to a Supreme Court case that essentially held that law cannot be interpreted in a manner that would contradict a decision that was made by Congress.

This legal analysis would be spot on if we were asking you to include cotton lint under the farm bill, but that is not what we are asking for. We are simply asking for you to include cottonseed. As you know, the two are not the same thing, even though they come from the same plant. Including cottonseed under the farm bill is not including lint by another name.

While Congress did consider the appropriate policy for cotton lint in the 2014 Farm Bill, Congress never considered the question of whether to include or exclude cottonseed as a part of ARC or PLC. Instead, we left that decision to you. Therefore, were you to honor the bipartisan, bicameral request of more than 100 Members of Congress, and designate cottonseed as an oilseed, you would not be contradicting the law and you would have our full backing.

I don't have to tell you that the acres planted to cotton are now at their lowest levels in 108 years, excluding 1 year in the early 1980s when the government forced set-asides. We also know this is not due to bad management on the part of farm families. This is due in large part to the actions taken by the Chinese and Indian Governments over which our farmers have absolutely zero control.

There is a very real decision to be made here. Will the United States allow foreign governments to steal our cotton production, just as they stole textile mills, or will we stand up and say, "No not this time. China and India, we will challenge your subsidies and stand by America's farmers until true free and fair trade is restored." Producers of other commodities should beware. The same thing could be happening to you.

It all boils down to whether you stand by farmers and ranchers when they are under economic assault by foreign governments.

[The prepared statement of Mr. Conaway follows:]

PREPARED STATEMENT OF HON. K. MICHAEL CONAWAY, A REPRESENTATIVE IN
CONGRESS FROM TEXAS

I am pleased that Secretary Vilsack could join us for this annual hearing to assess the economic conditions in farm country. Thank you for joining us, Mr. Secretary.

In assessing the situation, it is fair to say that America's farmers and ranchers are falling on some very hard times right now.

Worse yet, I don't see the light at the end of the tunnel.

To quantify what I am talking about, consider these figures:

The 2 year drop in net farm income that occurred from 2013 to 2015 marks the second largest drop on record, behind only the drop that occurred from 1919 to 1921.

Moreover, the 3 year drop in net farm income from 2013 to 2016 marks the third largest on record behind the drops from 1918 to 1921 and 1929 to 1932, two of the worst periods in U.S. agriculture history.

From 2013 to 2015, net farm income is expected to drop by a staggering 54 percent. Over the 3 year period from 2013 to 2016, net farm income is expected to drop by even more: a whopping 56 percent.

While conditions on the farm are certainly different today than they were back in the early years of the 20th Century, these statistics still put into context what American agriculture is going through right now and just how problematic a sustained downturn could be.

In addition, as history has repeatedly demonstrated, these conditions in farm and ranch country have ramifications not only for farm and ranch families but also for our rural communities and the national economy as a whole.

In short, we have a very serious problem unfolding right now in rural America.

The farmers that I talk to from across the country tell me that they are very concerned that they do not see the kind of circumstances that are going to come along and end this downturn any time soon. They are also concerned that even as the prices they receive plummet, the prices they are paying for inputs remain as high as ever.

As Chairman of this Committee, my concern goes out for every farmer and rancher in the country, wherever they farm or ranch, whatever they produce. That is the job of a Chairman.

But, I confess that I have a very special concern for those farmers and ranchers who are not only fully sharing in today's economic downturn but who never shared much if any of the economic boom that preceded the current bust. Of course, I am speaking of those farmers and ranchers who never saw as big a run up in prices, or maybe none at all, or the farmers and ranchers who did see the run up in prices but never had a commodity to sell due to natural disasters.

It is an accurate appraisal to say that a whole lot of farmers and ranchers from across the country are living on loans or burning up equity these days, but none more than the farmers and ranchers who never had opportunity to build equity before these hard times came along.

The best solution for this problem is for prices to turn around. But, as I indicated earlier, farmers and ranchers I talk to are very skeptical that this will happen any time soon.

So, what can we do?

For Congress' part, I believe it is our duty, our responsibility to hold the line on the farm bill and crop insurance, to draw a hard line against attacks that would undermine these laws and further jeopardize our nation's farmers and ranchers.

The Administration's budget, which proposes a 20 percent cut to crop insurance as well as the attack upon crop insurance last fall during negotiation of the Bipartisan Budget Agreement are not helpful. But, I very much appreciate that Secretary Vilsack has mainly come down on the side of the farmer and rancher in these kinds of debates.

For the Administration's part, I believe that there are at least five things within the Administration's power that would make a big difference for America's farmers and ranchers.

First, oppose further cuts to the farm safety net provided by the farm bill and crop insurance.

Second, initiate WTO challenges against the high and rising foreign subsidies, tariffs, and non-tariff trade barriers that are key culprits in the current economic conditions our farm and ranch families face.

Third, withdraw the *Waters of the U.S.* regulation that threatens to federally regulate every ditch in the country, effectively gutting any exemption for agriculture.

Fourth, persuade Senate Democrats to support a Federal preemption of state and local biotech labeling regimes. I know, Mr. Secretary, that you are very committed to this.

And, fifth, use your authority under the law to designate cottonseed as an oilseed for purposes of the farm bill.

Mr. Secretary, on this last issue, you and I have spoken extensively. We have exchanged papers. At bottom, the big stumbling block that stands in the way of your taking action to deal with a growing crisis in the Cotton Belt is, your lawyers say, a lack of legal authority.

Your lawyers point to a Supreme Court case that essentially held that a law cannot be interpreted in a manner that would contradict a decision that was made by Congress.

This legal analysis would be spot on if we were asking you to include cotton **Lint** in the farm bill. But, that is not what we are asking for. We are asking for you to include cottonseed. As you know, the two are not the same even though they are from the same plant. Including cottonseed under the farm bill is **Not** including cotton lint by another name.

While Congress did consider the appropriate policy for cotton **Lint** in the 2014 Farm Bill, Congress never considered the question of whether to include or exclude cottonseed as part of ARC or PLC. Instead, we left that decision to you. Therefore, were you to honor the bipartisan, bicameral request of more than 100 Members of Congress, and designate cottonseed as an oilseed, you would not be contradicting the law and you would have our full backing.

I don't have to tell you that acres planted to cotton are now at their lowest levels in 108 years, excluding 1 year in the early 1980s when the government forced set-asides. We also know that this is not due to bad management on the part of farm families. This is due in large part to the actions of the Chinese and Indian Governments over which our farmers have absolutely zero control.

There is a very real decision to be made here. Will the United States Government allow foreign countries to steal our cotton production just as they stole our textile mills, or will we stand up and say, "No, not this time. China and India, we will challenge your subsidies and stand by America's farmers until truly free and fair trade is restored". Producers of other commodities should beware. The same thing could happen to you.

It all boils down to whether we are going to stand by our farmers and ranchers when they are under economic assault by a foreign government.

I yield to my friend and Ranking Member, Mr. Peterson, for his opening statement.

The CHAIRMAN. I now yield to my friend, the Ranking Member, for any comments that he might have.

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

Mr. PETERSON. Thank you, Mr. Chairman, and welcome back to the Committee, Mr. Secretary. I have lost count of the number of times that you have been here in the last 7 years, Mr. Secretary. We always appreciate your time and your advocacy for those of us in rural America. And I also look forward to your testimony today.

As the Chairman indicated, we are taking a look at the rural economy today, and the Committee takes on this review annually and for the past few years, we have been able to point at strong farm prices as one of the reasons for the rural economy's success.

While the rural economy generally remains strong, folks are getting concerned, as the Chairman pointed out, about the potential long-term impacts of the deteriorating prices that we have seen. Of course, this is why those of us on the Agriculture Committee worked so hard to pass the farm bill, and why we do it every 5 years. But, I do have some concerns with the current bill because we didn't get as high target prices as I wanted, but with these low prices, this also points out why the bill's safety net is so important.

It is also worth noting the importance of crop insurance, and despite what critics will lead you to believe, the crop insurance program is effective and a responsive tool for farmers. I hope this

Committee will remain united against calls for cutting the program.

And last, I just want to personally thank you for your paying attention to the avian influenza situation that we had last spring, and you did an outstanding job in responding to it. Your agency was right there working with us. Dr. Clifford and APHIS and so forth, we had our glitches, but they did an outstanding job and you stepping up to the plate and using your authority to deal with that was very much appreciated. We are hoping, and keeping our fingers crossed, that we won't have another episode of that this spring. So I just want to personally thank you for that, and the folks in my area that were involved very much appreciate what you have done.

So with that, there are a lot of issues that Members will want to raise today, so let's get started, and I yield back.

The CHAIRMAN. I thank the Ranking Member. The chair would request other Members submit their opening statements for the record so the witness may begin his testimony to ensure there is ample time for our questions.

I would like to welcome to our table the Honorable Tom Vilsack, Secretary of the U.S. Department of Agriculture. 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 you and to Congressman Peterson and the Members of this Committee, I appreciate the opportunity to visit with you this morning. I look forward to the opportunity to visit about issues that matter to you and to your constituents and the people that I care about in rural America.

Tomorrow, we have our Outlook Forum, which is an annual event in which we review the circumstances surrounding the farm country and rural economy. What we are going to learn tomorrow is what most of the Members, if not all of the Members, of this Committee are fully aware of, which is we are seeing a combination of a slowing global economy, particularly in China, which obviously reduces demand for product; a strong dollar, which is a reflection of the strong American economy, which makes our goods a bit less competitive in global markets, combined with record harvests here and elsewhere, have resulted, as the Chairman indicated, in lower farm income and revenue.

The extent of that lower farm income is mitigated in part by lower input costs in the form of low interest rates and energy costs. Farm values have declined a bit. They have declined moderately over the last year or so. But debt to equity ratios still remain extraordinarily strong and stable, significantly different than periods of time when we were faced with a significant farm crisis.

We would expect and anticipate to see increased borrowing, which will place some greater reliance and stress on our loan programs at FSA, particularly our loan guarantee program. The safety net is in place, and is, for the most part, working the way it was intended: \$5.2 billion in payments were made last year to over

900,000 producers, and it is expected that payments from our safety net programs will increase this year.

The rural economy at large is improving in part because of the diversification that has been supported by the farm bill that was passed in 2014. This is reflected in the fact that we are now seeing lower unemployment and poverty rates are coming down significantly, especially in the last 2 years. This has been helpful to farm families who are struggling with lower farm income, because they also have the opportunity for off-farm income.

I found it interesting and I share with the Committee this fact that the median farm family total income, which would include farm and non-farm income, reached a record level this year at over \$81,000.

We recognize the stress in some commodity areas, and we are focused on increasing demand for American product here through the promotion of the bioeconomy, and through expanded trade opportunities. That is why we believe, as I hope most, if not all, of the Members of this Committee believe that it is important for Congress to act to pass the Trans-Pacific Partnership Trade Agreement. According to the American Farm Bureau Federation report that was issued yesterday, that will add an additional \$4.4 billion annually in additional farm income. It will expand American exports of farm products by \$5.3 billion. This is part of an overall economic boost that we will receive from doing business with the Asian countries, improving our overall exports by over \$350 billion, and our overall income to Americans by \$130 billion on an annual basis.

This, combined with opening up opportunities in Cuba, a market which American agriculture should dominate, should help us increase demand for product and begin getting ourselves back on strong footing.

I certainly appreciate the Chairman's comments about cotton. I would say, Mr. Chairman, with respect, it is not lawyers. It is not lawyers that prevent me from doing what you would ask me to do. It is an oath that I took. It is an oath that I took at the time I took this job, which was to follow the Constitution and the laws of this country. Based on my understanding of the current circumstance and based on my understanding of the crafting of the farm bill, the reality is that Congress made a decision not to specifically include cottonseed in a list of other oilseeds under the *other oilseed* provision that you have made reference to. That decision basically made it impossible for me to do what you are asking me to do. Certainly, the Congress could reopen the farm bill and address it then, or Congress could remove the prohibition that currently exists under the Commodity Credit Corporation in the appropriations bill that was passed by Congress that prevents me from using CCC to provide assistance and help. Or we would work collaboratively together to work on a cost-share program with reference to ginning that you and I have talked about, Mr. Chairman, which we are still willing to do if the industry is willing to accept this.

Fourteen percent of cotton was basically protected under the STAX Program, over \$300 million in payments were made. We have made efforts under our Marketing Loan Assistance Program.

We have also created an opportunity for certificates to be used *in lieu of* collateral for loans, all of which is helping to mitigate the consequences of very low prices, of which we are very, very aware.

So I look forward to an opportunity to visit with the Committee on this issue and a multitude of other issues.

[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 agriculture and the rural economy in the United States. For more than 7 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 U.S. 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 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 ten 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 7 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 (TSRA) 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 10 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 inter-generational 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 six 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 four 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 under-served. 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.

The CHAIRMAN. Thank you, Secretary, for being here. I didn't intend to go here, but Mr. Secretary, I wasn't in those rooms with Chairman Lucas and Ranking Member Peterson. I wasn't there, but I don't think there was any reference to cottonseed, period, during the farm bill negotiations. None. To rely on something that didn't happen, you have been misled. I just don't think that that was the case. Cottonseed didn't come up until these dire consequences arose, until it was shown in the STAX Program, only 14 percent of cotton was covered by STAX. That was nowhere near what folks thought it was going to be. It is not working.

The cottonseed thing, to my references, came up late last year as a potential to put seed under the program and not lint. I don't think you are arguing that seed and lint are the same thing. They come from the same plant, but this idea that somehow there was

a negotiation on seed specifically during the farm bill negotiations, I believe, is incorrect.

Secretary VILSACK. Mr. Chairman, can I respond?

The CHAIRMAN. Sure, yes, sir.

Secretary VILSACK. First of all, in putting together the ARC and PLC programs, there was obviously a decision to remove cotton from those programs. I think everybody acknowledges that. Within the law, essentially there are provisions that define the opportunity for the Secretary to include additional oilseeds as crops as they evolve. That listing of other oilseeds includes a variety of other oilseeds. It includes sunflower seeds, rapeseeds, canola seeds. Clearly, Congress could have also included cottonseed in that list. They did not. That is an issue.

Second, the industry came to us when we were crafting the risk management program under STAX and requested oilseed to be included in that risk management program.

So those two facts, Congress didn't include it in the list and the industry asked us to include it in the risk management program, indicate what the intent was at the time.

Now if Congress wants to reopen the farm bill, then obviously you will have to deal with the issue of the cost, which is one of the motivating reasons why all of this was established—

The CHAIRMAN. I appreciate that, Mr. Secretary. That was a discussion you may have had or may not have had with cotton folks then. That is not a discussion that Congress had. Are you arguing that the list of oilseeds included is exclusive and that you have no discretion?

Secretary VILSACK. No, what I am arguing is that that list and that provision is set up for oilseeds that arise during the course and between farm bills—

The CHAIRMAN. Where are you getting that interpretation?

Secretary VILSACK. Because that is the way in which this provision has been interpreted and utilized since its inception.

The CHAIRMAN. Okay, so it wasn't new to the 2014 Farm Bill?

Secretary VILSACK. We have used this before, not for seeds that have existed, Mr. Chairman, but seeds that have come up in between farm bills to allow us the flexibility—

The CHAIRMAN. So sunflower seeds are brand new. They didn't exist before 2008? We gave you the discretion in order to use that discretion to look at new circumstances, and—

Secretary VILSACK. Not in this particular circumstance. You gave me the discretion to use it if something crops up that was under—

The CHAIRMAN. Something cropping up like an unexpected economic impact that the 2014 Farm Bill didn't anticipate?

Secretary VILSACK. No.

The CHAIRMAN. That wouldn't be unexpected?

Secretary VILSACK. No, that is why we have CCC and that is why it was unfortunate that Congress put the prohibition in the omnibus budget bill that restricts me from using CCC. I am more than happy to do that. Remove that prohibition and we can set up a program to help cotton farmers in the interim, and then you can revisit this issue specifically when you debate the next farm bill.

The CHAIRMAN. But for the restrictions on CCC, that was included in 2011 in response to things that the agency did in 2010, you could list cottonseed as an other oilseed?

Secretary VILSACK. I couldn't list cottonseed but we could create a program that would provide help and assistance in the interim.

The CHAIRMAN. All right, and there are no other programs that you can do without that?

Secretary VILSACK. The other issue that we talked about was the cost-share program——

The CHAIRMAN. And why have you not done that?

Secretary VILSACK. Well, because you have indicated to us that you weren't interested in us pursuing that.

The CHAIRMAN. But you have already decided that you know what we are interested in and not interested in. If you have the sole discretion to do the cost-share program——

Secretary VILSACK. I don't, sir. I don't.

The CHAIRMAN. Why?

Secretary VILSACK. You have to give me that discretion.

The CHAIRMAN. How?

Secretary VILSACK. You have to give me that direction, because you excluded it from the previous——

The CHAIRMAN. I don't think cottonseed was discussed in the 2014 Farm Bill.

Secretary VILSACK. You had the opportunity and it was certainly discussed in terms of establishment of the risk management program, when we were specifically told to include cottonseed in that program.

Look, Mr. Chairman, the easiest thing to do right now is not for us to continue to have this discussion, but for us to figure out a way in which that prohibition in CCC could be removed, because that would allow us the most immediate way of providing help and assistance, in addition to the cost-share beginning.

The CHAIRMAN. Well, I have had some preliminary discussions with the Appropriations Committee. There are some historical issues with respect to the use of that discretion that gave rise to why that restriction has been in there since 2012, and anyway, my time has expired. We will have a second round, perhaps.

Mr. Peterson, 5 minutes.

Mr. PETERSON. Thank you, Mr. Chairman.

I want to switch gears, Mr. Secretary, and I know the CRP sign up has been going on for some time. I guess it is going to end in a week or so. Do you have any kind of a read on how that has developed and kind of where we are at with that? Do you have any information about——

Secretary VILSACK. It is going to be quite competitive, based on the cap that has been established for CRP. We anticipate and expect it to be quite competitive. We also are going to see competition in terms of the grassland section of CRP as well.

Mr. PETERSON. Grassland?

Secretary VILSACK. Yes.

Mr. PETERSON. What do you mean by competitive?

Secretary VILSACK. Well, I would say we have roughly 2 million acres of opportunity, and we think we are probably going to get requests that would exceed potentially that 2 million acre threshold.

So in that sense, it is competitive so we are going to have to focus our efforts on highly erodible. Focus our efforts on maintaining the continuous programs, which are very popular, so that we maximize the benefit and use of this program to the extent we can, based on the cap.

Mr. PETERSON. One of the problems we had when we wrote the farm bill is we wrote it when prices were good. That is always a problem. And it was also a problem with CRP, because we had people leaving CRP because they thought they could make more money farming it and renting it. In my part of the world, we had shelter belts taken out and all kinds of other stuff going on that I tried to warn people about.

But my concern is, we have seen an increase of use of continuous, and that is good. Minnesota, we are one of the top ones in using continuous. But the biggest part of that is the CP-23, the wetlands restoration thing, and that is the reason that is being used so much is because the ones that want to stay in CRP, that is what they have had to do in order to get back into the program.

But one of my concerns is that the way we have structured this, we have tilted too much towards this highly erodible and using specific kinds of seeds and so forth that are very difficult to establish. I can personally attest to that. And so my concern is, and we had a hearing on this, that we are going to focus too much of the CRP in certain areas because of the criteria that we have established with this. And one of the reasons CRP, in my opinion, has been so successful is it has been spread out in big tracts all over the place. And that happened because the original program was not a conservation program. The original program was a supply reduction program, because we had low prices, especially in wildlife, that is why, in my opinion, it has been so successful.

I am worried about what is going on now, though, that we are going to be concentrating this stuff too much in certain areas, and if there is not going to be CRP in other areas because it doesn't meet the highly erodible and whatever other criteria we have. And we have guys plowing up perfectly good cover, and some of it needs to be restored. But why we are plowing up stuff that is perfectly good, we have no weeds in it, it doesn't make any sense.

I don't know if we have any discretion in how you do this, but I hope that we can approach this in a way that we can keep a fair amount of this stuff spread out and not get this too concentrated as you are doing the process. That you don't do everything just based on the EBI, that there has to be some discretion there.

Secretary VILSACK. Congressman, I appreciate the suggestion and I will certainly take that back and make sure that our team understands and appreciates what you just pointed out, which is the need for this program to be available in all parts of the country that really want it to be utilized. It is a fair point.

Mr. PETERSON. Now the grassland, I understand there has been, what, a million acres offered under grassland?

Secretary VILSACK. Yes, I don't remember what the exact acreage is, but I know that there is quite a bit of interest in it.

Mr. PETERSON. Yes, so do you have any more specifics about that, or any—

Secretary VILSACK. Just what I have—

Mr. PETERSON.—suggestions? There has been a lot of interest?

Secretary VILSACK. It is a lot of interest, and understandable, because we have adjusted the rental rates now so that it is obviously attractive, more attractive than it has been for a while.

Mr. PETERSON. All right. Thank you, and I appreciate your being willing to take a look at that.

Thank you. I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Neugebauer, for 5 minutes.

Mr. NEUGEBAUER. Thank you. Secretary Vilsack, it is good to have you here, and I appreciate your coming back again to speak to our Committee.

I would say this from my perspective, and from my Congressional district. Your remarks about the state of the rural economy are a little bit overstated, since we don't feel that same situation in west Texas.

I want to associate myself and have associated myself with the Chairman on the issue of the cottonseed. But one of the things I wanted to go back to is in a letter, I believe you alluded to a letter 100 of us sent you back in December and we encouraged the USDA to take any policy actions that could have a stabilizing effect on the U.S. cotton industry. And on February the 11th, you testified before the Appropriations Committee and mentioned the possibility of providing some assistance to help with cotton ginning. Where are we on that?

Secretary VILSACK. Well, if it is something the industry is interested in having us pursue, and it is something that Members of Congress want us to look at, we would establish a cost-share program. We would have a discussion, obviously, about the percentage of the cost-share. In my discussions with some Members of Congress, we suggested a 50 percent cost-share, which would be about \$150 million. It could be more than that. And we would establish and go to OMB for permission and authority to get this set up, and we would try to get it set up as quickly as possible and provide resources to the gins or the producers, depending on how we need to structure it in a way that does not create any kind of trade implications that would be negative to the industry.

Mr. NEUGEBAUER. What is keeping us from implementing it?

Secretary VILSACK. We have received indications from some folks that it is not something that the industry wanted us to do at this point in time, but if they do, and you are telling me they do, then we would be happy to go back and start that process.

Mr. NEUGEBAUER. I think there is a little bit of a misunderstanding. I think one of the things that some people thought you were talking about that, obviously they were promoting the cottonseed issue. They thought you were trying to substitute that. Where we are, and I hope you understand that in cotton country, it is a severe issue. We have producers now that are not talking about how much of their equity they are willing to put into the next crop. We have producers that are sitting down with their bankers right now and the question of whether or not they are going to get to plant a crop, is whether they can continue to farm. And so as those 100 of us wrote you that letter, we were trying to paint a picture that we need for you to use every tool that is available to you as

the Secretary of Agriculture to do that, and so my feedback from the industry is if that is one of the tools in the toolbox, let's get that tool out of the box. But we are not necessarily giving up on you sitting down at the table and discussing other tools that we might be able to do, because it is a very serious issue for the cotton industry.

Secretary VILSACK. We are happy to do this. This is also the reason why we allowed for certificates to be used *in lieu of* the cotton as collateral for our loans, our marketing loans. We did do that. That is going to provide some small bit of relief, but we would be happy to go back and start that process now. It would be helpful if we could get an indication from the industry precisely what they think in terms of the technique and the details of how this would work on the ginning so that we would be assured that we get as much help to producers as we possibly could. That would be helpful. We have not received that kind of feedback, but we are more than happy to sit down with the industry tomorrow to begin that process.

Mr. NEUGEBAUER. I think they would be extremely helpful, but I also want to reiterate, I think that we need to look at other tools that you may have as Secretary, because as you know, this legislative process isn't always a real quick process, and a lot of these farmers don't have 6 months or a year for us to work out some of these issues. They need for some kind of response on an immediate basis, really.

Secretary VILSACK. That is why having the CCC flexibility would be helpful, because that is something we could use fairly quickly. I would say in response to the Chairman's comments about why we have that, fair enough, but I am not going to be around, so why tie the hands of the next Secretary? Why not give the next Secretary the benefit of the doubt, or place restrictions on it so that it is used primarily for the things you want it to be used for, but a blanket prohibition makes it really hard to do this job in light of falling commodity prices.

Mr. NEUGEBAUER. My time has expired, Mr. Chairman.

The CHAIRMAN. The gentleman's time has expired.

Mr. Scott, 5 minutes.

Mr. DAVID SCOTT of Georgia. Thank you. Secretary Vilsack, welcome.

I think we need to look at this from the standpoint of the cotton farmer right now, and we have a crisis in cotton farming. It is a very, very serious situation.

So let me see if we can point out a direction here. First of all, we can't solve the problem of the oilseed, because we would have to open up the farm bill and go into that. So we have to put that aside. Now we have two other options here. We can go with the CCC, or we can go with the cost-share and the ginning. Is that correct?

Secretary VILSACK. Or you could do both the CCC and the ginning.

Mr. DAVID SCOTT of Georgia. Wonderful.

That is what I think we really, really need to do. My cotton farmers in Georgia this year are farming in 2015, 280,000 acres less, less than they did before, so there is a real crisis here, and if we

could use this hearing to send a message of security to the farmers who may be listening in that you as the Agriculture Secretary, we as the Agriculture Committee, we have the farmers' back.

Now here is the other issue. The other issue is if we go down this road with these two programs, we've got a timing issue. Cotton planting is now for the next year. So can you explain to us if we use both of these, your indications, and I have talked with you before about this, says that you are willing to do this, but only a year. Are you still of that mind, because we need a much longer duration of whatever help we give the cotton farmers, more than a year.

Secretary VILSACK. Well, Congressman, we are willing to work to put together a plan that creates a bridge between now and the time that you all take up the next farm bill and decide how to allocate these scarce resources that you will have available at that time to fashion a farm bill. So we are more than happy to talk about multi-year opportunities, and the CCC fix would obviously create that flexibility. In terms of the ginning, we have to obviously get the information and data from the mills, and we would be getting that probably this spring, so we would try to move as expeditiously as possible to get payments to folks.

Second, I would encourage producers that are working with bankers that are a bit skeptical about all this to basically make sure that they understand that there are guaranteed loan programs at FSA that could potentially reduce that stress or that concern on the part of the banker, and hopefully they would utilize our programs to provide the credit to put a crop in the ground.

Mr. DAVID SCOTT of Georgia. Okay, and let me ask you, if we go with the CCC, what kind of timeframe, because I am very much concerned about making sure that our cotton farmers realize that we will be getting help to them in time. If we went with CCC, what would be the steps we need to do? How long would it take before the deal is in place to give security to the farmers?

Secretary VILSACK. Obviously first it depends on how quickly you all can remove the prohibition, whether you have to do that through an appropriations process or whether you could do that in some bill that is going through the Congress. Assuming that this is the direction that you all want us to take, I am going to go back to our team and basically say let's put together a plan that could potentially be triggered as soon as, if and when, Congress acts.

Now one thing we were thinking about doing in this space is the transition payment program that was in place in 2014 and 2015 that was restricted by Congress to 2014 and 2015. That is something we could look at that we already have set up. Sometimes when you set up programs, you have technology issues. You have FSA training issues, and that takes a little time. But we try to get it done as quickly as we possibly could.

Mr. DAVID SCOTT of Georgia. Well, I would be very interested, and I know several Members on the Committee would be very interested in helping to speed the process along in getting that prohibition removed on the CCC.

Now what about the ginning and the cost-sharing? How long and what would that process be?

Secretary VILSACK. That does require us to have information from the mills, which we will get this spring and we would anticipate shortly thereafter would be able to make payments.

Mr. DAVID SCOTT of Georgia. Okay. Well, I—

Secretary VILSACK. Assuming we get the details worked out with the industry to make sure that as we set this up, that the resources and help gets to the producer to the extent we can do that, and to the extent that we do it in a way that doesn't create trade implications that would be negative to cotton.

Mr. DAVID SCOTT of Georgia. Well thank you, Mr. Secretary. As you know that we, Georgia, is the number two cotton producing state in the nation next to Texas, so we are very concerned about that, and I certainly appreciate the opportunity working as quickly as we can in assisting you in any kind of way to bring these two, the CCC and the cotton ginning cost-share to fruition quickly.

Thank you, sir.

The CHAIRMAN. The gentleman's time has expired, and Mr. Lucas, 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman.

Mr. Secretary, one kind of long point and two quick points. I would like to comment on a couple of programs that are near and dear to my heart that are really important to rural America and preserving our resources. That is the Public Law 83-566 and the Small Watershed Rehabilitation Program, close and dear to my heart. I think they are very important to preserving our resources.

In last year's budget request, Fiscal Year 2016, the President's own document referenced the program as helping communities to adopt the changes in natural resources conditions, minimize the impact of natural disasters through the broad authorities provided by the program, a strategic combination of land treatment, structural measures, floodplain amenities that would be used to help communities create a more resilient infrastructure and natural resource system. I couldn't have said it better myself than the Administration said. I was a little surprised and I won't deny disappointed to see that there was no funding included in the President's budget proposal for this year. Could you talk for a moment about the Small Watershed Upstream Flood Control Program, P.L. 83-566, and the rehabilitation program, and why they matter?

Secretary VILSACK. Why they matter?

Mr. LUCAS. Why they are important, why they matter. I think they do. I believe you do, too.

Secretary VILSACK. Well first of all, I would say they matter because you think they matter. I recognize—

Mr. LUCAS. You are a wise Cabinet Secretary, sir.

Secretary VILSACK. Look, they matter for a number of reasons. One, because of the complexity of our land, because of the way in which it has evolved over time, because of the impact of changing climates, intense weather patterns, weather variability, there is an ever-changing landscape that creates risks. And to the extent that you have programs, big and small, to help you manage those changes, it is helpful.

The challenge, of course, is how you fit all of the needs into a confined budget that has parameters that have been fixed from the

top and basically filtered down and limit the appropriations process.

Mr. LUCAS. Absolutely, Mr. Secretary, and for my colleagues' benefit, those who may not have focused on the program, we are talking about building relatively small earthen dams, interlocking systems to manage floods to keep soil and water in place to allow it to meter through to protect human life, property, and wildlife. The program began back in the 1940s, very successful.

On that note, Mr. Secretary, let me step over to another topic, and I would be remiss now at approximately 7 years into your tenure as Secretary of Agriculture if I didn't laud you. Your help during the 2012 and 2013 and 2014 Farm Bill process was very important in working with both this Committee and the other committee on the other side of campus, so to speak, to overcome some really difficult circumstances. We went through some challenges, all of us on this Committee, and working with you and your good folks to finally achieve the Agricultural Act of 2014. And I appreciate that, and I laud you for that.

But I have to conclude by simply saying in respect to my constituents back home and what my colleagues here are noting, there are some real challenges going on in certain sectors of agriculture back home. Cotton is one of those situations where we worked with every insightful group to try and address the WTO ruling, to try and craft something that would work within the general framework of the farm bill. It was a tough process, and unfortunately as is demonstrated back home, it wasn't a perfect result. We vest you and the very, very bright people that you choose down at the Department to help you implement the law with a great deal of discretion. I would urge you to look at the situation as it pertains to cottonseed and to try to, in whatever way you can, use that discretion to the maximum benefit of the folks back home that both you and I represent. I know you will do what you can legally. I am not an attorney, but I believe the way the language is put together, there are really bright attorneys out there who can achieve that necessary flexibility.

But with that, again, thank you for your efforts on the farm bill, and I know you will do whatever you can.

Secretary VILSACK. Mr. Chairman, you had a difficult job, obviously, and anybody who was part of that process, and it was made more difficult by the fact that you all had committed to providing a savings of, as I remember, \$23 billion, and that required some very difficult choices to be made.

At the same time, there were concerns from an international trade perspective which is one of the reasons why we are where we are. We are going to continue to look for ways in which we can provide help and assistance, as you all feel very strongly about your oaths, I feel very strongly about the one I took.

Mr. LUCAS. I would simply say in regards to the 2014 Farm Bill, the old adage about it is not your enemies that will get you, it is your friends sometimes is entirely true.

With that, Mr. Secretary, I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. Costa, 5 minutes.

Mr. COSTA. Thank you very much, Mr. Chairman and Ranking Member, for holding this important hearing. Mr. Secretary, I want to commend you for your years of service to our country and to American agriculture. We have not always agreed, but you have always been willing to try to be there to solve problems both for the two farm bills that we have worked on, and the implementation of those farm bills.

I have a series of questions I want to ask you, but I am struck by the numbers. In 1954, the average age of an American farmer was 48 years of age. Today, the average age of an American farmer is 59 years of age. And what we see is with 2½ percent of America's population directly involved in the production of food and fiber, a comfort level that is alarming to me that Americans take their food, their food products for granted. It is a national security issue and we don't treat it like a national security issue. The fact of the matter is that American farmers and ranchers and dairymen produce the most cost-effective, healthiest food anywhere in the world that allows the rest of our country to be able to have a healthy diet and go about their business. And frankly, we have to do a better job of highlighting the importance of the security of America's food production, as we talk about a host of issues. Whether it is economic conditions in our rural communities, whether we talk about the trade agreements, whether we talk about the dairy industry, or whether we talk about cotton, as many of my colleagues have mentioned in their earlier comments and questions.

Mr. Secretary, can you please explain to me, and I want to make it local for a moment just briefly, with the drought conditions that we are facing in California. You are not in control of the water, Federal water systems or the state water systems, but what additional aid that the USDA is undertaking to provide emergency assistance for farmers during this drought, really briefly, because I have a couple of other questions.

Secretary VILSACK. Disaster assistance for livestock producers, additional emergency conservation funding, additional resources for rural development for the development of municipal water systems, those would be three things. Additional research that is allowing us to do better jobs with irrigation and seed technology that is going to allow us to produce crops with less water.

Mr. COSTA. Well, we appreciate that and we may be looking at La Niña conditions sadly next winter, and we may need more help.

Rural definitions are a problem for many of us who have districts, and you have been to my district several times, and I thank you for meeting with farmers and ranchers and dairymen and women, dealing with communities. The Valley is pretty rural, but we have some population centers that are several hundred thousand people or more, and the communities within those counties that have a large city are unfortunately impacted because they don't qualify under the *rural* definition. Could you speak to that for a moment?

Secretary VILSACK. Two things we were attempting to do to try to deal with that issue. One is our Business and Industry Loan program. We are now allowing for investments in those communities, if we can show that there is a direct benefit to smaller rural areas, so we provided some flexibility in that program.

Second, we are working now looking at our portfolio to see if there is ways in which our water and loan portfolio we could use this as flexibly as possible to attract additional private-sector investment in communities that often don't get attention.

Mr. COSTA. All right, quickly. California was \$54 billion last year at the farmgate, the dynamic, diverse, 300 commodities in our agricultural industry. We farmers obviously are proud of that fact, and a lot of people don't realize that of all of those 300 commodities, dairy is the number one effort. I want to thank you and the USDA's efforts to assist California in the last farm bill. We gave the opportunity and California dairymen voted by $\frac{2}{3}$ to join the Federal Marketing Order. Can you update us on the current status on that effort?

Secretary VILSACK. Information is being produced to make sure the transcript is accurate. That will then allow the parties to essentially brief it. A decision will be made, and assuming the decision is to move forward, the referendum will take place shortly thereafter.

Mr. COSTA. I appreciate that. The dairy industry, as you know, is cyclical and right now we are in a downturn with \$12 per hundredweight milk prices and \$14–\$16 per hundredweight input costs, and it is very tough.

Let me finally ask you, because out of that agricultural production, a lot of it in California is exported. It is \$20.4 billion last year. The negotiations on the economic analysis on a sector-by-sector benefit to American agriculture. Can we expect these analyses to be completed prior to the finalization before we vote on the TPP, these trade agreements?

Secretary VILSACK. I believe they will be, and there are already analyses available, whether it is the Peterson Institute or the recent Farm Bureau evaluation which was announced yesterday.

Mr. COSTA. We are going to need that information, Mr. Chairman, and as we make our own evaluations on whether or not we are going to vote for that measure at the end of this year. And we appreciate that information, Mr. Secretary. Thank you.

The CHAIRMAN. The gentleman's time has expired.

Mr. King, for 5 minutes.

Mr. KING. Thank you, Mr. Chairman. I thank you, Mr. Secretary, for your testimony and your responses to the questions here. I am not going to add anything about cotton, just to lead this, and but I would like to go just to a number of things, and as a very, very large percentage of the avian influenza that hit this country was not only Iowa, but was my district specifically. It was something like 74 percent of the State of Iowa that was hit was in my district, and somewhere in the 60s overall for a while, at least, was a national measure of the layer loss that we had.

I want to say that I believe that the way the USDA has handled the turkey loss in AI has been, generally speaking, the strategy for it has been adequate, and the things that we have learned from that will make us better, going forward. But I believe the disposal, for example, of turkeys and the composting in the building APHIS manages it and handles it well. We add to that the things that we learned, we are perhaps prepared for another disaster of that nature.

However, with regard to the layers, I wanted to ask you about if you have made any changes in your strategy of disposal of layers where we may have as many as five million birds on a location that need to be disposed of very, very quickly. That seemed to be the biggest problem that cropped up in this huge loss that we had. Have you made any adjustments there in policy?

Secretary VILSACK. I would say we have, because we want to do it within a 24 hour period of time, so we are trying to speed up the process, and then second, we want to pre-position assets in terms of knowing whether landfills are available or other disposal methods on the farm, which we have been able to use in states where we think there is a potential for this to reemerge. So we are better prepared today than we were, obviously, when this hit last year.

Mr. KING. Thank you. I just wanted to bring that up for the sake of us having a focus on that component, which was the most difficult, I believe, of all that we faced.

The formula on the indemnity payments has been brought to my attention multiple times by layers that the data that has been used on that by APHIS is older data, back as far as 2010 and 2011, from the BEA. And so has that been brought to your attention in the past, and have you taken any steps or considered bringing that up to modern data and readjusting your formulas for our layers on indemnity?

Secretary VILSACK. Congressman, we have made changes to that indemnification process, and we will always be open to additional, more current data to make sure we are doing the right thing.

I would caution that we want to make sure that it continues to be an indemnity effort as opposed to an insurance effort. I think if it is to be an insurance effort, that is something that you all have to decide when you craft the next farm bill.

Mr. KING. I would say putting together insurance on this is a very difficult proposition. We have looked at that as a means of representing my constituents, and if somebody can present a good formula for that, I am very interested. It didn't go as smoothly as I had thought it might, or hoped it might, I should say.

But then have you changed the formula? Because one of the things they are asking is that if you move from the 2002 to 2001 formula to up just 1 year even to the 2003 to 2012 formula, it would change that gross margin deduction from an 85 percent margin down to an 80.5 percent margin. That would be a significant difference to our producers, just to move up 1 year. Is that something that you have done or considered?

Secretary VILSACK. Changes have been made, Congressman, and I will get you the specifics on exactly how, but we made an effort to try and listen and adjust based on the information that was being provided to us by the industry.

Mr. KING. And I will provide you a fuller set of questions here, too, that will be helpful in responding to that, and I appreciate that.

It is my sense that we have a pretty good handle on PEDv. Is that also your sense?

Secretary VILSACK. I am sorry, on what?

Mr. KING. A pretty good handle on PEDv virus?

Secretary VILSACK. Yes, although, with these things they can crop up at any point in time.

Mr. KING. That is exactly what I hoped to hear, that our attention is on that so that we remain prepared. I think we have done a reasonable job of reacting to it and overcoming that challenge.

Then also I wanted to point out to you and to this record that we have contract growers, they are turkey producers, that still remains a collections of claims against one of the contractors that did some of the recovery work in my district, and I don't know how broad this goes, and so as some of these claims get put into place where there is either a claim with APHIS or the contractor, and that is not definitive sometimes on who has the responsibility for that. And I wanted to bring this to your attention, because I believe a list is coming to me very soon that aggregates these claims. I don't think it is a huge situation, but it is huge to the people that are affected by it, and I would ask for your cooperation on that, and perhaps collaboration, if we could get that resolved and close the books on the avian influenza in my district.

Secretary VILSACK. Get us the list, Congressman. We will work with you.

Mr. KING. I will do that, and I thank you for your testimony. I thank the Chairman, and I yield back the balance of my time.

The CHAIRMAN. The gentleman's time has expired.

Mr. McGovern, for 5 minutes.

Mr. MCGOVERN. Thank you, Mr. Chairman, and Secretary Vilsack, this being the last year of your term, I want to take this opportunity to thank you for your incredible service. In particular, I want to thank you for the recent announcement that you and the White House made that would expand the summer feeding program, to get more kids into the summer feeding program, and I am grateful for that. But more importantly, lots of poor children and their families are grateful for that.

And we are talking about the rural economy here today, and while the overall economy is getting better, there are a lot of families still struggling, and in rural areas that SNAP is still a big issue. We have had many, many, many, many, many hearings on SNAP in this Committee, but one of the issues that has come up in the hearings on SNAP is the need to better connect veterans with nutritious foods. And we know veterans, especially older veterans, suffer from a range of nutrition related health conditions, such as diabetes, high blood pressure, and heart disease, and these are conditions that can be treated, if you will, by increasing consumption of fruits and vegetables.

So I would love to work on better connecting veterans with farmers' markets, perhaps through an incentive program where veterans receive vouchers at VA clinics to use for farmers' markets, or why not hold farmers' markets at VA clinics? And there are a lot of straightforward, simple steps that we can take to better connect the dots, and I hope that we can work with you and your Department on that.

But second, and as I mentioned, we have had many hearings. I think we have had 11 eleven hearings on SNAP in this Committee, and I am not quite sure where they are all leading to, but something is up. And we have heard talk about block grants, we have

heard talk about more onerous work requirements, but most recently, a leading Republican introduced a bill that would let states drug test the poor as a condition to receiving SNAP. Similar laws in Florida and Georgia have been struck down as unconstitutional, and there is a growing body of evidence that shows that states with narrower drug testing laws in the books are spending thousands of dollars to identify very few drug users. In fact, those receiving public assistance actually test positive for illicit drugs at a lower rate than the general population. It is interesting note that there is no requirement that corporate CEOs who receive government grants or subsidies be tested. There is no requirement that Members of Congress be tested. Maybe there should be a requirement that Members of Congress be tested. Maybe that might explain why we are doing some of the things that we are doing around here. But I am concerned that this bill is nothing more than another attempt to demonize poor people and has no basis in reality, and I am not sure how quickly we are going to see this, but I figure that we have this opportunity here today. I would like to ask you to comment on this bill and receive your advice and guidance as we move forward.

Secretary VILSACK. Congressman, first of all, on the veterans issue I would encourage you to take a look at the Farmers' Market Promotion Grant Program and the Food Nutrition Incentive Program that were established under the 2014 Farm Bill as potential avenues today to finance what is a pretty good idea, and the idea of having farmers' markets at VA clinics is an interesting one, and I will take that back to our team.

As I indicated to the Congressman Aderholt, when he proposed this in our Appropriations hearing, this is not something that will significantly impact and affect the help and assistance that folks who are addicted need. It will also be quite damaging to the children of family members who might be negatively impacted by this. I am not sure what the problem is and I am not sure that it solves any problem, but it does indeed create a stigma and it could, as you indicated, create a slippery slope in terms of precisely how many programs we are going to bring within this umbrella.

A more effective way of dealing with this issue, from my perspective, is taking a look at expanding prevention and education, expanding first responders' ability to respond to overdose situations so that lives can be saved, providing more medical assistance, treatment opportunities, and particularly, specifically expanding access to services in rural areas. Seventy-six percent of the shortage areas for behavioral science and substance abuse and mental illness treatment exist in rural areas. It is an area that requires attention and requires resources, and also calling upon the entire community, including the faith-based community, to help us create an atmosphere and an attitude in rural areas where people can feel free to acknowledge they have challenges and a problem, and to be able to get help and assistance and support through AA and Narcotics Anonymous and so forth. These are things I think would be more beneficial if we are really interested in trying to help these people.

Mr. MCGOVERN. Let me just say thank you for heading up the President's efforts to deal with the opiate and substance abuse cri-

sis that is going on in this country. We are all grateful for your leadership in that as well.

I yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. Austin Scott, 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman.

Secretary Vilsack, thank you for meeting with the Georgia delegation yesterday, and prior to that meeting, I was with another man who was in a similar position who is now retired, and he said that any time he wanted to submit something to the Committee with a statement, that it had to go up the chain and be approved by the Administration. Have you experienced that same system, if you will, with the Administration, that if you are going to present something to the Committee that it has to be approved by people outside of your office?

Secretary VILSACK. You mean the responses I am giving today?

Mr. AUSTIN SCOTT of Georgia. Yes, sir.

Secretary VILSACK. No.

Mr. AUSTIN SCOTT of Georgia. Thank you for that.

As respectfully as I can say it, I have serious concerns about some of the statements in what you have said. Today, the state of the agricultural economy remains sound, despite lower commodity prices. Those are, to me, very much inconsistent. 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 expect that to continue as farm income faces increased pressure from lower commodity prices. And as we faced increased pressure from lower commodity prices, that certainly hurts our financial condition, doesn't it? It seems that if we want to expand the summer feeding program, and I am not familiar with the details of that, but I do know that many of our kids, when school is out, they don't have food. And if that is consistent with your authority, then we should take care of the kids. My church does that. We have backpacks for kids. The teachers put it together, the principals put it together at the end of the school year because we are concerned about our kids not having food when they go home.

And then we have an issue like cotton, which is so important to the area that I represent, and it seems to me in reading the things that you do have the flexibility to do what we have been asking for with regard to cottonseed, and it just seems consistent with the Administration that if it is something that they want or if it is some of their supporters, they will bend over backwards to make it happen. Cotton is a red state product, and our farmers, when we have a profit, the government takes 50 percent of it. When we die, the government takes 50 percent of our land. Now we are asking for a little bit of help just to get through some tough times. I would just appreciate if you would use the same flexibility to support our cotton farmers as is being used to do the other things, like expanding the summer feeding program.

Secretary VILSACK. I have statutory authority to expand the summer feeding program. It is a mandatory program. I have that authority. The authority I don't have is the EBT program, which we are asking this budget to have authority to do. So we are asking Congress for permission to expand, but we are not expanding in

that vein because we don't have permission to do it. That is the issue.

Mr. AUSTIN SCOTT of Georgia. How are lower commodity prices good for the farm economy?

Secretary VILSACK. Well—

Mr. AUSTIN SCOTT of Georgia. That is what your statement says.

Secretary VILSACK. No, that is not what we are saying, Congressman. That is a misstatement of what we are saying and a mischaracterization of what we are saying. I think what we are saying is that we wanted to make sure that people do not feel that we are in the same circumstances that we were in the 1980s, because we are not.

Mr. AUSTIN SCOTT of Georgia. Mr. Secretary—

Secretary VILSACK. And we are not, because there is a stronger safety net. We are not because the debt to equity ratio is much stronger, much more stable. We are not because of the level of bankruptcy filings. If you look at the data, it is going to suggest to you that we are in a softened period, no question. We want to increase demand. That is why trade agreements are important.

Mr. AUSTIN SCOTT of Georgia. Mr. Secretary, I am sorry. I am down to 1 minute and I need to reclaim that time.

In 2016, you forecast additional increases in median income, farm household income across all farm types, but at the same time, we are fighting these commodity crises. And I want to get to a specific with the USDA and EPA, and this is the case whether USDA has very much done their job, and I appreciate it.

Ms. McCarthy a couple of weeks ago, I asked her a question about some of the chemicals that you have approved. You have done your job. You have approved new biotech traits to give farmers a leg up on weed resistance challenges. Have you spoken with the counterparts at the EPA and asked them why they haven't or when potentially they will? We start planting in a couple of weeks.

Secretary VILSACK. We are in a situation where we have a convoluted framework when it comes to biotechnology crops, if that is what you are asking about, Congressman. I want to make sure I am answering your question.

Mr. AUSTIN SCOTT of Georgia. It is not the crop, it is the chemicals that we use on it.

Secretary VILSACK. Oh, okay. We are in constant contact with them, encouraging them and explaining the impact that their decisions may or may not have on folks in the countryside. Obviously, I don't run that agency so I can't dictate to that agency, but I can certainly encourage them, and we do.

Mr. AUSTIN SCOTT of Georgia. I am out of time. If I could make one final point? Secretary Vilsack, the people in the USDA know when we plant cotton. Your people know about agriculture. You know when we plant cotton. Ms. McCarthy had no idea when cotton was planted. She doesn't know that we need these products now, and so that is where we could use some help there is getting the EPA to go ahead and approve the products that you have already approved. We are starting to plant in a couple of weeks.

Secretary VILSACK. They go through their process, Congressman, and we will encourage them to speed up as best they can.

The CHAIRMAN. The gentleman's time has expired.

Ms. DelBene?

Ms. DELBENE. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for being with us today. I really appreciate it. And I also want to thank you and your staff for coming out to my district and meeting with so many of our farmers. I just met with some of them earlier this week, and they continue to comment about how much they appreciate you coming out and talking with them.

As you know, I introduced a bill last Congress that was the basis for the SNAP employment and training pilot programs that were in the farm bill, and the end result was the \$200 million program that you have started. Washington State has had a fantastic success with its E&T program, and it has helped participants achieve self-sufficiency and part of the criteria we wrote for awarding these programs was making sure that we had folks like the programs that Washington State put in place in mind.

I wondered if you could comment on the breadth of the various proposals that are moving forward right now, and any impacts you see on E&T, going forward.

Secretary VILSACK. It is a 3 year program and we are in the process of ensuring prompt implementation. The ten pilot projects basically are looking at different aspects. There are some aspects that are looking at how additional assistance and financial assistance might allow for transition into a job so that you don't lose benefits. Some are looking at ways in which those who face barriers, transportation barriers, for example, could be assisted. Others are looking at ways in which folks could be trained for the jobs that are actually existing in an improved economy so that they can take advantage of those new job opportunities. Some are taking a look at ways in which the veterans can be assisted and helped. So it is a broad spectrum here. We are trying to identify best practices so that those best practices can then be implemented in all 50 states, so we do a much better job of using the resources that are being provided.

The sad reality today still is that states don't use all of the 50/50 money in terms of the employment and training. They are happy to use the 100 percent Federal money, but when it goes to putting a little skin in the game, fewer states than we would like are willing to do that.

Ms. DELBENE. Do you know what we could do to incentivize folks to do more there?

Secretary VILSACK. Well, you can say that it is a joint responsibility, and it is in our best interest to put people to work in jobs that matter, and it is in our best interest and their best interest to try to get them to a point where they don't need as much assistance, but states are dealing with their budget challenges as well, and this is unfortunately not as high a priority for some states as it ought to be, in our view.

Ms. DELBENE. Thank you.

Moving to a different subject, last year's fire season was one of the worst in recent memory for the Pacific Northwest. We have to end fire borrowing, and each time this happens, the Forest Service ends up transferring many funds away that are used to help maintain our forests. And you have been an outspoken supporter of the

Wildfire Disaster Funding Act, which I and many other parties have cosponsored. We know how badly this reform is needed, and so I just wondered from your perspective, what do we need to do to get past this stalemate and move forward?

Secretary VILSACK. Well, I don't intend to transfer the monies. We spent 62 percent of our budget last year fighting fires. This is a problem that everybody in Congress understands needs to be fixed. It just needs to get done. And the reality is by not getting it done, we are robbing opportunity. We are reducing job opportunities. We are making it difficult for mills to stay in existence. We are making it difficult for people to enjoy the forests in the way in which all of us would want them to enjoy. We have bailed them out. We bail folks out year after year after year, so I have instructed the Forest Service to do what they can to spend the money in the hopes that Congress, you all have appropriated the right amount, but if you haven't, you need to fix this problem. We are not a fire department. We are the Forest Service.

Ms. DELBENE. Well thank you. I agree with you. I think we need to fix this problem soon. I appreciate your help in doing that.

One last quick question. One issue that was brought up when you visited my district was the lack of crop insurance for aquaculture, and I know your staff recently met with one of the Tribal chairmen from my district who asked that question, and I just want to ask for your commitment to continue working with us to ensure that this very critical and overlooked aspect of our agriculture system is protected in the future.

Secretary VILSACK. We are and it is very consistent with the fact that in this Administration, we have expanded the number of crop insurance products or number of crops covered by crop insurance, and we have also significantly improved the reimbursement levels for some of our high value specialty crops.

Ms. DELBENE. Thank you.

I yield back, Mr. Chairman.

The CHAIRMAN. The gentlelady yields back.

Mr. Goodlatte, 5 minutes.

Mr. GOODLATTE. Thank you, Mr. Chairman. Welcome, Mr. Secretary.

I want to ask a question on behalf of my colleague, Mrs. Lummis from Wyoming. In 2013, the GAO Trails Maintenance Report confirmed that the U.S. Forest Service has over \$314 million in deferred trails maintenance. Do you believe that it is important for Congress to weigh in on this framework that the Forest Service is developing that will address National Forest System trail concerns in a comprehensive manner?

Secretary VILSACK. Yes, but it is going to require resources, which means you need to fix the fire budget.

Mr. GOODLATTE. And could volunteers help improve trails in a significant portion of the George Washington National Forest?

Secretary VILSACK. There were, in this Administration, over 600,000 volunteers have already been encouraged to participate in those kinds of activities. We also have the 21 CSC program, which is providing nearly 11,000 additional folks, including returning veterans. The reality is that we could do a lot more if we had stability and certainty in terms of our budget. We do not have that because

of the fire suppression costs. It has to get fixed, Congressman. I don't know how many times I have to say that it has to get fixed. Otherwise, you will be having this conversation with the next Secretary, and the next Secretary, and the next Secretary until there is no trail maintenance costs because it is going to be eaten up by the fire budget.

Mr. GOODLATTE. Well, we certainly understand that, and we could go deeper into that, too, in terms of the Administration's policy with regards to harvesting timber, because that is one of the best tools to avoid the kind of catastrophic fires that we have been experiencing.

Secretary VILSACK. We have harvested 20 percent more timber in this Administration than in previous Administrations, and we would be able to do more if you fixed the fire budget.

Mr. GOODLATTE. We encourage you to keep doing that, and do it in a way that you can market that timber so that you can raise some money to continue to harvest more and fix the trails.

But we will take your advice to heart. We understand the nature of that problem.

I want to talk to you about two other issues. One I know is of importance to you and you are familiar with. We understand that USDA's Biofuels Infrastructure Partnership will be providing \$100 million in grant funds for the installation of biofuel blender pumps in 21 states. Considering that for the last 10 years, consumers have already been forced to foot the bill for the higher levels of ethanol blended into their gasoline, is it fair to ask them to pay another \$100 million in order to prop up the ethanol industry?

Secretary VILSACK. Twenty-one states participate in this program. They match the \$100 million with \$120 million in commitments. We anticipate and expect over 5,000 additional distribution sites being put in those 21 states, so there is a lot of interest in this program.

Mr. GOODLATTE. I know, but it is also not market forces determining this. It is the government determining how this money is going to be spent. I just mentioned that the ethanol industry already benefits from a unique mandate which essentially forces the American people to buy their product; therefore, I fail to see any reason to actually increase the amount of support this industry is given.

Secretary VILSACK. Well, 450,000 jobs that are directly or indirectly affected by this industry, the fact that gas is less expensive because of it, the fact that we have better—

Mr. GOODLATTE. Mr. Secretary, I would challenge—

Secretary VILSACK. There are a multitude of benefits.

Mr. GOODLATTE.—whether gas is less expensive because of it. Gas is less expensive right now because of international production of gas—

Secretary VILSACK. That is also part of it, Congressman. You can't deny the fact that study after study shows that this industry has indeed over time reduced the cost of gas to consumers.

Mr. GOODLATTE. Actually, no I don't agree with that, because the—

Secretary VILSACK. University of California-Davis did a study—

Mr. GOODLATTE. Mr. Chairman, the time is mine. Let me just say in response to that, Mr. Secretary, that the fact of the matter is that there have been a number of occasions in the past few years when because of the demand imposed by these ethanol mandates on corn production has caused the price of corn to spike, and because consumer driving habits have changed, the amount of oil consumed for that purpose that has dropped. The net effect has been that the industry has had to buy RINs, had to buy credits in order to be able to stay in the market. And those credits are, in fact, causing on some occasions both the price of food and the price of fuel to go up at the same time.

Secretary VILSACK. There is no correlation, Congressman, on the food costs. That is just not accurate. And the reason it is not accurate is because we have increased corn production, and farmers get today, unfortunately, a fairly small amount of the food dollar, about 18¢. There is no correlation between food cost increases and ethanol. That is—

Mr. GOODLATTE. I strongly disagree, but let me get one more question in, if I may.

Farmers in my district have contacted me about letters they have received from the NRCS which claim that the farmer received “improper payments from NRCS conservation programs.” I understand that the situation arose after USDA discovered discrepancies with farmers data universal numbering system, DUNS number, and current registration in the System of Award Management, SAM database. And I am told that this system has been in place since 2011, but that the USDA has just recently begun to verify if a farmer’s DUNS number is correct, and SAM registration is current. Will a producer really have to pay back many years of conservation program payments?

Secretary VILSACK. We have created a number of waiver programs and are working with producers who feel that this is inaccurate or unfair, and we have, on two different tranches, have millions of dollars of assistance has been provided, Congressman. So there is a waiver process. There is a process for the farmer to raise questions about the fairness of this, and if it is unfair, we won’t do it.

Mr. GOODLATTE. Thank you. I am glad to hear that. We agree on that.

Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman’s time has expired.

Ms. Kuster, 5 minutes.

Ms. KUSTER. Thank you, Mr. Chairman, and thank you, Secretary Vilsack, for being with us. I want to also commend you on your leadership on the heroin crisis, and just remind my colleagues that we have a co-chaired bipartisan task force to combat the heroin epidemic in particularly rural economies. My State of New Hampshire has been hit very hard. We have a number of bills that we are going to be recommending, and I would love to be able to run that by you and your staff, and engage with you as we go forward.

A couple of quick questions. One that I hear often in New Hampshire, as I go around visiting my farmers and holding roundtables, is about the Margin Protection Program, and the particular issue

for us, we are sort of at the end of the pipeline, if you will. This happens to us in energy and it is happening to us in the cost of feed so that the equation between the price for milk and the cost of feed, we are being squeezed very, very hard in New England and in New Hampshire in particular. I am just wondering if you have any comment on that, and how this program is going generally. I understand 50 percent of dairy farmers are participating. Do you have any feedback on how it is going?

Secretary VILSACK. A small number of farmers received payments last year. Depending upon what happens, the farmers with \$8 and \$7 protection may see some payments this year, it is expected. I think there is a need, as Congress considers the new farm bill, to discuss the current state, which does not give us the flexibility and the ability to regionalize those feed costs. I think under the circumstances as we listen to folks, that is something that should be addressed in the next farm bill, or if there is an opportunity to address it before, fair enough. But it is not something we can do from a regulatory perspective, but it is something that I think is a fair concern. There are significant differences in feed costs, and that needs to be factored into the program in order for it to work.

And you are correct, roughly 50 percent of producers are participating, and of that 50 percent, about 55 percent purchased higher coverage, the \$6, \$7, \$8 coverage.

Ms. KUSTER. Great, so I will follow up with colleagues about that regional difference on the feed costs.

The other role that I have as co-chair of the Congressional Biomass Caucus, and we did have the EPA Administrator in here, and I had the chance to ask her about considering biomass as a renewable fuel, and what that means for our rural communities and timber interests, *et cetera*. Could you comment on any additional members as I know USDA has been a strong supporter. I really appreciate that. Anything else that you might add about biomass and the future for the biomass industry in our rural communities?

Secretary VILSACK. Well, biomass studies have been conducted by the Department of Energy showing that there is a significant amount of opportunity here, a billion tons, is the most recent estimate. And we are looking at ways through our biomass centers, which are research centers throughout the entire country, to look for ways in which we could create the appropriate supply chain for each region of the country, whatever their specific biomass opportunity is, that they can access it and utilize it.

We are also investing in resources through the section 9005 program, which is advanced biofuel production, providing assistance to about 320 companies to produce biofuel from biomass, and we are also continuing to look for opportunities to invest in our loan guarantee program, section 9003, in a variety of different feedstocks so that we have a broad range.

The last thing I would say is, there is tremendous opportunity for the Defense Department in terms of biofuel. The Navy wants to have $\frac{1}{2}$ of their fuel basically being biobased and domestically produced. I was privileged enough to be on a destroyer, watching it being refueled with beef tallow fuel out in the Pacific Theater just a couple of weeks ago, so there are terrific opportunities.

The last thing is commercial aviation is also extremely interested in this fuel, and there are roughly 40 airports that sell 90 percent of the jet fuel, and they are extremely interested in doing this because of the emissions, and the benefit from the emissions to meet international standards. That is a 17 to 19 billion gallon market opportunity for us.

Ms. KUSTER. That is great.

Secretary VILSACK. So there are plenty of opportunities.

Ms. KUSTER. Wonderful, and one last quick question, and a quick plug for your rural development program. It has been fantastic in higher education, community colleges, affordable housing, homeless veterans. We are using it every chance we get, and a shout out to Ted Brady in your operation who covers Vermont and New Hampshire, doing a fantastic job.

I wanted to ask you about the affordable housing in rural communities. We have legislation. We are working with your staff, but I just want my colleagues essentially to know about a bill. There is a program that is coming to an end, and we ran into a situation of folks who were going to lose their affordable housing, and we are working with you. We do need legislation, going forward, and I will stay in touch with you and stay in touch with my colleagues to make sure that rural communities continue to have access to affordable housing.

Secretary VILSACK. It is multi-housing and part of that problem has been solved by the budget process, but the other part is that as multi-family housing that has received assistance from USDA has their loans paid off—

Ms. KUSTER. Yes.

Secretary VILSACK.—those units basically will go out of the system, and we expect and anticipate 75 percent of those units could potentially be out of the system in the next 10 to 15 years—

Ms. KUSTER. That is my fear.

Secretary VILSACK.—beginning in the very near future. So it is an issue—

Ms. KUSTER. We need to change the incentives to try to keep people in that program.

Secretary VILSACK. Create a voucher system.

Ms. KUSTER. Thank you very much, Mr. Chairman.

The CHAIRMAN. The gentlelady's time has expired.

Mr. Crawford, for 5 minutes.

Mr. CRAWFORD. Thank you, Mr. Chairman.

Mr. Secretary, as you know, China is forecast to hold over 60 million bales of cotton in reserves in 2016, six times the level they held before implementing their reserve program 5 years ago. Despite their reckless actions, India's own minimum support price has now resulted in India overtaking China as the world's largest cotton producer. And if that weren't bad enough, Turkey has seemingly concluded their purely retaliatory anti-dumping case against the U.S. that clearly violates the WTO procedure. All of this leading to the lowest cotton plantings in the United States in 108 years, with the exception of 1 year in the 1980s. and if that wasn't bad enough, add insult to injury, China is now dealing with their huge stockpile by shrinking their imports from 24½ million bales

in 2011 to an estimated 5 million bales in 2016. That is an 80 per cent drop.

Yet in February, on February 11, in an appearance before the Appropriations Committee, you said you were refusing to help cotton growers because you don't want to "create difficulties for the industry relative to trade." I find that statement to be outrageous. Do you share our concerns that your refusal to act threatens U.S. cotton production and the very trade you say you are trying to protect?

Secretary VILSACK. Congressman, that refers to the fact that Brazil brought a WTO case against us based on our cotton program as it existed before. They are very, very skeptical of anything we do in this space, so you have to be careful that you don't encourage Brazil to yet file another case. Their case, which they won, exposed us to potentially \$800 to \$900 million of retaliation against crops throughout the entire agricultural sector so yes, I am concerned about that, and I should be. That is part of my job.

Mr. CRAWFORD. In your view, do China's and India's—

Secretary VILSACK. That is not to suggest that I am not sympathetic with you in terms of your concerns about China. They are legitimate, and India.

Mr. CRAWFORD. Do you think China and India's actions with respect to cotton violate their commitments in the WTO, and if so, what is USDA and USTR doing about it?

Secretary VILSACK. Well, I think that the Trade Representative's office is very acutely aware of this. It has expressed concerns to both India and China, and the fact that they are, potentially, they are already bringing cases in a number of areas indicates a willingness to take these folks on.

There is a limitation in terms of the number of cases that they can handle from a staffing perspective, and we are certainly going to continue to encourage them to put pressure, and will continue to put pressure on China. They are very difficult to deal with in a lot of areas, not just cotton.

Mr. CRAWFORD. Understood. Perhaps your Department could use further counsel on trade issues, given your comments to the appropriators. In fact, the lack of a top trade advisor in the Department was contemplated by this Committee in the farm bill. That is why we authorized your Department the appointment of an under secretary of trade. Why haven't you appointed one yet?

Secretary VILSACK. Congress has requested on two separate occasions that we study the issue, which we are in the process of following the Congressionally mandated direction.

Mr. CRAWFORD. Okay, let me switch gears. My colleague, Mr. Goodlatte, referenced the DUNS and SAM issue, and I appreciate your response to that. I would like to go a little further and say that the loss of payments on those contracts has created a huge cash flow problem for many of the farmers across the country, and some of them are in trouble with their lenders. Can we get your assurances today in writing so that they can provide the affected farmers and their lenders with some piece of mind on that issue?

Secretary VILSACK. Congressman, over \$24 million has been funneled through this waiver process, and that is the process that we are using to make sure that we are doing this properly.

Mr. CRAWFORD. I understand that, but in the interim, you have lenders that are starting to having to carry their farmers. We have farmers that are trying to make payments and they are \$80,000 short because they haven't been paid. Is there something, even a piece of paper, that you could provide those farmers that they could go to their bankers and say we are good?

Secretary VILSACK. Congressman, if you give me the names of those farmers, I will be happy to take a look and make sure that whatever we are doing does not jeopardize a situation for an unreasonable——

Mr. CRAWFORD. I would be happy to give you the names of those farmers, and a written response from you would, I am sure, allay their concerns.

With that, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Walz, 5 minutes.

Mr. WALZ. Thank you, Mr. Chairman, and Mr. Secretary, thank you for being here. More importantly, thank you for being a strong voice in rural America, and I understand my colleague, Mr. King, already addressed the issue of avian flu, but it is important to pass on to you how appreciative we are in the response last year, catastrophic, economically, and psychologically to our communities out there, and your willingness to get on the front-end, we have a lot of people feeling more confident that come spring, should we experience it again, we are ready. So I am grateful for that.

I want to go back to an issue that is near and dear to my heart, and a little contrast to my colleague from Virginia, is biofuels. We are very proud of the industry. You created markets for our growers out there. You created homegrown, American fuel. You have created jobs where someone can go from Preston High School to get a degree at the University of Minnesota in engineering and chemistry, and come back home and work and produce fuel jobs in those communities.

I understand that if the desire to seek clearer burning fuels isn't a priority, based on the science. You may ignore that, but the fact of the matter is, the vast majority of us do see that as a need. When I go down there and I see these plants, I see the jobs there, I see the trucks coming in with the market for the local producers. One thing I don't see is a U.S. Naval carrier battle group protecting the shipping lanes down there like we see when we import oil, and we need to have an honest conversation. The facts that you were giving were correct on the reduction of the import of foreign oil, reduction in carbon emissions, the number of jobs being created. And the fact of the matter is access barriers to the market have been created with artificial blend walls and the inability for people to make a choice at the pump. If I want to turn it to E15 and I want to use that, we can get there.

So I would like you to use the remainder of my time, Secretary, because you have proven this not just in rhetoric, but you have created jobs out there by your leadership in this. What is your vision and what is the state of the biofuels industry now, and where do you see us in 10 years down the road, assuming we can give the certainty that every market should expect from us, and biofuel is no different?

Secretary VILSACK. Congressman, the ability to maintain a strong and vibrant rural economy is dependent on our capacity to diversify and to create new opportunities to complement production of agriculture and exports, which has been the traditional way of supporting rural America.

In my lifetime, agricultural production has increased by 170 percent, even though the inputs have been relatively stable. That is producing 170 percent more on 26 percent less land, with 22 million fewer farmers. The challenge that we have in rural areas is that as we were getting fewer and fewer farmers and becoming more efficient with production of agriculture, we didn't overlay that with a complimentary economy that would allow folks to live, work, and raise their families in small communities. We are now doing that, and part of that is the bioeconomy, and what you have mentioned is the biofuel piece of this. There is also the bioenergy piece of it where we are seeing people converting biomass into energy. We are seeing dairy producers creating digesters that are producing methane and converting it into power. We are beginning to see chemicals and materials being produced, and we are beginning to see manufacturing come back in small towns. You complement that with a local and regional food system and a creative use of conservation, and you have more stimulation going on in your economy.

The biofuel industry has been helpful, not just in the Midwest now, it is now expanding to the Northwest. There is very great interest in the commercial aviation piece of this. As I mentioned earlier, it is happening in the South with woody biomass and with perennial grasses. It is even beginning to percolate a little bit in Texas and Oklahoma. I am surprised that Texas was one of the aggressive users of this biofuel blender pump program. In fact, they might have been the largest recipient in terms of dollars.

So it is something people like. It is something people want. It is helping to create jobs. It is, in fact, reducing the cost of gas over time. It is reducing emissions. During the last 15 years, it has taken 124 million car-equivalent emissions off the road that otherwise would have been on the road. It is reducing our trade deficit. It is helping to reduce our reliance on foreign oil. By no means the only reason we are reducing it, but it is part of the reason. And it is helping to diversify the economy. It is creating the jobs that so many producers today, if you look at the way in which farm income is generated, part of it is generated from the farm and a good part of it is also generated from off-farm income. And so many families have a spouse or the farmer themselves who are employed, and the result is that is why the median family farm household income is high, even though our farm income has come down. And you have to kind of look at the data, that it is beginning to work and we want to make sure we continue to expand those opportunities.

Mr. WALZ. Thank you for that, and we appreciate it. I yield back.

The CHAIRMAN. The gentleman's time has expired.

Mr. DesJarlais, for 5 minutes.

Mr. DESJARLAIS. Thank you. Thank you, Mr. Secretary, for appearing before us so often.

I wanted to acknowledge that one of our great leaders in Tennessee Farm Bureau, Lacy Upchurch, is retired. I know you had a lot of respect for Lacy, and we are happy to welcome the new President of the Tennessee Farm Bureau, Jeff Aiken, to Washington. I had the opportunity to visit with him earlier this morning, and he and I share a similar concern. We know that the USDA website has a mission statement of help rural America thrive, but we both share the concern in the President's new budget. After the ag community essentially in an attempt to do their part in cutting spending, Washington gave up direct payments, is now seeing the President propose a 20 percent cut to crop insurance. How do you feel about the President's proposal, and have you spoken with him about it?

Secretary VILSACK. Well part of the proposal is focused on prevented planting concerns that have been raised by both Government Accountability Office, who is your Congressional—and by our own Inspector General. And so it is appropriate and necessary for us to be responsive to the concerns that are raised by these oversight and accountability organizations when they raise concerns about how that program is being run, and the cost to taxpayers.

The second area has to do with price harvest loss issues and the amount of subsidy for that. It is currently at 62 percent. The President suggested that perhaps it would be appropriate at 50 percent, a fair deal to taxpayers, farmers, and insurance, and all of this is in the context of a very constrained budget. The budget I am working with today, from an operating standpoint, is less than it was the first full year the President submitted a budget. When you place artificial restrictions and caps on budgets, you have to make choices. So if it is not in that space, is it in the conservation space you want me to make that choice? Is it in the farm loan space you want me to make that choice? Is it in the rural development job creation space you want me to make that choice? Is it in the food safety place you want me to make that choice? It is ultimately about these choices, and they are not easy. They are very difficult, and you all understand that because you have to make choices throughout the entire budget, and you have to prioritize. Obviously, everyone has a different set of priorities, and that is what makes this process interesting to watch. And you all will speak, you will create a budget, and the next Secretary will live with that budget.

But the reality is, it is less than it was, but yet I can show you that we are doing record amounts of work on virtually every mission area.

Mr. DESJARLAIS. Shifting to the *Waters of the U.S.* for a minute. We know that 31 states and organizations have filed a lawsuit against the rule. Associations who represent rural America, like the Farm Bureau, National Cattleman's, National Corn Growers, National Pork Producers, U.S. Poultry and Egg Association, just to name a few, basically organizations that share the USDA's mission of helping rural America thrive are all calling for the Administration to scrap this rule, start over, and develop a rule with meaningful input from state and local stakeholders.

What input did the USDA have on this rule or provide on the rule?

Secretary VILSACK. We have an advisory process in which we advise EPA on our view of the impact and effect of what they are considering. Obviously, we don't dictate what a sister agency does. And obviously, courts are going to decide based on the injunction that currently is in place. What is going to happen with that rule.

Mr. DESJARLAIS. Are you supportive of EPA's rule in its current form?

Secretary VILSACK. I would say this. I think there is a lot of misunderstanding about what the rule is and what the rule isn't, which is why I encouraged the Administrator to get out and encouraged her teams to get out and visit with farmers and have farmers be able to see what it covers and what it doesn't cover.

Mr. DESJARLAIS. And she was here in this Committee, as you probably know, just a week or 2 ago. Gina McCarthy, is that who you are referring to?

Secretary VILSACK. I am sorry, what?

Mr. DESJARLAIS. Were you referring to Gina McCarthy getting out?

Secretary VILSACK. Yes.

Mr. DESJARLAIS. Okay.

Secretary VILSACK. And her teams to basically create a situation in which farmers could bring information about their individual operations to EPA personnel so that they could say this is in, this is out, because there is some confusion. It is a very difficult circumstance and I understand that farmers are very, very concerned. And if there was more communication, there might be a little less concern.

Mr. DESJARLAIS. Okay. Well, it is pretty clear that they have spoken, the 31 lawsuits, all the organizations that have brought this forward. It is not very clear. Just the definition of a *ditch* could take an hour to go through. So I mean, it is not clear and you have the President's ear on this, and we would hope that representing the ag community, you would be on the side of all the stakeholders who have spoken so loudly to have this rule scrapped, and let's start over because it was not done in a proper fashion through the rulemaking process.

I thank you for your time.

The CHAIRMAN. The gentleman's time has expired.

Ms. Lujan Grisham, 5 minutes.

Ms. LUJAN GRISHAM. Thank you, Mr. Chairman, and Mr. Secretary, it is nice to have you before the Committee again. I appreciate, as always, your efforts for rural economic development investments, and given the nature of my state and our current economic condition, which is severe, and I appreciate all those investments and all that you are doing.

But I really want to talk about what more we could do, given the fact that nine counties out of the 33 counties in my state have above 20 percent poverty, and that poverty rate has been persistent over a 30 year period. Given that, recognizing that we have those issues and conditions around the country, in 2009, we wanted ten percent of those rural economic development investments to go to these areas of persistent poverty. That expired in 2013. So I am interested really in two things. Did that mandate or set aside, how do we want to identify that, did that have an impact, and if it did,

do we need to maybe do that again? And if it didn't, what things do you think and do you recommend that we could be doing, because in spite of those economic development efforts, New Mexico and others are still really lagging behind. I want to work with every stakeholder and every policymaker to make sure that New Mexico gets what it needs to end this persistent poverty in our rural and frontier areas.

Secretary VILSACK. Congresswoman, what we measure, we do. What we create as goals, we strive to accomplish. The goal of ten percent, we actually at USDA decided that that was not ambitious enough. We looked at 20 percent initially of resources being spent in those counties that have been dealing with persistent poverty. I can tell you that as of last year, 22 percent of our resources were invested in those counties, and now we are focused on potentially moving that up.

We also have created StrikeForce, which ensures that we have a coordinated effort within USDA to make sure that we are working with community building organizations to identify the current needs as it is as seen at the local level, not based on what we think is appropriate. And as a result of StrikeForce in over 900 counties, \$23.6 billion has been invested in 190,000 different investments, everything from single family housing loans to conservation efforts, farm loans.

We then extended that effort through the Rural Council the President set up, the first ever, and now we are focused not just on creating economic opportunity, but also trying to mitigate the impacts of poverty through our Rural Child Poverty Initiative. We are taking a look at best practices in terms of a two generation approach. We just had a conference with the National Association of Counties officers and officials, NACo, and we have challenged 100 counties to work with us to create programs and strategic plans—

Ms. LUJAN GRISHAM. Great, and the hard part is, and I don't disagree with any of your statements about the StrikeForce, about meeting and exceeding your goals, but looking at the outcomes just in my backyard, they are not there. And we have been cost shifting as a state to the counties who I think I have convinced in my state to declare behavioral health emergencies in their local areas to see if we can't trigger a larger public health emergency in the state, because I haven't gotten any Federal support to deal with that, and the state support is gone. We are the only state in the country, which is not your issue, *per se*, at all, that doesn't have a behavioral health infrastructure anymore. It is completely gone. So do you see a way to take this StrikeForce idea and to leverage that with other Federal investments, given your relationship and expertise in rural economic development?

Secretary VILSACK. That is what we are doing with the Rural Council. We have telemedicine cooperatives with HHS. We have a Veterans' Blue Button Initiative with the Veterans Affairs. But I would say on the mental health behavioral service area, we do fund mental health clinics through USDA through the Community Facility Grant Loan Program, and in fact, we funded \$23 million worth of those in the last couple of years. So it may be something we can work with you on.

Ms. LUJAN GRISHAM. That sounds great. I will definitely, and I have just a few seconds left, work with you on that, Mr. Secretary, so thank you very much.

I also want to encourage you to, I hope, reach a favorable decision to help New Mexico's dairy producers, given our dairy loss related to the huge snowstorm that we had in early January. The state declared an emergency and we have written to you as a delegation, and we are hoping for a favorable reply as soon as possible.

Secretary VILSACK. Your producers qualify for the disaster assistance program, and the way in which that turned out, they can actually qualify in either 2015 or 2016. Secretarial designation isn't going to be providing the kind of help that you all want, but there is an administrative process that you all can go through in terms of building and equipment losses. So we will be glad to work with you on that.

Ms. LUJAN GRISHAM. Thank you, Mr. Secretary, and thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentlelady's time has expired.

Mr. BENISHEK, 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman. Thank you, Mr. Vilsack, for being here today.

I just want to touch on a few things. You have had a wide variety of issues discussed here today, but I want to talk a little bit about the Forest Service. Believe me, I agree with you on the emergency fire spending. That is a problem we have to fix. But I still question how sales within the forest are conducted and done that could be done better. I spend a lot of time in rural Michigan. We have three Federal forests, and I talk to people who work in the forest all the time. I understand that you could have better budgets. One of my problems understanding it is that when you sell trees, you make money, and yet there is no money in sales. That is the argument I have heard before from the Forest Service.

But the people that actually do the harvesting, the contractors, the loggers, they tell me that they can't get a sale done because of the way the sales are let. I mean, there is too big of a project. There is not enough smaller projects so that the average logger in the area can actually do the project, and a lot of the sales just don't get done for reasons like that, not so much the lack of funds, but just the lack of adequate planning of the sale. Can you comment about that, Mr. Vilsack?

Secretary VILSACK. Well, we actually have increased sales and our goal is higher this year than last year. Our goal was higher last year than the year before, and we have been making a steady increase in the number of board feet that are being treated.

Mr. BENISHEK. One of my forests has seen that, but the other two forests haven't.

Maybe it is a local person, I don't understand why, for example, like I told you, they are trying to sell a thousand acre sale. Well, the guys that do these bids, they can't do a thousand acre sale. They don't have that many guys to do it. They can't comply with all the rules. Is there a way it could be done so that the local loggers could actually bid on these jobs?

Secretary VILSACK. We can work with you on this issue. I would say that many of these contracts, you mentioned staffing and you

might not think that that is an issue, but it actually is. There is staffing involved in all of these contracts. There are analyses that have to be done, and the reality is we—because of the fire budget, we have reduced the staffing of that team, of that staff, in order—

Mr. BENISHEK. Oh, I understand that, and believe me, I would be willing to work with you on—

Secretary VILSACK. Well that is the problem.

Mr. BENISHEK.—on fixing these silos of money so that you can actually use the money that you get from a sale to actually continue to do more work on that.

Secretary VILSACK. There is a 50 percent reduction in the staff, Congressman, a 50 percent reduction in the staff.

Mr. BENISHEK. No, I agree that we need to fix the fire issue. But what I am telling you is that this example that I gave you of a bid being left that nobody in the area can actually bid on. The way that they proposed that bid, the staff didn't make it in a way that people that actually do the logging in the area could bid on it. So that's not really not having staff, that is the staff not doing it right.

Secretary VILSACK. That is why I say I would be happy to work with you on that issue. I mean, that is a fair concern, and if we are not structuring these in a way that fits the terrain or fits the forest, then that is a problem on us and I am happy to take that back.

Mr. BENISHEK. Well, I would really like to work with that, because I hear that all the time, to tell you the truth. That is the issue. Not the issue that they are not getting bids, but the bids aren't working.

I just want to bring up one more thing. Does the Forest Service have a line item, as I understand it, for land acquisition? Isn't there a way that we could use that money a little bit smarter than acquiring more land Secretary Vilsack?

Secretary VILSACK. To acquire more land?

Mr. BENISHEK. Yes.

Secretary VILSACK. Well, there are some folks who don't want us to acquire a lot of land.

Mr. BENISHEK. I think we should manage the land you have instead of acquiring more. Do you know what percentage of that line item in the budget is actually being used?

Secretary VILSACK. It is a really small amount. It is a really small amount in terms of the overall budget. It is a very, very small amount, and oftentimes, the only time it is used is basically in fills so that it makes sense—

Mr. BENISHEK. Yes, and I understand that kind of stuff, but I would like a little more detail. Maybe your staff can provide that for me, going forward, okay, in the next month or something. Okay.

Secretary VILSACK. We will get you that.

Mr. BENISHEK. Thank you. I am out of time.

The CHAIRMAN. The gentleman yields back.

I now recognize Mr. Davis, for 5 minutes.

Mr. DAVIS. Thank you, Mr. Chairman. Mr. Secretary, great to see you again. Thanks for being here.

This past November, the FDA published guidance on voluntary labeling of products of biotechnology, and once again, affirmed the

government's position that there is no scientific justification for government interest in mandating on package labeling of products in biotech. The food industry has recently announced the development of a voluntary smart label, specifically designed to provide consumers with this information. I assume the USDA is consistent with the FDA's position in support of voluntary labeling?

Secretary VILSACK. Congressman, we are working with the industry to try to resolve the dilemma that we are facing in the very, very near future with the implementation of the Vermont law. That is going to create chaotic circumstance and situation, and it requires some kind of adjustment and some kind of national approach to this so we don't have 50 different state efforts and we don't have individual companies like Campbell's making the decision that we are going to go ahead and do what we want to do. We want some standardization of this. So I don't want to be cute about this, but I think that what the FDA has resolved is fine, but the reality is we are confronted with this circumstance that could create real chaos in the market. We need to get this thing fixed.

Mr. DAVIS. Well you answered both of my follow up questions. I completely agree with you. I think we do need a national standard, and I am willing to work with you and your agency to help make that argument as we move forward, so thank you on that.

Secretary VILSACK. Here is the biggest point that Congress is going to have to decide. I don't think there is any question that people can probably reach an agreement that there needs to be some kind of time period between now and fill the blank, 2 years, 3 years, 5, whatever the time period is, in which the industry will do the job of educating consumers about how they can access information about what is in their food. A 1-800 number, a website, the smart label. At the end of that period, what happens? If there is consumer understanding and acceptance, you don't need to worry about what is on the package. If there is not, what happens, and that is the issue that ultimately has to be decided.

Mr. DAVIS. I agree with you, and I appreciate your comments, Mr. Secretary.

I am going to move on to another subject. Last week, I asked Administrator McCarthy about the progress that EPA is making to establish the new ag related standing committee of the Science Advisory Board, which as you know, was enacted as part of the 2014 Farm Bill. Now the Administrator informed me that as recently as 2 weeks ago, EPA met with the USDA to finalize that standing committee. I just wanted to make sure you were aware of the Administrator's commitment as the EPA consults with you, and also members of this vital committee, the ag community needs the USDA to weigh in with its expertise and guidance, and I look forward to partnering with you to finalize that process.

Now my last line of questioning is in regards to pesticides. Federal laws dictate that the USDA serve as an important advisor to the EPA in the regulation of pesticides. Historically, your agency and their expertise and advice has been evident in the actions the EPA has taken to evaluate pesticides and their uses. USDA's perspective and knowledge of production agriculture, truly, Mr. Secretary, is critical. However, it is concerning to hear from the farm community, because they express increasingly urgent concerns

about EPA's failure to meaningfully consider your expertise, advice, and opinions, especially during the formal interagency review. Can you give us a quick summary of how do you interact with the EPA when we deal with issues such as the neonicotinoid seed treatment on soybean production?

Secretary VILSACK. It is a situation where our technical experts and their expertise communicate to EPA the concerns with whatever EPA is proposing and suggesting, and basically advising what we believe will be the impact and effect in the countryside on what they are considering, and encouraging them, if there is going to be a significant impact for them to reassess their approach. It is advisory, obviously, it is not dictating. It is advisory. So we have that constant communication. Sometimes, depending upon the nature of the issue, may elevate to the senior staff if there is a very serious disagreement or a serious concern, and at times, it can also elevate even higher. But it is a process of communication at various levels.

Mr. DAVIS. Well specifically in regards to the recent release that the EPA put out in regards of the benefits analysis for seed treatments on soybeans, did that get elevated to the senior staff level? Were there concerns at the USDA? Do you feel your expertise was actually utilized in this release?

Secretary VILSACK. That is a difficult question for me to answer. It is not something that was discussed with me, but it may very well have elevated to the senior staff and been resolved at the senior staff level. Or basically, sometimes we have to agree to disagree.

Mr. DAVIS. Well, I am out of time. I yield back whatever balance I don't have.

The CHAIRMAN. The gentleman yields back his time.

Mr. Allen, 5 minutes.

Mr. ALLEN. Thank you, Mr. Chairman, and thank you, Mr. Secretary, for being here this morning. Thank you also for meeting with our Georgia Members here, and in the Senate, yesterday.

I just wanted to clarify one thing that Congressman Scott had asked you about the cost-share program. For some reason yesterday, and I wrote it in my notes, but we were talking about \$300 million yesterday, and you mentioned \$150 million today. Could you clarify what you think that program might benefit?

Secretary VILSACK. I mentioned both figures yesterday, \$300 million is the total cost we estimate of ginning costs.

Mr. ALLEN. Okay.

Secretary VILSACK. And \$150 million would be the 50 percent cost-share that had been discussed.

Mr. ALLEN. All right, good. Thanks for clarifying that.

Also, since our meeting yesterday, I met with dozens of our colleagues both here on the Committee and also with our colleagues over in Appropriations, and our industry leaders, and the first thing that I would like to ask you is you mentioned that the appropriators took away your broad authority to provide assistance under section 32 of the CCC Charter Act. When did they do that, and why did they do that?

Secretary VILSACK. They have been whittling away at that for the last couple of years. I think there were concerns about the way in which we were utilizing that authority to help farmers and pro-

ducers during difficult times for particular segments and particular aspects of agriculture, so they have a blanket restriction. The reality is that when you have a blanket restriction, you have situations like this where there is a need for flexibility and I don't have it.

And I would also say, Congressman, as I said earlier, it is fine if they have concerns about me, but they have to understand that this appropriations bill is more likely going to be impacting the next Secretary, so they ought to at least give the next Secretary the flexibility.

Mr. ALLEN. Exactly, and of course, that has been since Fiscal Year 2012 that it has included a rider preventing you from using that, and in talking to the appropriators, many of them believe that it was because of a Senate race in Arkansas and providing assistance there, is there any truth to that?

Secretary VILSACK. There were farmers who were suffering significant problems in the State of Arkansas and in surrounding areas, and this was an effort to try to provide help and assistance at the request of those producers and at the request of Members who represented them in Congress, which is not different than what is happening today in cotton.

Mr. ALLEN. And this was not a direct request of Senator Blanche Lincoln's failed 2010 Senate reelection bid?

Secretary VILSACK. She was the chair of the Agriculture Committee, and obviously she made a request in her capacity as the chair, and as a Senator.

Mr. ALLEN. Okay. Now the other thing that I am having a hard time doing in talking with you and I will try one more time, but I have carried the conversation we had back to our industry leaders and members and colleagues on the Committee, and we have this difference of opinion as far as cotton is concerned. Obviously lint is part of cotton. We export 80 percent of our lint. Cottonseed is part of it, and we export less than ten percent of cottonseed. It is my understanding, and this is testimony by a former Chairman here, that you said that Congress expressly removed the eligibility of cotton for ARC and PLC assistance. It is true that upland cotton is no longer a covered commodity, but that completely misses a major point. The prior designation of upland cotton as a covered commodity only impacted cotton lint. Cottonseed has never been a covered commodity.

Secretary VILSACK. When we were structuring the STAX program, the industry requested that STAX cover cottonseed.

Mr. ALLEN. Do we have evidence of that? Can you get me evidence of that?

Secretary VILSACK. Well I can get you the folks at RMA to do that.

Mr. ALLEN. Okay, because I can't seem to find anybody that—

Secretary VILSACK. Well, hindsight is always 20/20, and the reality, let's be candid here. The reality is that at the time this farm bill was being put together, everyone was operating under the assumption and belief that they needed to save \$23 billion, and choices and issues had to be factored, and it was a lot of give and take. And cotton was also faced with the Brazilian cotton case, and the retaliation that faced us as a result of that.

Mr. ALLEN. I understand.

Secretary VILSACK. And decisions were made to create this program, and there was no effort at the time to include cottonseed in the list of all of the other oilseeds that were known at the time. We have already expressed a willingness to help the cotton industry, if I believed in good faith that I have the ability to do this, I would do it. I do not believe in good faith I have that ability.

Mr. ALLEN. Well, what we believe is we expressly gave you the authority to designate other oilseeds at your discretion.

Secretary VILSACK. You gave me the authority in situations where oilseeds crop up in between farm bills that were not fully appreciated and not aware of. We have never, ever exercised this particular provision in the way that you are asking us to exercise.

Mr. ALLEN. Well, you have to give me more to go on, because I am having a very difficult time explaining that to my farmers back home who are going out of business.

Secretary VILSACK. Well, we will——

Mr. ALLEN. Thank you. I yield back.

Secretary VILSACK.—be happy to help them if you give us the permission and the capacity.

The CHAIRMAN. The gentleman's time——

Secretary VILSACK. You can reopen the farm bill——

The CHAIRMAN. The gentleman's time has expired.

Mr. Bost, 5 minutes.

Mr. BOST. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for being here.

I am going to go down a little bit different road. We actually in the State of Illinois and everyone along the Mississippi River had the wonderful opportunity at Christmas and New Year's to have what some people would consider not a real good gift and not a real happy New Year, in the fact that the Mississippi rose to the 1993 levels, but did it in about 1½ or 2 weeks. When it did that, it blew through an area in deep southern Illinois known as the Len Small levee, and pictures are worth a thousand words, so I am going to show you what we got and the sand that moved through, and the devastation. This was all productive farmland prior to that levee break. Some of the area they had as much as 1", most of it, 3' to 5' of sand that moved, this, as you can see, is an irrigation system that was actually buried and wadded up.

Now that being said, the reason why I am wanting to show you those is because in August of 2015, you declared 87 counties in Illinois an agricultural disaster in a letter to Governor Rauner. Also in that letter, you outlined the systems available to producers in Illinois who may be affected and noted that each claim would be treated on a case-by-case basis.

Mr. Chairman, without objection, I would like to submit this letter to the Secretary and put it into the record.

[The information referred to is located on p. 61.]

Mr. BOST. Now believe me, because I work with these people all the time. Farming in a floodplain is tough, and with that being said, my question is will the same assistance that was provided in 2015 disaster declaration be available to producers in the affected areas of my district that experienced this flood, and I know that

is pending on the governor's declaration, and how can the rural development help these communities that are in this situation?

Secretary VILSACK. The governor can make this request, and then we have been turning around these requests very quickly. So we would await the governor's request. I would be happy to have our staff take a look at whether or not a Secretarial designation from me, which is not necessarily dependent on the governor's request, can be done. I don't know that it can, but we would be glad to look at that.

I would say there are two or three places where we could provide some help. I think NRCS could potentially be helpful. There are obviously loans, disaster loans that are available to producers. There is also the issue of what kind of crop insurance protection they have, and the impact and effect that this is going to have on their ability to plant a crop in 2016, and what kind of protections may be afforded. And in terms of rural development, I will have our folks reach out to you. I am trying to think of the program within Rural Development that would be helpful. I think NRCS and FSA are probably more likely to be helpful.

Mr. BOST. Okay.

Secretary VILSACK. But there may be something that Rural Development can do, but my guess is it is primarily NRCS and FSA.

Mr. BOST. And kind of just following up on that, we know that obviously crop insurance, if they can get crops out at all this year, but crop insurance is actually going to go up because of this. Is there anything that they can be done to get relief from a potential increase for that insurance to try to bring that area back? Do you know that?

Secretary VILSACK. Well, there is that ability, I will be happy to check with RMA about that.

Mr. BOST. Okay, if you just work with our staff to try to figure it out?

Secretary VILSACK. Yes, I will be happy to ask about that.

Mr. BOST. And I am going to just say thank you for your work on GMO and what we had to deal with out of this Committee and what we moved as far as the problems that can exist with each state that is labeling out there. And we are hoping that this gets all the way through and we can actually stop it, but what happens if we don't get something done before July 1?

Secretary VILSACK. Vermont law goes into effect. Food processing entities will have to think whether they want to segregate their supply chains and incur costs, or whether they want to do business or reduce access to product. And other states, obviously, are considering this, and frankly, the answer and whatever is done needs to recognize that this is not the first and only and last time that we are going to be dealing with things like this. Folks are going to raise issues about how crops are raised all the time, so we have to have some kind of mechanism, the smart label answers this, to be able to rapidly adjust to whatever consumers are interested in knowing, but doing it in a way that doesn't convey the sense that the product is unsafe, because it is not. There are hundreds, hundreds of studies to the effect that it is not unsafe.

Mr. BOST. I appreciate working with you, and with that, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Rouzer, 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman. Mr. Secretary, thank you very much for being here, and I also want to quickly thank you for your help in working with us on lean meats as it related to the *Dietary Guidelines*.

Two things I want to raise with you, and both are of great concern to me. Speaking of lean meats, pork, the other white meat, I understand the Humane Society filed a suit against USDA over the sale of that trademark. It is also my understanding that USDA may now be considering a settlement agreement with the Humane Society. As I understand the way this has played out, Humane Society filed the suit. The case was initially dismissed on the basis of a lack of standing. Then the D.C. Circuit reversed that ruling, but USDA did not appeal or otherwise exhaust any of the natural defenses that you typically would pursue. Was that a decision made by USDA, or was that made by the Department of Justice, or where was USDA in the mix on this?

Secretary VILSACK. It was a decision made in concert with the industry.

Mr. ROUZER. So now has the industry been in—

Secretary VILSACK. Industry has been involved in discussions about how to structure this in such a way: the issue has to do with the payment for that trademarked phrase that is no longer being used. There is a question about the check-off dollars being used in that way, and the industry is now working with the Humane Society in between the timeframe that has been granted by the court to try to figure out how to do this in a way that is satisfactory to all parties.

Mr. ROUZER. Well who suggested the settlement? Where did that come from? I can't imagine the industry suggested the settlement.

Secretary VILSACK. Well, I don't know that that is necessarily correct. The industry is interested in getting this resolved.

Mr. ROUZER. Well, I can certainly understand that. I guess the part that concerns me a little bit is there seems to be a tendency, and this is not just related to this specific case, but across the board where someone files suit and then rather than pursuing every legal option available, we just settle. That is the overarching concern that I have across the board.

Secretary VILSACK. You may be right about other cases, but I don't think that that is the situation here. I think the circumstances are that you have a situation where payments were being made, multi-million dollar payments were being made for something that was no longer being used, and legitimate questions were raised about that, and so in an effort to try to get matters resolved and get those monies continuing to promote the industry, the folks are in the process of discussing how this can be structured in a way that makes sense. It doesn't invite legal challenge.

Mr. ROUZER. Moving on to another issue, cotton. You have heard a lot about cotton today. I am not going to belabor the point, other than saying that my producers back home are really struggling. In fact, I met with a group of cotton farmers last week. Their situation is quite concerning, and of course, all of agriculture is struggling as it relates to commodity prices and the weather, *et cetera*.

Where I have an even broader concern, though, is as it relates to fighting back with these other countries, our farmers feel like they are the punching bag. When is the United States Government—when are we going to fight back as it relates to domestic supports that are provided in other countries, for those countries that we are competing against? That is a real frustration all across the country, and particularly in my district. When is the last time we had pursued a challenge against domestic supports by another country?

Secretary VILSACK. Well, there is a case pending. Issues have been raised with China about poultry, but I would be happy to get you the list of cases that have been raised or the issues that have been raised.

Look, we have had 7 of the best years cumulatively of ag exports in the history of the country, and we are aggressively pursuing more opportunities, and we are convinced that the Trans-Pacific Partnership will provide us incredible opportunities, and reopening our opportunities in Cuba. So we are constantly looking for ways to expand the market, and when we think there is a problem, the passage of the recent customs bill is a reflection of you all expressing a desire for more enforcement, and you are going to continue to see more cases that have been brought in this Administration, not necessarily in agriculture regards, but the entire economy than any previous Administration.

Mr. ROUZER. We are not just opening markets, but it is important for us to go on offense and challenge some of these other countries the way they like to challenge us.

Mr. Chairman, I yield back my time.

The CHAIRMAN. The gentleman's time is yielded back.

Mr. LaMalfa, 5 minutes.

Mr. LAMALFA. Can I defer, please?

The CHAIRMAN. Mr. Newhouse, for 5 minutes.

Mr. NEWHOUSE. Thank you, Mr. Chairman, and thank you, Mr. LaMalfa.

Mr. Secretary, as everyone is singing your swan song, I don't know if it is totally unprecedented for the next Administration to keep a current Secretary, so just to put my 2¢ in there for your performance. I appreciate working with you over the last 7 years.

A couple of questions real quickly. Earlier this month, I noticed that APHIS published a Notice of Intent to revise its biotech regulations and complete an environmental impact statement, an EIS, which is required under the NEPA for such changes.

I have to tell you, first of all, that the Notice of Intent seemed somewhat vague. It wasn't clear what commodities or technologies were intended to be regulated. Under the notice, things previously unregulated would potentially fall under regulation, such as the seedless watermelons, for one example. Could you tell me what prompted this regulatory revision, and how a systemic revision can be expected to be in it? And as a follow up to that, I was very concerned that there was only 30 days given for a comment period, and as you well know, something of this importance I would hope it could have as much time as possible for stakeholders to weigh in. Would you consider perhaps extending that 30 day period?

Secretary VILSACK. This has to do with plant pest risk assessment section of the biotech regulations that USDA is involved in. We had proposed a set of changes many, many, many years ago that has sort of languished, and so we decided to withdraw that proposal and start the process again to give people an opportunity to refresh their comments, as they had provided previous comments. We provided a list of alternative options. One of those options has to do with trying to make this process as efficient as possible. We heard concerns from the industry that we take a good deal of time, and we have reduced that time from 90 months to about 13 months on average now. We have reduced the backlog, but there is still a desire for greater efficiency. So to the extent that we have already passed on a technology, the question is why should we have to reevaluate that same technology if it is in a different crop? That is a question, and a legitimate one for comment.

As far as the comment period is concerned, we were always open. If we see that there is a significant interest in this and there is a lot of demand, we have in the past been willing to provide additional time, and that may very well happen in this case. I don't want to commit to it, but it may very well happen.

Mr. NEWHOUSE. Well thank you very much.

On the GMO issue, I would just add my ditto to Mr. Bost's comment and appreciate your support on working on behalf of making sure we have a clear movement forward, something that will prevent us from having a patchwork of regulations around the country. So thank you very much for your work on that issue.

Let me talk a little bit about forest certification programs. Last September, the EPA published an interim recommendation for environmental standards, as well as ecolabels for use in Federal procurement. Their recommendation for lumber excludes several of what we see as credible standards, including the SFI, which is Sustainable Forestry Initiative, and the ATFS, the American Tree Farm System. I don't have to tell you that across the United States, a huge percentage of the forest area is covered under those two systems. In my home state, 95 percent of the forests are covered under those. I can tell you I was disappointed to learn of this recommendation, and asked what kind of determination or without consultation by USDA should we see in the future. Is the USDA going to stand up for these certification programs? Could you provide us with an update on how you plan to educate the DOE as well as the EPA about these certification programs?

Secretary VILSACK. Congressman, I will be happy to ask our team to give you a full briefing on the process that is in place. If you see that it is not robust enough, I am sure that you will be able to tell us that. I can commit to you that we make every effort to try to make sure that EPA is aware of our views on certain things and what we think the likelihood would be of the impact in the field. Obviously, it is a sister agency and frankly, I don't necessarily want, and I don't think you want the EPA to tell me what I should be doing, do you?

Mr. NEWHOUSE. Absolutely not, but I would be hopeful that you would engage with those two other agencies and educate them as to the importance of those programs.

Secretary VILSACK. Fair enough.

The CHAIRMAN. The gentleman's time has expired.

Mr. NEWHOUSE. Thank you, Mr. Chairman. I appreciate it.

The CHAIRMAN. Mr. Kelly, 5 minutes. I am sorry, Mr. LaMalfa, 5 minutes. Sorry about that.

Mr. LAMALFA. Thank you, Mr. Chairman, parachuting in here.

Mr. Secretary, thank you for appearing again with us here today, and your dedication to doing so in past hearings.

An issue we have a lot, especially, it is important up in our district is the Resource Advisory Committee known as RAC. There is an appointment process which is important for the funding for RAC work to be done on forestry and other land management issues, which is really important for secure rural schools, for example, in our area. And so what we find is that the RAC committees, some of them don't have enough members on them because the appointment process hasn't been fulfilled to reach a quorum. They have to have a quorum to make decisions on the allocation of funding, so it delays the process for what Forest Service needs to get done, and the BLM, *et cetera*. Are you aware of that? Is there some way we could goose this process along a little bit to get to RAC appointees so they can have quorums in doing their good work?

Secretary VILSACK. Congressman, I basically approve all those appointments, and from time to time as I am approving them, I notice that there are categories that are not filled because there is no nomination or no recommendation for the local area. I can't give you an example. There may be a request for a Native American representative, or there may be a request for an engineer, or there may be a specific request the way the RAC is set up.

Mr. LAMALFA. Do you have any flexibility where let's just say the Happy Camp, California, may not have a lot of engineers and for the area that that RAC would cover, for example. Is there flexibility or do you need a legislative fix to allow some more flexibility? Do you find you are bound by that a little bit?

Secretary VILSACK. That is a very good question, and I don't know the answer to that question, but I will take it back and find out.

Mr. LAMALFA. Please.

Secretary VILSACK. It has been frustrating to me because sometimes I will check off six names, but there are eight other categories that are not—

Mr. LAMALFA. Yes, and I understand that they want a little diversity or all different types of input. I suppose maybe we could narrow that down or broaden it to be public members—go ahead.

Secretary VILSACK. I don't know that it is our regulation that sets up the categories. I am not sure about that, and that is what I will check.

Mr. LAMALFA. Okay. I would love to help on that a little bit.

And generally on Forest Service issues here, again, we have had a lot of fire in northern California. You visited Trinity County here about 2 years ago, and we had, in 2014, a devastating fire up in Siskiyou County as well. We are just now getting to where they are putting out salvage contracts here in early 2016 for a 2014 fire. The process of doing the study and some of the background involved has taken so long that the value of the wood there for salvage, and it is a very modest project, four percent of the 200,000+

acres is what we are talking about is what the project is, and the value of the wood goes away month by month with infestation of bugs and other things that happen to the burnt trees. So can you see a way we can expedite more? It seems like it is a reinvention of the wheel every time we have a salvage, like oh, we never heard of that. We better study it to death. And I am not saying you, sir, but there is a process here that is very cumbersome that doesn't allow us to get out there and get on this, get the value out, and get the forest recovered. You see it on private lands. You can fly over it on the checkerboard pattern of private *versus* public lands. They are out there. They are recovering the forest. They are replanting. Our Federal lands are the ones suffering. It is the next tinderbox as the brush builds up and the old dead wood still stays there.

I will stop. Can we help you in any area on that, or do you see a remedy?

Secretary VILSACK. I am a broken record on this. First and foremost, it is about staffing, and the reality is a 50 percent reduction in staff because we are transferring money to put fires out.

Mr. LAMALFA. We are working on that, sir. We will allocate—

Secretary VILSACK. We have been working on it for years, Congressman. We need to get it done this year.

Mr. LAMALFA. Yes. Bipartisan support to do it—

Secretary VILSACK. Great. That will be a happy day for me.

Second, we have looked at ways in which we can streamline the analysis, the NEPA process and all that kind of stuff that has to go into any kind of Federal action. We actually have streamlined that process and we are continuing to look for more efficiencies in that process. And in reference to Trinity County, I know that we just did enter into a fairly significant contract there. I was told just 2 days ago about that.

Mr. LAMALFA. Yes. This is the one in western Siskiyou, but we just need help to be able to do it the same season. Ideally, you should be able to have a protocol you would follow immediately after a fire when the last embers are out that we are in there starting just like on private land. So anything we can do, please follow up and I would love to have the answer on that RAC question as well, and see what we need to do there.

Thank you. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman's time is yielded back. Trent, it is your turn. Sorry about that.

Mr. KELLY. Mr. Secretary, I stayed here for 2 hours and 15 minutes, and I am basically going to ask you some of the same questions that other people have asked you.

It is more of an impassioned plea, and it is more of leadership, because I respect you tremendously, and I know that you can get to the right answer to do the right thing. And I wouldn't have stayed here and asked something if I didn't feel like the whole farm industry of my state depends on your decision, Mr. Secretary, that is yours to make. And quite frankly, I think that you are wrong in the way that you read the Supreme Court, and I am a lawyer and I understand those things. I understand. I had JAG officers as a commander in the guard who will tell me I can't do things, when I know, in fact, that it is their interpretation of the law, but their

interpretation is wrong and I can go and do the research behind that to show that is not the only interpretation, and that is not the right interpretation. I know also as a former district attorney that we would argue over rules of evidence where I would have briefs on cases which the circuit court judge had found something and then the higher court ruled to reverse or affirm.

And Mr. Secretary, all I ask you to do is to open your mind and go back and relook, because, clearly, the industry may have intended for cottonseed or not intended, but I don't care what the industry thinks. What the statutory construction goes to is not what the industry thought. What the statutory construction goes to is what Congress thought. Not what the industry thought, which is a separate incident, but what Congress thought. And Mr. Secretary, I can truly say that I believe that Congress when they said other oilseeds and allowed you the authority to do that, I don't think that they thought about cotton one way or the other. I think at that time the only way they thought about cotton was in lint. And Mr. Secretary, they have given you the power to do this, in this statute as it is written, where it says other oilseeds, and it did not explicitly rule out cotton. Now the industry may have talked about that, but the Congress and the committees in Congress did not. And Mr. Secretary, all I am asking you to do is go back. You have the authority. And right now, timeliness is of the essence. If this doesn't happen quickly; and the other recommendations that you have aren't going to get us there. They are not quick enough, and I have had many, many officers over the years tell me that an 80 percent solution on time is better than a 100 percent solution 10 minutes after it works. And 10 minutes is too long. If we do this in August, if we do this in April, it is past the point to have an impact on my farmers.

Back in the district this week, I went and spoke at the peanut buying point in Memphis, Tennessee, and I talked to a lot of my peanut farmers one-on-one. And it is not just cotton that is impacted. It is impacting my peanut farmers right now because one of the most important or the most profitable places that you can make right now was peanuts. But right now I have cotton farmers growing peanuts because it is profitable, which depresses the price of my peanuts, which means now my peanut farmers are suffering from the same thing.

Mr. Secretary, again, I respect you and I think you are doing the right thing, and I think you got to that conclusion by looking at the law. The only thing I will ask you, Mr. Secretary, is please relook at it, because I know that you have the authority and I know what Congressional intent was at the time, and you can get to either as most legal arguments, and you and I as lawyers understand that. You can get to the right answer if you choose to, Mr. Secretary, and as a plea from my farmers in Mississippi, I am asking you at least reopen and relook and give them an opportunity to make the sale.

And for your comments, Mr. Secretary?

The CHAIRMAN. The gentleman yields?

Mr. Yoho, 5 minutes.

Mr. YOHOO. Thank you, Mr. Chairman, and Mr. Secretary, I am going to sound like a broken record, I guess, but I do appreciate your being here today.

As you know, the subject of GMOs come up often. It is relatively hot. It is a relatively hot topic, and not all for the good. It seems that there are surprisingly large groups of folks that prefer the ostrich approach to science and feeding a growing world. Granted, some, like our European friends, are taking the anti-GMO position in a fairly blatant effort to obstruct trade and harm American farmers and ranchers. Others are doing so because they just don't know any better. The rest may honestly believe that the GMOs are harmful, even though pretty much everything they and their families eat is the product of genetic modification. Humans have been crossbreeding plants and animals over thousands of years, and modern science just expedites that process.

What concerns me, however, is that the USDA, United States Department of Agriculture, doesn't seem to be a champion of the results of that science. And heck, I was in a briefing with Melinda Gates, and she sang the praises of GMOs and highlighted the fact that we can't feed the world or America's hungry, much less get them the needed increase in levels of vitamins and essential nutrients without the GMOs. If we want global security and stability, make sure people's bellies are full.

You have agencies like the Agricultural Research Service and the National Institute of Food and Agriculture, not to mention our land-grant universities, leading the charge for scientific advancement in the food and science industries in agriculture. Under your direction and the funding provided by the hardworking American taxpayers, we should be celebrating the safety and the increased benefits of these GMOs, and if not, maybe we should stop funding these. We can't feed a world with just organic farm and farm plots. Not that there is anything wrong with them, there just aren't enough of them.

And given all that, Mr. Secretary, when can we expect you and the U.S. Department of Agriculture to be the biggest cheerleaders for the sound science in feeding the world's poor, and help stave off this hunger epidemic that is going to come when we hit nine billion people in the world?

To fend off the false narratives coming out of the media, we are funding all this stuff but we are not seeing the results. We are not seeing, not just you, but the USDA, the scientific community, our land-grant universities standing up and championing this. What are your thoughts on that?

Secretary VILSACK. Congressman, I am just trying to collect myself, because what you have just outlined is just completely incorrect.

Mr. YOHO. Okay. How is that? Explain that.

Secretary VILSACK. Because no one in the Capitol of Washington, D.C. has been more of an advocate for genetically modified technologies in agriculture than me. So I don't know what you are reading or what you are not reading. I don't know if you don't know about the fusses that we have with the Chinese over their regulatory system that I have been consistently fighting for 7 years. I don't know if you don't know about the 7 hours of meetings I had trying to broker a compromise on the issue of labeling. I don't know if you aren't aware of the fact that I was the co-chair of the Biotech Partnership when I was governor with Governor Johanns at the

time, promoting this technology. I don't know if you don't know about all of the public comments I have made about the safety of this, including a comment that I made recently at the Appropriations Committee where *factcheck.org* wondered why I said there were hundreds of studies outlining the safety of biotechnology, only to find out that, actually, I was wrong, because there were literally thousands. I don't know what you are talking about.

Mr. YOHO. Okay. Let me interrupt here, because there is a lot I don't know, granted, but what I can tell you is——

Secretary VILSACK. You shouldn't state that we are not championing this when we, in fact, are.

Mr. YOHO. Well let me give you an example. The papaya that was genetically modified for the ringspot virus in the University of Florida was done over 10 years ago, and we are still waiting for it to get released. It is just now getting ready to be released because of the narrative from the environmental groups and the EPA saying well we are not sure this is safe, but the studies were done. We should be up here in the government saying, "Hey, wait a minute," and go back to the EPA and say, "Hey, we have done the research. We know this is safe." Then it is the same with so many of these other products. We did a teleconference call the other night, and people are saying you guys have taken away the ability to label GMOs and we had to correct them. And I agree with the standards that you are talking about, but I want to hear the USDA in the press when they attack beef and beef is bad and this and that.

Secretary VILSACK. We have been. In fact, when I came into this office, there was a backlog of biotech regulatory actions. We have erased that backlog. So that is just not even accurate. It is not even close to being accurate.

Mr. YOHO. I disagree with you on that. I mean, if you look at that——

Secretary VILSACK. Well, you are wrong, with all due respect——

Mr. YOHO. I yield back. I am over time.

The CHAIRMAN. The gentleman yields back.

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Chairman. Mr. Secretary, it is good to see you. I will try not to be a broken record. I can't even find a needle for my record player anymore.

So I want to say, first of all, I had hosted just a couple of weeks ago an event in the district, trying to make it more efficient for the great people working at NRCS and Rural Economic Development. We did an event and called it Finding Funding Opportunities Outreach event, and it really did well. I want to put a plug in for Gary Reed from my area from NRCS, a USDA employee. He did a great job coming out. We tried to make it one-stop shopping, so we had a room full of people. There were township supervisors and community leaders and healthcare folks looking at all the different programs that are available through USDA, trying to make it easier for folks to navigate and Gary did a great job. So thank you for that and your support of those programs.

I just want to check in, as you know, the 2014 Farm Bill gave the Forest Service a lot of tools to help the agency better manage the National Forests, including some of the challenges we have. We

did that through the categorical exclusions, dealing with insects, disease treatment designations, as well as reauthorization of both stewardship contracting, good neighbor authority. Any thoughts on how the Forest Service is doing with these tools? How is that working out?

Secretary VILSACK. Congressman, I have information in front of me here and I hope it is accurate, but if you take a look at the time period from 2001 to 2008, we did 1,144 million board feet in Pennsylvania of treated wood. From 2009 to 2015, we have done 23,134 million board feet. So we are continually looking for ways in which we can increase activity.

Mr. THOMPSON. And the board feet have been going up. Obviously, as Chairman of the Subcommittee, I track that very close across the country, but specifically in the Allegheny National Forest. When you talk about across Pennsylvania, it is ANF. That is the forest. Any thoughts in break down? I know a lot of that increase has been in stewardship contracting, and that is important because that is how we go after undergrowth. That is how after the invasive and non-invasive species, diseases, the lifeblood and local jobs to do that, rely a lot on local contractors. But there is a distinct difference in the economic value, and in the long-term management of the forest, when you divide it between stewardship contracting and green stick. I think green stick production is still lacking. And I recognize you don't need to revisit the staffing issue, we brought that up and identified the number of foresters that we have lost, retirements in the Forest Service. We certainly recognize that, but any thoughts in terms of just where that number is, and the distinction between stewardship contracting and green stick production?

Secretary VILSACK. Stewardship contracting agreements are providing roughly 30 percent of the timber volume.

Mr. THOMPSON. Our goal, with the Committee, was work with you to help increase that number, and stewardship contracting as well, but we want green stick to—

Secretary VILSACK. What are you thinking is—I don't know if it is appropriate, Mr. Chairman, if I ask a question?

Mr. THOMPSON. I would love it.

Secretary VILSACK. What do you think an appropriate ratio is?

Mr. THOMPSON. Well, more, just given the status of where we are—

Secretary VILSACK. You mean less stewardship and more—

Mr. THOMPSON. No, we want to see them both increase, but we don't want the stewardship contracting, which has been really good and has increased, but we also need to make sure that we are putting the resources on the ground, the boots-on-the-ground, and getting the regulatory barriers. That is why we did the things with the categorical exemptions, giving you more of those tools, trying to take the target off your back from these environmental groups that are not achieving their mission. They are actually ruining our forests. They are allowing them to decay. We are allowing stands of timber, until we get around to harvest them, we have gone past the point of value in the other living entities, and they will start to decay and lose value. I think that is the goal. There is a lot of frustration. I know Members of the Committee, and I, are fans of

the Forest Service. I take the opportunity to stop in and thank the folks working in the Forest Service wherever I travel.

Secretary VILSACK. One thing I have noticed in the last couple of years is that there is now a better collaborative spirit in many of the forests across the United States. I think people are recognizing precisely what you have said, which is that people have to get along here in order to get work done, and that there has been too much delay in the fussing and fighting that has been associated with the forests, and that has damaged the forests. Hopefully we are going to see more collaboration and more quick contracting and more stewardship and more activity, and more demand for the wood products that we are producing.

Mr. THOMPSON. Thank you.

The CHAIRMAN. The gentleman's time has expired.

Mr. Secretary, I know you are getting close to your hard stop, and I certainly appreciate you being here this morning.

Let me ask you one other question real quick, and then I will make some closing remarks and you can flee the jurisdiction. But, thank you for being here this morning. I appreciate it.

I have had a multi-year disagreement with Navy Secretary Mabus, in particular, with his greening up the Navy, the extra costs associated with that program that DOD is absorbing at a point in time where our pilots aren't being able to fly as much as they need. There are a lot of readiness issues out there, just operational maintenance and things going on. We specifically included a provision in last year's NDAA that said the Navy cannot buy drop-in biofuels if the costs are not competitive with conventional fuels. Now, I understand that USDA has weighed, in using your CCC authorities, to buy-down or do whatever you are doing to buy-down those costs, so that it looks like the Navy is buying this jet fuel, algae-based jet fuel or whatever, at something approaching what it would cost for normal fossil fuel-based jet fuels. Is that a misstatement on my part, a misunderstanding on my part? Is that what you all are doing?

Secretary VILSACK. There was an agreement between the Department of Energy, the Department of Agriculture, and the Department of Defense, several years ago, to try to encourage this industry, and we all pledged a certain level of resource to this effort. So what you have indicated is probably accurate. I am not sure how much assistance we provided, but we probably provided some assistance.

The CHAIRMAN. Yes, at least in 2014 it was \$161 million. We think it is \$170 million this year. That last number is one that was told to me. I don't have it. Maybe it is a pledge, but—

Secretary VILSACK. I don't think it was that much.

The CHAIRMAN.—if you would take this one for the record, because I caught you flat-footed, and this is not a “gotcha” session. We had enough of that today already. But take it for the record, because I am concerned that you guys might have been used to help the Navy get around a NDAA restriction that we put in there, and you certainly don't want to do that.

Mr. Secretary, I don't know if you are the longest-serving Agriculture Secretary, but you are one of the longer serving Agriculture Secretaries. The 14 months I have been in this slot, you have

worked hard at developing a relationship with me and I have reciprocated. And we built that. I never intended for the cotton thing to be personal at all, and we just have a disagreement. I took an oath as well, and your thought that I would be asking you to break your oath, I disagree with that. I would never ask you to break your oath and do something that was wrong or against the rules. I have good lawyers on my team that are telling me you have all the authority you need to do that, and you have good lawyers on your team telling you that you don't. We always stick with the lawyers we pay. I got that, but I did not ask you to break your oath by any stretch of the imagination, and that was never intended.

We have some cotton guys out there that are hurting, and you know that. You are sympathetic to their issues. I disagree with my colleague, Mr. Yoho. You are one of the best champions out there for biotechnology labeling. You had me at your home at dinner one night and this subject came up out of the blue long before it became a hot topic, and you were already working on a solution to try to figure out how we can do this labeling thing so that we can get the consumer the information they want. It is not a food safety issue. In other areas you have done it really well. We just have a disagreement.

My good friend, Mr. Kelly, was a lot better at expressing our desire to try to keep working on this cotton thing, because of the issues that are going on, but I do appreciate your 7 long years and however much time you have left in your tenure. You have done a great job. I am proud of the FSA and the work they do in implementing our farm bills. I am proud of what your team does, and there are some choices going out there. You guys made a choice that you wanted to plus up spending somewhere else in the farm bill. You want to take it out of crop insurance. Those are just differences of opinion on the circumstances. We have cut your budget. You have divided government, you have this dust up between the White House and us, and while I am not aware of the USDA overreaching its boundaries or going beyond its charters to do things that upset the rules, but certainly there are agencies out there that do that. And, we are in tough times. We have \$19 trillion of debt and we can't afford to do everything we want. I did not ask you under any circumstance to break your oath. I never would. And I appreciate the hard work you have put in all these years, the sacrifices you and your wife have made to serve agriculture and rural America the way you have done. You have done a great job. We just simply have a disagreement on an important issue that, all politics are local. I represent a bunch of cotton guys, and if this thing were going on in corn in Iowa, who knows what might be happening.

I appreciate your efforts and would echo Mr. Kelly's comments. My public comments for the last 3 months on this issue have been very circumspect in trying to make sure I didn't do anything that made it more difficult for you to get to the conclusion that we want, that you dig your heels in, in a way that makes this unworkable and not happen. None of my public comments have ever done anything but simply say, "Look, we have to get to an answer. I don't care who gets credit for it. This is the designation that we want."

I appreciate your understanding this morning, 2½ hours of give and take, and I appreciate that and your service.

Ranking Member Peterson also wishes you well. Under the rules of the Committee, today's record of the hearing will remain open for 10 calendar days to receive additional material, supplemental written responses from the witness to any questions posed by a Member. This hearing of the Committee on Agriculture is adjourned.

[Whereupon, at 12:38 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED LETTER BY HON. MIKE BOST, A REPRESENTATIVE IN CONGRESS FROM
ILLINOIS

August 12, 2015

Hon. BRUCE RAUNER,
Governor,
State of Illinois,
Springfield, IL.

Dear Governor Rauner:

Thank you for your letter of July 23, 2015, requesting a disaster designation for Illinois counties that suffered losses due to excessive rain and flooding that has occurred in 2015.

The Department of Agriculture reviewed the Loss Assessment Reports and determined that there were sufficient production losses in 87 counties to warrant a Secretarial natural disaster designation. Therefore, I am designating 87 Illinois counties as primary natural disaster areas due to damage and losses caused by excessive rain and flooding that occurred during the period of June 1, 2015, and continuing. Those counties are:

Adams,	Fulton,	Logan,	Randolph,
Alexander,	Gallatin,	McDonough,	Richland,
Bond,	Greene,	McLean,	Rock Island,
Brown,	Grundy,	Macon,	St. Clair,
Calhoun,	Hamilton,	Macoupin,	Saline,
Carroll,	Hancock,	Madison,	Sangamon,
Cass,	Hardin,	Marion,	Schuyler,
Champaign,	Henderson,	Marshall,	Scott,
Clark,	Henry,	Mason,	Stark,
Clay,	Iroquois,	Massac,	Tazewell,
Clinton,	Jackson,	Menard,	Union,
Crawford,	Jasper,	Mercer,	Vermilion,
Cumberland,	Jefferson,	Monroe,	Wabash,
DeKalb,	Jersey,	Montgomery,	Warren,
DeWitt,	Johnson,	Morgan,	Washington,
Douglas,	Kane,	Peoria,	Wayne,
DuPage,	Kankakee,	Perry,	White,
Edwards,	Knox,	Piatt,	Whiteside,
Effingham,	La Salle,	Pike,	Will,
Fayette,	Lawrence,	Pope,	Williamson,
Ford,	Lee,	Pulaski,	Woodford.
Franklin,	Livingston,	Putnam,	

In accordance with section 321(a) of the Consolidated Farm and Rural Development Act, additional areas of your state are named as contiguous disaster counties. Those counties are:

Boone,	Cook,	McHenry,	Stephenson,
Bureau,	Edgar,	Moultrie,	Winnebago.
Christian,	Jo Daviess,	Ogle,	
Coles,	Kendall,	Shelby,	

In addition, in accordance with section 321(a) of the Consolidated Farm and Rural Development Act, counties in adjacent states are named as contiguous disaster areas. Those states, counties, and numbers are:

Contiguous counties in Adjacent States:

Indiana (10)				
Benton,	Knox,	Newton,	Sullivan,	Vigo,
Gibson,	Lake,	Posey,	Vermillion,	Warren.
Iowa (7)				
Clinton,	Jackson,	Louisa,	Muscatine,	Scott.
Des Moines,	Lee,			

Kentucky (5)

Ballard, Crittenden, Livingston, McCracken, Union.

Missouri (15)

Cape Girardeau, Lewis, Mississippi, Ralls, St. Louis City,
 Clark, Lincoln, Perry, St. Charles, Ste. Genevieve,
 Jefferson, Marion, Pike, St. Louis, Scott.

A Secretarial disaster designation makes farm operators in primary counties and those counties contiguous to such primary counties eligible to be considered for certain assistance from the Farm Service Agency (FSA), provided eligibility requirements are met. This assistance includes FSA emergency loans. Farmers in eligible counties have 8 months from the date of a Secretarial disaster declaration to apply for emergency loan. FSA considers each emergency loan application on its own merits, taking into account the extent of production losses on the farm, and the security and repayment ability of the operator.

Local FSA offices can provide affected farmers with further information.

Sincerely,



Hon. THOMAS "TOM" J. VILSACK,
 Secretary.

SUBMITTED QUESTIONS

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

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

Question 1. The farmers and ranchers I am talking to are facing very difficult times, and those that aren't yet are very nervous about the direction things are headed. What analysis, if any, has USDA done to look at the challenges farmers are having in securing credit for the upcoming crop year?

Answer. USDA continually monitors both the financial health of US farmers and farm sector credit availability. Here is our current assessment:

An overall decline in commodity prices in calendar year 2015 resulted in a second consecutive year of lower net farm income. Overall cash receipts fell \$43.6 billion from 2014 levels (-8.7 percent). The largest dollar declines were for dairy (-28.1 percent), hogs (-25.1 percent), and corn (-15.6 percent). Production expenses fell for the first time since 2009, but the decline was only 2.0 percent. The largest declines in expense items were for fuel and feed costs, which declined by \$10.8 billion (12.8 percent). Labor, interest, and property tax expenses increased by 8 percent. Total Direct Farm Program payments for 2015 were up 10.4 percent from 2014 (\$1 billion) and at the highest level since 2010. Recent Federal Reserve Bank surveys of agricultural bankers indicate cropland values in many central Corn Belt regions have declined around three percent year-over-year. Irrigated and "good farmland" values have fallen more slowly or held steady. Through the third quarter of 2015, overall lender credit quality appears to be good, though bankers were expecting a decrease in loan performance. Although off-farm income can provide a substantial cushion, a second year of reduced commodity prices and farm incomes is constraining working capital, contributing to an increased demand for non-real estate credit. While farms overall have strong balance sheets with low debt-to-asset ratios, a majority of the farm debt is held by farms with over \$500,000 in farm sales. These larger farms, which tend to be more indebted, are more likely to face liquidity constraints. Here are some key points.

- While overall financial conditions remain strong, farm financial risk indicators such as the debt-to-asset ratio are expected to rise slightly in 2015, reflecting increased financial pressure. Declining farm sector assets primarily result from a modest decline in farmland value as well as higher debt. Equity is expected to erode by 4.8 percent, the first drop since 2009. However, as a matter of perspective, debt-to-asset ratios are not at levels seen during the farm financial crisis of the early 1980's.

On an ongoing basis, USDA economists analyze several data sources to keep abreast of any changes in farm financial health including:

- USDA's Economic Research Service (ERS) develops both current estimates and forecasts of future farm income which are reported on a semi-annual basis and made available at <http://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/2016-farm-sector-income-forecast.aspx>.*
- USDA conducts the annual Agricultural Resource Management Survey (ARMS) to access the current financial condition of farmers and ranchers. The ARMS provides farm-level information on household income, farm finances including liquidity, solvency, and debt capacity, and wealth. Results of the ARMS can be accessed at <http://www.ers.usda.gov/data-products/arms-farm-financial-and-crop-production-practices/tailored-reports-farm-structure-and-finance.aspx>.*
- USDA staff utilize Federal Reserve Bank surveys to access the availability of credit to farmers. (See, for example: <https://www.kansascityfed.org/research/indicatorsdata/agcreditsurvey/articles/2016/5-12-2016/banker-comments-10th-district-4-12-2016>.) Also, internal data on participation in direct and guaranteed loan programs provides information on farmers currently receiving FSA loans as well as those with loans outstanding.*

Examples are listed below of recent analyses undertaken by USDA which have utilized these data sources to look at the challenges farmers may face in securing credit:

- *Mounting Pressure in the U.S. Farm Sector*, Federal Reserve Bank of Kansas City March 2016. <http://www.kansascityfed.org/research/agriculture/agoutlook/articles/mounting-pressure-in-us-farm-sector>.*
- *America's Diverse Family Farms: 2015 Edition*, USDA, Economic Research Service, December 2015. <http://www.ers.usda.gov/publications/eib-economic-information-bulletin/eib-146.aspx>.*
- *Changing Structure, Financial Risks, and Government Policy for the U.S. Dairy Industry*, ERR-205, U.S. Department of Agriculture, Economic Research Service, March 2016. <http://www.ers.usda.gov/publications/err-economic-research-report/err205.aspx>.*
- *Annual Report on Term Limits for FSA's Direct Loan Program*. USDA, Farm Service Agency, September 2015. http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/NewsRoom/eFOIA/pdfs/term_limits_report_Sept_2015.pdf.*

Question 2. Secretary Vilsack, last year you were asked about the sterile fruit fly production facility in Edinburg, Texas, and you responded that the facility was in a category of USDA facilities in most need of repair. How much has USDA requested in the 2017 budget to renovate or replace this facility?

Answer. While USDA has not requested any specific funding in the 2017 budget to replace this facility, APHIS is reviewing the condition of all of its facilities for consideration in future planning.

Question 3. Secretary Vilsack, 2 weeks ago when we met with EPA Administrator McCarthy, several of our questions related to the willingness of EPA to consult with USDA when developing regulations. The Administrator went to great lengths to suggest that the relationship between EPA and USDA is a positive one, but failed to provide any concrete examples of how those consultations resulted in significant changes to EPA's proposals.

Can you tell us how it is that EPA's consultation with USDA on the revised worker protection standard rule resulted in the inclusion of the designated representative provision? This provision was not in the proposed rule, nor was it in the final rule submitted to the House Agriculture Committee last May, yet it was in the final rule published later in the summer.

Answer. In addition to USDA comments provided to the Office of Management and Budget (OMB) consistent through the interagency review process governed by Executive Order 12866, the worker protection standard rule required formal consultation between EPA and USDA under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). This FIFRA process between EPA and USDA was undertaken prior to OMB 12866 review. Comments submitted during the interagency review process are provided to the Office of Information and Regulatory Affairs (OIRA) and are considered pre-decisional and deliberative. OIRA then incorporates those comments into the materials provided to the rulemaking agency or department.

* **Editor's note:** the referenced documents are retained in Committee file.

Question 4. Mr. Secretary, what comments did you provide EPA and the Army Corps on the WOTUS rule during the interagency review? Will you provide the Committee with specific comments that USDA provided on the rule? Further, and perhaps more importantly, do you think EPA and the Army Corps took into consideration USDA concerns? What evidence do you have that they actually took any of USDA's concerns into consideration?

Answer. USDA provided comments on the Clean Water Rule to the Office of Management and Budget (OMB) from October 2013 through May 2015 consistent with the interagency review process governed by Executive Order 12866. Comments submitted during the interagency review process are provided to the Office of Information and Regulatory Affairs (OIRA) and are considered pre-decisional and deliberative. OIRA then incorporates those comments into the materials provided to the rulemaking agency or department.

The final rule reflects USDA input and concurrence through both informal and EO 12866 interactions. The final rule includes important agricultural provisions, such as waters being used for normal farming, ranching and silvicultural activities are not considered categorically jurisdictional as adjacent waters. The final rule also reflects longstanding EPA and Army Corps practices on agricultural land, such as providing that *waters of the United States* do not include artificially irrigated areas that would revert to dry land should irrigation cease.

Question 5. Secretary Vilsack, in recent years, EPA has had to rule on several waiver requests to the Renewable Fuel Standard (RFS). Their recent adjustments to the RFS have basically reflected current market conditions. This band aid approach is not sustainable, and it is obvious that the RFS needs to be reformed. Do you have any recommendations on how the RFS can be improved? Do you think another agency or department, other than EPA, would be better suited to handle the RFS waiver process? Could USDA handle this process?

Answer. The Clean Air Act requires the Environmental Protection Agency (EPA) to set the RFS volume requirements annually. Prior to the EPA setting the standards through a notice-and-comment rulemaking process with opportunity for public comment, USDA meets with the EPA and provides data and market information as part of the process in determining proposed and final volumes. In testimony before the Senate Energy and Public Works Committee, EPA indicated their plan to return to timelier rule makings that will provide more certainty for participants. USDA will continue to provide information and feedback as the rule making process continues.

Question 6. The Department originally estimated that Conservation Compliance would affect a very limited number of producers. No one was supposed to be made ineligible in 2016. Can you confirm that 100% of producers who want to buy insurance in 2016 will not be made ineligible because of conservation compliance issues?

Answer. Conservation compliance only impacts the ability of producers to receive premium support and does not impact producers' eligibility to purchase crop insurance. However, some producers may have made the choice to forego premium support in order not to comply with conservation compliance. RMA worked with NRCS, FSA, our private partners, and commodity groups to inform farmers and ranchers about the new conservation compliance requirements. Any farmer or rancher that did not have an AD-1026 on file received three letters and at least one phone call. As a result, over 98 percent of crop insurance customers complied with the provisions. Most of the remaining two percent are likely retired, deceased, or operating under a different entity. RMA has implemented several exemptions to ensure beginning farmers and those who are new to USDA programs, as well as those that have formed new entities, do not lose premium subsidy. To date, over 1,000 exemptions have been granted by RMA. In addition, FSA has granted 24 individuals and entities relief for timely filed AD-1026 due to extenuating circumstances so far for reinsurance year 2016.

Question 7. Secretary Vilsack, your testimony recognizes six biofuel refineries funded through USDA energy programs producing advanced biofuels. Are any of these facilities producing advanced biofuels on a commercial scale? What other products are they producing?

Answer. All six biorefineries are expected to produce advanced biofuels on a commercial scale. One of the biorefineries will produce engineered biochar in addition to advanced biofuel and another will produce amino acids and alanine in addition to advanced biofuel.

Question 8. Secretary Vilsack, in a Memorandum of Understanding (MOU) between USDA, the Department of Energy, and the Department of the Navy, USDA pledged \$170 million of CCC funds towards developing and supporting the commercial biofuel industry, particularly for the use in national defense. Can you tell me

(1) what is the specific authority, other than the very broad CCC Charter Act authority, you used to obligate such funds, and (2) how much of the CCC funds have been spent to date and on what—did this money go towards promoting feedstocks or was it used for capacity building?

What is the current difference in price that USDA is paying between the price per gallon for conventional fuels and these biofuels? Does the Department have procedures in place to control expenditures when energy prices drop, when prices for conventional fuels are significantly lower than they have been historically? With the current price levels for conventional fuels, are there procedures that prevent USDA from covering a disproportionate share of the cost of alternative fuels for the Department of Defense's alternative fuel purchases?

Answer. Farm-to-Fleet was announced in December 2013 and incorporates the acquisition of biofuel blends into regular Department of Defense (DOD) domestic solicitations for jet engine and marine diesel fuels. The Navy seeks to purchase JP-5 and F-76 advanced drop-in blended biofuels ranging from a minimum blend of ten percent to a maximum blend of 50 percent ethanol with conventional fuels. The Defense Logistics Agency Energy (DLA Energy), which awards fuel contracts on behalf of the Navy, is responsible for announcing solicitations, evaluating and awarding contracts, and overseeing fuel procurement and delivery. DLA Energy determines which fuels are cost competitive and makes final determinations on procurement.

The Credit Commodity Corporation (CCC) makes assistance available through Farm-to-Fleet to eligible biofuel suppliers that successfully bid in a DOD solicitation for jet engine and marine diesel fuels. A supplier must use feedstocks that are renewable and produced in the United States in order to be awarded a contract under Farm-to-Fleet.

To date, DLA Energy has awarded one contract under the Farm-to-Fleet program. That contract requires AltAir Fuels to deliver 77.66 million gallons of a marine diesel biofuel blend at a price of \$2.1544 per U.S. gallon. DLA Energy and CCC share the cost for this fuel—to be paid when AltAir delivers the fuel to the Navy—with DLA Energy paying \$1.995825 per U.S. gallon and CCC paying \$0.158575 per U.S. gallon. CCC's total commitment of funds under the AltAir agreements is approximately \$12.315 million. The amount remaining under the original MOU, after adjusting for years that there was sequestration, is approximately \$153.7 million. The MOU is still valid, and this amount remains available for use under the MOU.

No CCC funds have been used for capacity building, and funds are not tied to specific facilities.

Question 9. Regarding last year's outbreak of avian influenza, indemnification payments are currently calculated on the 10 year average for the years 2002 through 2011. Data was available from last year for the years 2003 through 2012, but it was not used by USDA. Why is APHIS not relying on the most recent BEA data for the 10 year average of undistributed corporate profits for farms and food and beverage and tobacco products industries?

Answer. The updated 2012 Bureau of Economic Analysis (BEA) data, which is updated once a year, came out after the outbreak had started. APHIS used the most recent data available at the beginning of the outbreak.

Question 10. Secretary Vilsack, what measures is APHIS taking to provide indemnity payments for HPAI on a uniform basis? For example, how does APHIS decide when it updates its indemnity formula assumptions? Further, how does APHIS establish the cutoff point for farmers receiving indemnity under an old *versus* updated indemnity calculation? And, Mr. Secretary, what has been APHIS' policy with respect to indemnity payments for contract farmers to date?

Answer. When the 2014–2015 Highly Pathogenic Avian Influenza (HPAI) outbreak began, APHIS realized that it did not have specific authority to provide indemnity payments to contract growers. APHIS developed an interim rule that now allows the agency to pay contract growers that is modeled after the split that already existed in the Agency's regulations for Low Pathogenic Avian Influenza (LPAI). APHIS has examined the indemnity calculator and revised it based upon the input it has received from industry. For example, APHIS increased the number of weeks' worth of eggs for which it would provide compensation based upon updated data it received from the poultry industry. In that case, APHIS provided, to ensure uniformity, retroactive indemnity payments to producers who had been affected during the outbreak. As USDA considers additional changes to how it determines values for indemnity payments, the Department will make a decision on when these changes become effective. The level of data currently available and how the changes can be made in a uniform manner are some of the considerations that factor into this decision.

Question 11. How does APHIS expect to change its HPAI payment policies going forward under the recently proposed Interim Rule (APHIS-2015-0061) regarding how indemnity payments are paid to owners *versus* contractors? Further, does APHIS expect to revise its HPAI indemnification formula in light of the recently proposed Interim Rule (APHIS-2015-0061)?

Answer. The interim rule creates a formula that will allow APHIS to split such payments between poultry and egg owners and parties with which the owners enter into contracts to raise or care for the eggs or poultry based on the proportion of the production cycle completed. APHIS is reviewing its indemnity formula, but the overall indemnity determination is separate from the interim rule on the allocation of the total indemnity between the owner and the contact grower.

Question 12. How have APHIS' HPAI indemnity payment practices differed between farmers affected by HPAI *versus* those affected by Low Pathogenic Avian Influenza?

Answer. Prior to the Interim Rule, APHIS was limited in its ability to pay contract growers as the authority for payments for HPAI indemnity were limited to those who actually own the bird. Under the LPAI regulations, APHIS did have the authority to provide split payments to both owners and contract growers. The Interim Rule gave APHIS the same authority for HPAI as it previously had for LPAI to allow a split of indemnity payments in situations where owners had a contract grower raising poultry.

Question 13. As recently as last March, the Farm Service Agency assumed the fair market value for laying hens to be \$19.61 per bird under the Livestock Indemnity Program, while at the same time, APHIS was only assuming a fair market value of just over \$4 per bird for its HPAI payments. How do you explain and justify such a significant disparity between the determinations of the two agencies?

Answer. APHIS indemnity payments and FSA Livestock Indemnity Program payments are fundamentally different. For APHIS, the purpose of indemnity for HPAI is to encourage quicker disease reporting to help the Agency stamp out or stop the spread of the disease, by paying producers for the destruction of layers as part of the disease response efforts. Payments under LIP reflect weather-related disasters, and thus the calculation of a gross value for layers recognizes that often the disaster has destroyed the physical facilities in which capital-intensive layer production occurs. As such, producers are implicitly compensated for costs incurred while production is not occurring because of the disaster, which can be many months until facilities are rebuilt, bird population restored, and production begun.

Question 14. Secretary Vilsack, at our July 22nd oversight hearing last year, my colleague Mr. Lucas asked how USDA had spent the \$100 million in Title I implementation funding we included in the farm bill. At the hearing, you stated that you would provide a written breakdown of how that money was spent, but the Committee has not received that from USDA. Can you provide us with a detailed accounting of how that money was spent?

Answer. The 2014 Farm bill provided \$100 million in mandatory funding for the Farm Service Agency (FSA) to implement programs under Title I. The farm bill funding was subject to sequestration, accordingly, the amount of funding available to FSA after sequestration was \$95.2 million. Funding has been used to hire temporary employees; develop educational and information technology tools for the implementation of Agriculture Risk Coverage (ARC), Price Loss Coverage (PLC), and the Noninsured Disaster Assistance Program (NAP); support operational costs, *i.e.*, travel and training for temporary staff implementing these programs; and conduct outreach, through cooperative agreements, with universities and state extension services. As of September 30, 2015, \$59.8 million has been obligated as follows:

Item	Obligations through 12/31/2015	Planned Obligations for 1/1/16 through 9/30/2016	Total Budget Authority
Temporary Employees/Overtime	\$29,945,695	\$20,697,241	\$50,642,936
Travel/Training	\$596,905	\$6,078,485	\$6,675,390
Operating Expenses	\$1,681,620	\$2,908,652	\$4,590,272
Information Technology	\$21,556,587	\$5,753,606	\$27,310,193
Extension and Education Activities	\$5,994,319	\$5,681	\$6,000,000
Total	\$59,775,126	\$35,443,665	\$95,218,401

Question 15. Mr. Secretary, there is a timeline included in the June 30 and September 30 ACRSI reports the Committee received. Have there been any changes to this timeline since those reports were submitted? Can you give us an updated timeline of ACRSI, and when do you envision it will be completed?

Answer. Since September 30, 2015, there are no changes to the timeline included in the ACRSI report submitted by FSA to the Committee. Planning for the 2016 Spring Expansion 2016 is currently underway and on track for deployment in May 2016.

Question 16. As part of the 2014 Farm Bill, USDA was instructed to inform the House and Senate Agriculture Committees on whether it had reached “substantial completion” of ACRSI. The report submitted to the Committees on June 30 indicated that so far, this program is only operating in “pilot” form in 30 counties in Illinois and Iowa. The subsequent report submitted on September 30 outlined a phased expansion to 15 states in the fall of 2015. It has been reported that it will be rolled out nationwide for 13 crops in 2016. Is this correct, and if so, will this rollout be in the spring or fall? If this funding is granted by the House and Senate Agriculture Committees, how do you intend to use the remaining \$10 million tied to substantial completion of ACRSI?

Answer. The 2016 Spring Expansion expands ACRSI to include 13 crops in all 50 States. USDA is currently evaluating lessons learned and obtaining stakeholder feedback and will use this information, in addition to results of the 2016 Spring Expansion, to identify and prioritize additional functionality needed to determine the most-effective use of the remaining \$10 million. This information will be provided to the House and Senate Agriculture Committees later this summer, following the completion of the spring acreage reporting period.

Question 17. In the current dispute over the sale of *Pork. The Other White Meat*, has USDA evaluated what the impact of the Court of Appeals decision will be on other check-off programs under the management of USDA?

Answer. This case remains in litigation, and it would be premature to discuss its impacts.

Question 18. Please describe the decision-making process that USDA undertook to understand these considerations prior to entering into settlement negotiations, and the specific determination that USDA reached.

Answer. USDA is not discussing settlement with Plaintiff Humane Society of the United States (HSUS). HSUS and USDA previously discussed settlement in the fall of 2015, but those discussions concluded with a joint filing with the Court on December 23, 2015, and are not ongoing. In that joint filing, USDA announced its plans to conduct a review and valuation of the four trademarks, and HSUS stipulated to dismissal with prejudice of a significant part of its lawsuit. On April 20, 2016, USDA decided to approve, based on the valuation of the four trademarks by an independent expert and other factors, continuing \$3 million payments under the 2006 asset purchase agreement between the National Pork Board (Board) and the National Pork Producers Council (NPPC). As part of its review, USDA directed the Board to contract for an independent valuation of the current value of the trademarks. USDA, in consultation with the Board, identified Stout Risius Ross (SRR) as the most qualified company. SRR concluded that, as of January 1, 2016, the investment value of the four trademarks is between \$113 million and \$132 million using the cost approach, one of several acceptable and recognized approaches for determining valuation.

Consistent with the district court’s direction, HSUS and NPPC submitted valuations for consideration as part of the review. After evaluating the valuations submitted by HSUS and NPPC, USDA deemed SRR’s range of \$113 million to \$132 million to be the most reliable estimate of the value of the trademarks. On April 20, 2016, the Board, NPPC, and HSUS were notified of USDA’s decision to approve the \$3 million payment under the terms of the agreement.

Question 19. Please describe how USDA views the National Pork Board’s independence and autonomy under the Pork Promotion, Research and Consumer Information Act of 1985 (“Pork Act”)?

Answer. The Board administers the Pork Checkoff Program under the Pork Act, with oversight from USDA. This means that the Board determines projects in accordance with the Pork Promotion, Research, and Consumer Information Act of 1985 (7 U.S.C. 4801–4819) (Pork Act) and Pork Promotion, Research, and Consumer Information Order (7 CFR 1230) (Order) issued thereunder. It is first the responsibility of the Board to determine the projects to fund and submit them to USDA for approval. It is then within USDA’s oversight role to ensure that activity funded with checkoff dollars is in accordance with the Pork Act, Order and regulations, and USDA and government policies and guidelines.

Question 20. What are the respective roles of the National Pork Board and USDA under the Pork Act?

Answer. The Pork Act authorizes the Board to administer the Pork Checkoff Program, including entering into contracts and engaging in plans and projects—all within the oversight authority of the Secretary of Agriculture.

Question 21. Please describe, in detail and with citations to the specific legal authority, the Secretary of Agriculture's powers under the Pork Act, or otherwise, to direct the National Pork Board to undertake specific actions?

Answer. The Pork Promotion, Research, and Consumer Information Act of 1985 (7 U.S.C. 4801–4819) states that the Secretary has oversight of the Board and all expenditures. All Board funding expenditures are subject to advance approval by USDA. For example, section 1619(a)(2) of the Pork Act states that the “Board shall prepare and submit to the Secretary, for the approval of the Secretary, a budget for each fiscal year . . .” Section 1619(a)(3) states that “[n]o plan, project, or budget . . . may become effective unless approved by the Secretary.”

Question 22. If the National Pork Board reaches a decision to honor its current contractual arrangement with the National Pork Producers Council for the sale of *Pork. The Other White Meat*, what authority does USDA hold to reverse or otherwise deny that action?

Answer. On April 20, 2016, USDA decided to approve continuing annual payments of \$3 million under the terms of the agreement.

Question 23. If the National Pork Board decides to end the review, or otherwise indicates that it wants to stop settlement talks with the Plaintiffs, will USDA honor that desire?

Answer. Settlement talks are not ongoing with the Plaintiffs, and the review has concluded with USDA's decision to approve continuing annual payments of \$3 million under the terms of the agreement.

Question 24. If the National Pork Board decides, after the review has been conducted, to continue to honor the contract for the sale of the *Pork. The Other White Meat*, will USDA allow that?

Answer. On April 20, 2016, USDA decided to approve continuing annual payments of \$3 million under the terms of the agreement based on its review.

Question 25. USDA has ordered the National Pork Board to retain a trademark valuation firm and begin the process of reviewing the value of the *Pork. The Other White Meat* trademarks. Who is paying for the valuation to be conducted? Who provided the names of the trademark evaluation firms? Who selected the vendor?

Answer. The Board paid for the valuation. USDA provided a list of potential contractors to the Board and, after discussions with the Board, identified Stout Risius Ross (SRR) as the most qualified company.

Question 26. Once the trademark valuation report is submitted to the USDA, who will undertake the “review” of the *Pork. The Other White Meat* Purchase Agreement? Who are the senior officials that will ultimately make a decision on whether to continue performing under the purchase agreement or not? Does the authority to make that decision rest solely with the National Pork Board? If not, why not?

Answer. SRR submitted its trademark valuation report to USDA on March 30, 2016. After reviewing the valuation and other relevant materials, the Agricultural Marketing Service, exercising oversight authority delegated by the Secretary, made the decision to approve continuing annual payments of \$3 million under the terms of the agreement on April 20, 2016.

Question 27. On February 24, 2016, Secretary Vilsack testified to this Committee that the decision to enter into a settlement agreement with the Humane Society of the United States and other Plaintiffs/Petitioners was (1) made in concert with the pork industry; (2) that the pork industry has been involved in discussions concerning the settlement and “review”; (3) that the industry “is now working with the Humane Society” to “figure out a way to do this that is satisfactory to all parties” and to resolve the litigation through settlement discussions.

Please state who the specific organizations and/or individual representatives of the pork industry are that Secretary Vilsack referred to in his testimony?

Answer. Soon after HSUS filed suit, USDA representatives reached out by telephone to Board staff to discuss the lawsuit and potential options and have held additional meetings to update the Board since that date. Further, USDA and DOJ attorneys have had discussions with attorneys representing NPPC.

Question 27a. Please provide the Committee with copies of any and all communications, including but not limited to phone records, e-mails, notes, letters, calendar appointments, or other filings between USDA or the Department of Justice and the Plaintiff/Petitioners regarding the decision to settle this lawsuit.

Answer. There has been no settlement of the lawsuit and settlement talks are not ongoing with the Plaintiffs. The review has concluded with USDA's decision to approve continuing annual payments of \$3 million under the terms of the agreement.

Question 27b. Please provide the Committee with copies of any and all communications, including but not limited to phone records, e-mails, notes, letters, calendar appointments, or other filings between USDA or the Department of Justice and the pork industry regarding the desire of the pork industry to settle this lawsuit as claimed by Secretary Vilsack.

Answer. Since the inception of the litigation, USDA has provided updates to Board staff and gathered information regarding the trademarks from the Board. In addition, USDA has invited Board representatives to the Court hearings. To USDA's knowledge no Board staff or Board members attended the hearings.

Question 28. On March 5, 2016, at Pork Forum, both the National Pork Board and the National Pork Producers Council unanimously passed resolutions, cosponsored by every state delegate body in attendance, which strongly disagree with the decision of USDA to enter into a settlement agreement with HSUS and with USDA's decision to direct the National Pork Board to conduct a review of the *Pork. The Other White Meat* sale.

Does USDA recognize any organizations other than the National Pork Board, the National Pork Producers Council, or the various state Pork Producer Councils as official representatives of the U.S. pork industry? If so, who or what are these organizations?

Answer. USDA recognizes a number of pork organizations, including those listed and many others, as representing the interests of members of the U.S. pork industry. However, there is no such specific list of "official representatives." Specifically related to the Pork Checkoff Program, USDA only officially recognizes State Pork Producer Associations as being eligible to nominate producers to the Board and, besides the Board itself, directly receive Pork Checkoff collections.

Question 29. In light of the overwhelming opposition of the U.S. Pork industry to USDA's unilateral decision to cease defending the National Pork Board's contract and to enter into settlement discussions with HSUS and other plaintiff/petitioners, what authority does the National Pork Board hold to end the "review", or otherwise indicate that it wants to stop settlement talks with the Plaintiffs, and defend and honor its contract for the purchase of *Pork. The Other White Meat*?

Answer. Settlement talks are not ongoing with the Plaintiffs, and the review has concluded with USDA's decision to approve continuing annual payments of \$3 million under the terms of the agreement.

Question 30. The National Pork Board's March 5, 2016 advisement states that USDA "entered into settlement discussions with HSUS. While USDA has not shared the terms of settlement being discussed with NPB, USDA has withheld approval of the annual payment to NPPC in 2016." Please explain Secretary Vilsack's testimony that settlement was made in concert with the pork industry and that the pork industry had been engaged in the settlement discussions with HSUS?

Answer. USDA is not discussing settlement with HSUS. HSUS and USDA previously discussed settlement in the fall of 2015, but those discussions concluded with a joint filing with the Court on December 23, 2015, and are not ongoing. In that joint filing, USDA announced its plans to conduct a review of the trademark valuation, and HSUS stipulated to dismissal with prejudice of a significant part of its lawsuit. On April 20, 2016, USDA approved continuing annual payments of \$3 million under the terms of the agreement based on its review of the valuation and other factors. The Board, HSUS, and NPPC were notified of the decision.

Question 31. The National Pork Board's March 5, 2016 advisement states that "USDA has directed NPB to contract for another valuation of the trademark and expects to make a determination regarding approval of the 2016 payment by the middle of June." Please explain Secretary Vilsack's testimony that the pork industry requested the settlement to be entered into and the valuation of the trademarks value to be conducted?

Answer. USDA directed the Board to contract with an independent expert to determine the present-day value of the trademarks. NPPC specifically asked to be allowed to submit materials for consideration, and USDA invited both NPPC and HSUS to submit such materials. Both parties submitted valuations.

Question 32. Considering the apparent conflict between the pork industry's decision to vigorously defend the contract and USDA's decision to enter into a settlement agreement with HSUS, is the National Pork Board authorized to retain independent counsel to represent the interests of that organization and the U.S. pork industry? If not, why not?

Answer. USDA, the only defendant named in the lawsuit, has approved continuing annual payments of \$3 million under the terms of the agreement. The agency is prepared to defend that decision going forward.

Question Submitted by Hon. Dan Benishek, a Representative in Congress from Michigan

Question. During the recent, “State of the Rural Economy” hearing, we discussed several aspects of the Forest Service budget. Specifically, I would like to better understand the percentage of the USDA–FS budget utilized for land acquisition each year over the last 10 years, as well as the amount in dollars.

In addition, please provide a breakout, if possible, of where the land acquisition projects were funded in FY16, as well a short justification for each project.

Answer. The percentage of the Forest Service appropriations dedicated to land acquisition over the previous 10 years is, on average, less than one percent. The table below includes the percentage of the agency’s budget utilized for land acquisition each year over the last 10 years, as well as the specific dollar amount.

Fiscal Year	USDA Forest Service Appropriations	Land Adjustment Allocation	Percentage of Land Adjustment Appropriations
FY16	\$5,680,346,000	\$64,601,000	1.1
FY15	\$5,073,246,000	\$48,666,000	0.9
FY14	\$4,896,611,000	\$44,654,000	0.9
FY13	\$4,556,651,000	\$50,666,000	1.1
FY12	\$4,845,876,000	\$53,701,000	1.1
FY11	\$5,096,746,000	\$33,982,000	0.6
FY10	\$5,315,256,000	\$64,822,000	1.2
FY09	\$6,107,566,000	\$50,866,000	0.8
FY08	\$5,039,428,000	\$43,091,000	0.8
FY07	\$4,697,796,000	\$46,667,000	0.9

The table below includes a breakout of where the land acquisition projects were funded in FY16, as well a short justification for each project.

Amount	State	National Forest/ Project	Justification
\$1,000,000	AZ	Coconino National Forest	Fossil Creek: Protect watersheds, minimize soil erosion, and rehabilitation of landscape
\$2,800,000	CA	Shasta-Trinity National Forest	Castle Crags: climate change resilience and watershed protection
\$200,000	CA	Pacific Crest National Scenic Trail	California Southwest Desert: recreational access and views
\$1,100,000	CA	Eldorado National Forest	Royal Gorge: recreational access to wilderness area; diverse habitat for wildlife facing climate change
\$700,000	CA	Six Rivers National Forest	Hurdygurdy: recreational access, watershed protection and wildlife habitat
\$800,000	CO	Roosevelt National Forest	Toll Properties: wilderness access, watershed protection for drinking water supply for Denver, and wildlife habitat protection
\$5,000,000	CO	Rio Grande National Forest	Upper Rio Grande: water, history, and working lands anchored by the Rio Grande River
\$3,900,000	FL	Oseola National Forest	Florida-Georgia Longleaf Pine Initiative: Red-cockaded Woodpecker habitat and fresh drinking water supplies
\$1,625,000	ID	Caribou-Targhee National Forest	High Divide: public access to existing Federal land, and protects animal and fish migration corridors linking Yellowstone National Park to Idaho and the Frank Church Wilderness in Montana.
\$425,000	ID	Frank Church River of No Return Wilderness	High Divide: public access to existing Federal land, and protects animal and fish migration corridors linking Yellowstone National Park to Idaho and the Frank Church Wilderness in Montana.
\$2,500,000	ID	Sawtooth National Forest	High Divide: public access to existing Federal land, and protects animal and fish migration corridors linking Yellowstone National Park to Idaho and the Frank Church Wilderness in Montana.
\$2,300,000	ID	Sawtooth National Forest	High Divide: public access to existing Federal land, and protects animal and fish migration corridors linking Yellowstone National Park to Idaho and the Frank Church Wilderness in Montana.
\$1,800,000	MI	Ottawa National Forest	Great Lakes Northwoods: protection of watershed of Lake Superior, drinking water supply and recreation
\$2,175,000	MN	Chippewa National Forest	Minnesota Northwoods: recreational access and watershed protection
\$515,000	MN	Superior National Forest	Minnesota Northwoods: recreational access, wildlife habitat and watershed protection
\$2,070,000	MO	Mark Twain National Forest	Current River: recreation access to Current River, wildlife habitat and watershed protection
\$1,525,000	MT	Beaverhead-Deerlodge National Forest	High Divide: public access to existing Federal land, and protects animal and fish migration corridors linking Yellowstone National Park to Idaho and the Frank Church Wilderness in Montana.
\$200,000	MT	Beaverhead-Deerlodge National Forest	High Divide: public access to existing Federal land, and protects animal and fish migration corridors linking Yellowstone National Park to Idaho and the Frank Church Wilderness in Montana.
\$1,250,000	NC	Pisgah National Forest	North Carolina Threatened Treasures: recreational access, watershed and water protection
\$440,000	NC	Uwharrie National Forest	North Carolina Threatened Treasures: recreational access and wildlife habitat

Amount	State	National Forest/ Project	Justification
\$840,000	OR	Umatilla National Forest	Pacific Northwest Streams: commercial and recreational anadromous fisheries and wildlife habitat
\$550,000	OR	Wallowa-Whitman National Forest	Pacific Northwest Streams: commercial and recreational anadromous fisheries and wildlife habitat
\$1,635,000	TN	Cherokee National Forest	Tennessee Mountains: recreational access and healthy watersheds
\$2,320,000	UT	Uinta-Wasatch-Cache National Forest	Wasatch Watersheds-Bonneville Shoreline Trail: access and protect viewshed
\$1,990,000	VA/WV	Jefferson National Forest	Rivers of the Chesapeake: protection of water quality upstream of the Chesapeake Bay
\$3,000,000	WA	Pacific Crest NST	National Trails System: public access and viewshed protection
\$1,000,000	WY	Bridger-Teton National Forest	Upper Gros Ventre—Kohl: recreational access to the Wild and Scenic Gros Ventre River; wildlife corridor
\$1,025,000	WY	Bridger-Teton National Forest	Greater Yellowstone Area: access to recreation and cultural sites; protection of wildlife corridor
\$44,685,000			

In addition, land acquisition funding is used for “cash equalization” in cases where land values are not equivalent and the Forest Service includes money along with the land exchanged. Additional land acquisition funds are used to acquire critical inholdings as well as to acquire key parcels for priority recreational access as follows:

\$250,000	Cash Equalization (Up to 20 exchanges as needed)
\$2,000,000	Critical Inholdings 17 parcels)
\$8,000,000	Priority Recreational Access (5 parcels)
\$9,666,000	Administrative Costs
\$19,916,000	

Questions Submitted by Hon. Steve King, a Representative in Congress from Iowa
BEA Data Questions

Question 1. For the first deduction from gross margin (currently 84%), why is APHIS not relying on the most recent BEA data for the 10 year average of undistributed corporate profits for farms and food and beverage and tobacco products industries?

Answer. The updated 2012 BEA data, which is updated once a year, came out after the outbreak had started. APHIS used the most recent data available at the beginning of the outbreak.

Question 2. Why is APHIS deducting “dividends” from gross margin to arrive at retained earnings?

Answer. APHIS is not deducting dividends from gross margins to arrive at retained earnings. APHIS uses the Bureau of Economic Analysis estimates of undistributed corporate profits, commonly called retained earnings, as a basis to determine the amount of gross margin that is allocated back to the bird value. Undistributed corporate profits do not include dividends, because no money is invested back into the capital assets of the company—including the birds—until after individual owners and taxes are paid.

Question 3. Exactly what items is APHIS accounting for by relying on BEA data for this deduction?

Answer. APHIS references BEA data not to make deductions, but to determine what portion of the operating margin historically would become retained earnings by farms and food manufacturing firms.

Additional Deduction Questions

Question 4. Why does the indemnification formula include an additional deduction of 6% to cover debt retirement, capital improvements, research and development, and asset valuation?

Answer. In cases of egg-laying hens, these formulas are used to determine the amount of net income that ultimately would be used to improve the asset (or bird) value. In doing so, historical information from the BEA shows that ⅓ of net income becomes retained earnings, and the Agency believes that about ½ of retained earnings would be used to increase asset value.

Question 5. On what data is APHIS relying to arrive at a deduction amount equal to 6%?

Answer. APHIS uses BEA historical data to make its determinations about the asset value of egg-laying hens.

Inconsistent Indemnity Payments Questions

Question 6. What measures is APHIS taking to provide indemnity on a uniform basis? For example:

How does APHIS decide when it updates its indemnity formula assumptions?

Answer. APHIS has previously updated its indemnity calculator when it has received new information and statistics from viable sources about its calculations. In the case of the 2014–2015 outbreak, APHIS updated the calculator to reflect additional information, presented by industry, about the length of time for which egg-laying hens produce eggs. For the sake of uniformity, APHIS provided retroactive indemnity payments to producers who had been affected during the outbreak.

Question 6a. How does APHIS establish the cutoff point for farmers receiving indemnity under an old *versus* updated indemnity calculation?

Answer. In the example from the previous answer, APHIS provided retroactive payments to producers when it updated the indemnity calculator. As USDA considers additional changes to how it determines values for indemnity payments, the Department will make a decision on when these changes become effective. The level of data currently available and how the changes can be made in a uniform manner are some of the considerations that factor into this decision.

Question 7. What has been APHIS' policy with respect to indemnity payments for contract farmers to date?

Answer. APHIS was limited in its ability to pay contract growers as the authority for payments for HPAI indemnity were limited to those who actually own the bird. Under its Low Pathogenic Avian Influenza (LPAI) regulations, APHIS did have the authority to provide split payments to both owners and contract growers. APHIS issued an Interim Rule, on February 9, 2016, which gives APHIS the same authority for HPAI as it already had for LPAI to allow a split of indemnity payments in situations where owners had a contract grower raising poultry.

Question 8. How does APHIS expect to change its payment policies going forward under the recently proposed Interim Rule (APHIS–2015–0061) regarding how indemnity payments are paid to owners *versus* contractors?

Answer. The interim rule creates a formula that allows APHIS to split such payments between poultry and egg owners and parties with which the owners enter into contracts to raise or care for the eggs or poultry based on the proportion of the production cycle completed.

Question 9. Does APHIS expect to revise its indemnification formula in light of the recently proposed Interim Rule (APHIS–2015–0061)?

Answer. APHIS is considering changes to its indemnification formula, but not as a result of the Interim Rule.

Question 10. How have APHIS' indemnity payment practices differed between farmers affected by HPAI *versus* those affected by Low Pathogenic Avian Influenza?

Answer. Prior to the Interim Rule, APHIS was limited in its ability to pay contract growers as the authority for payments for HPAI indemnity were limited to those who actually own the bird. Under the LPAI regulations, APHIS did have the authority to provide split payments to both owners and contract growers. The Interim Rule gave APHIS the same authority for HPAI as it previously had for LPAI to allow a split of indemnity payments in situations where owners had a contract grower raising poultry.

Additional Questions Concerning APHIS's Compensation Process

Question 11. What attempts has APHIS made to produce compensation equations to compensate all poultry producers, especially turkey producers?

Answer. APHIS' indemnity compensation formulas account for the different markets between different segments of the poultry industry. Turkey producers, for example, are compensated using formulas that account for the costs of raising turkeys and the market for turkey meat and products.

Question 12. What attempts has APHIS made to produce protocols to compensate producers for the full economic cost of the process of dealing with Avian Influenza outbreaks, including downtime loss while the flocks are depopulated.

Answer. While we strive to minimize downtime, APHIS will not pay for downtime losses as these payments would be outside the scope of the purpose of indemnity. Indemnity is paid to producers to compensate them for the value of the animals destroyed as part of an animal disease outbreak and is intended to encourage early reporting and active participation of producers. Providing downtime loss is more in line with a traditional disease insurance program.

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

Question 1. The President's budget once again targets the vital U.S. crop protection program, making drastic cuts and undermining the program that was laid out in the 2014 Farm Bill. What is USDA doing to ensure that the farm bill does not get administratively reopened, and that the program does not get altered in ways that run counter to what Congress approved?

Answer. Our proposal to reduce the premium subsidy on revenue coverage that provides protection for upward price movements at harvest time would provide a savings to the taxpayer, yet still provide meaningful assistance for the producer. Our proposal to reform prevented planting coverage would address Office of Inspector General and the Government Accountability Office findings and would help to improve program integrity in the prevented planting program. The proposal represents a proactive response to oversight concerns and further facilitates an equitable partnership.

Question 2. Despite the Risk Management Agency's (RMA) continued assertions to the contrary, specialty crop insurance agents have been financially constrained under the current Standard Reinsurance Agreement (SRA). They continue to express to me ongoing concerns they have over the inequities it created.

With a new SRA on the horizon, what efforts will RMA make to reach out and work with insurance agents to ensure farmers do not face dwindling coverage options?

Answer. Since 2010, before the current Standard Reinsurance Agreement (SRA) took effect, the average Administrative and Operating expense subsidy (A&O) for specialty crops in California increased significantly—from \$1,783 per policy in 2010 to \$2,915 in 2015. The number of crop insurance agents in California has remained stable throughout this time period.

Also since 2010, the insurance coverage options available to growers have expanded to include several additional specialty crops, such as olives and pistachios. Whole Farm Revenue Protection, which covers virtually any crop, has been enhanced and expanded to all counties in California. Coverage has also been added for apiculture and pasture, rangeland, and forage. Revenue coverage has been extended to oranges, strawberries, and cherries.

The SRA is a financial agreement between the Federal Crop Insurance Corporation and the Approved Insurance Providers (AIPs) who take risk on the insurance policies sold. In addition, there are certain aspects of program delivery included in the SRA that both parties give careful consideration and due diligence to assure farmers and ranchers are adequately serviced. In the past when an SRA has been subject to change, RMA has made such changes available on its website for comment. As with any potential program change or issue, RMA is open and willing to listen to comments, suggestions or concerns to assure an efficient and effective Federal crop insurance program for our nation's farmers and ranchers.

Question 3. Secretary Vilsack, I often hear concerns from the farm community about EPA's repeated failure to meaningfully consider USDA's expertise, advice and opinions, especially during formal interagency review of pesticides—both conventional and biological.

Please explain how USDA engages with EPA, both formally and informally, and how you can ensure that engagement becomes more productive, meaningful, and most importantly, evident to the public.

In particular, can you describe for the extent to which USDA expertise is being valued and included in EPA's recent actions related to treated seeds and biopesticide reviews?

Answer. The USDA Office of Pest Management Policy (OPMP) was established to provide for the effective coordination of agricultural policies and activities within USDA related to pesticides and of the development and use of pest management tools, while taking into account the effects of regulatory actions of other government agencies including EPA. OPMP works with the staff at EPA's Office of Pesticide Programs (OPP) to respond to informational requests related to agricultural pest management. As part of EPA's registration review, OPMP provides benefits information when dockets open, reviews published preliminary risk assessments, and provides comments on proposals presented by EPA on various subjects, including seed treatment, resistance management, and other topics. We continue our efforts for more productive, meaningful, and effective engagement. All our comments are included in the public EPA regulatory dockets. The Directors of OPMP and OPP interact on a regular basis. However, staff level interactions occur nearly daily. The Director of OPMP represents USDA interests in pesticide issues on EPA's Pesticide Policy Dialogue Committee, which is a federal advisory committee.

Question 4. Secretary Vilsack, in your testimony you touch on how your agency has been working to address unfair trade barriers and restrictions that impact access to foreign markets. Has your agency been working with USTR to address the ongoing international trade issues the U.S. almond industry is facing, particularly with India? If so, can you elaborate on the progress of your efforts?

Answer. USDA works in collaboration with USTR to address barriers facing California almond exports. For example, USDA worked with USTR to lead efforts at bilateral and multilateral levels to address one of the European Union's pesticide regulations and its impact on U.S. agricultural exports. Based on these efforts, the Commission took steps to maintain a pesticide maximum residual level (MRL) for an orchard treatment widely used by the U.S. almond industry. Our intervention in this matter protected over \$1.9 billion in almond exports to the European Union, most of which come from California. This intervention also protected an additional \$1 billion in other, non-almond tree nut exports to the European Union.

With respect to India, at the U.S.-India Trade Policy Forum and during subsequent travel to India this past fall, USDA Under Secretary Scuse reinforced USTR's request to eliminate the tariff on in-shell almonds, which is currently 35 rupees per kilogram (24¢/pound). USDA continues to make the argument to India that eliminating the almond tariff would benefit Indian food processors and consumers, and help curtail smuggling.

On other issues, USDA and USTR resolved the wholesale and retail packaging and stickering issue with the Food Safety and Standards Authority of India (FSSAI). During the October 2015 Trade Policy Forum, FSSAI clarified that labeling requirements for bulk in-shell almond shipments can be addressed by stickers at the port of importation, helping to facilitate U.S. almond exports. USDA continues to request that FSSAI recognize "lot ID's" for entire non-retail consignments instead of requiring details on individual bins. USDA has been working closely with Indian Customs officials to ensure that customs documents (*e.g.*: No Objection Certificate) are not misused by almond importers to breach contracts.

Question 5. Secretary Vilsack, in your testimony it is mentioned that USDA has a goal to publicly share its performance goals and progress in support of new and beginning farmers. When can the public expect to see this?

Answer. USDA has created new, Agency Priority Goal (APG) based on USDA-wide metrics, to increase access and opportunities for Beginning Farmers and Ranchers (BFR). The goal and associated reports on USDA's performance are currently available on both the www.usda.gov/newfarmers and www.performance.gov sites.

This goal states that by September 30, 2017, USDA will increase access to key BFR programs, which will result in increasing investments to BFR by a value \$5.6 billion over 2 years. Within existing resources, USDA will expand opportunities for BFR through targeted outreach and increased technical assistance, resulting in increasing new and beginning farmer and rancher participation in key programs by 6.6 percent over the goal term. Increased investments to the next generation of farmers and ranchers will contribute to growing their value, and support economic development and stability in their communities, both through increased opportunity and support for longevity of new operations.

This complements a larger body of work aimed at expanding opportunities presented by USDA to new and beginning farmers. Over the past seven years, USDA has engaged its resources to support a strong next generation of farmers and ranchers by improving access to land and capital; building new markets and market opportunities; extending new conservation opportunities; offering appropriate risk management tools; and increasing our outreach, education, and technical support. As an example, in October 2015, USDA updated our virtual front door for the next generation of farmers and rancher to access USDA resources—www.usda.gov/newfarmers—to serve more diverse audiences and provide even more connections to supportive programs for new farmers. USDA has also engaged stakeholders on the critical issue of access to land—a top challenge identified by beginning farmers and ranchers. The Department continues to explore additional ways to support the next generation of farmers and ranchers.

Question Submitted by Hon. Doug LaMalfa, a Representative in Congress from California

Question. To follow up on my question in regards to the Resource Advisory Committee (RAC) appointment process, it is important that we find out why exactly these vacancies are not being filled and how we can fix this so these RACs can fulfil their responsibilities. You mentioned there are spots that are not filled due to lack of categorical requests, such as an engineer. Do you have any flexibility to waive these criteria requirements in order to expedite the approval process so members

can fulfill their responsibilities? What tools can you use to help fill these vacancies more rapidly?

Answer. Each Secure Rural Schools Resource Advisory Committee (RAC) is established pursuant to section 205 of the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS Act) (16 U.S.C. 7125), and in accordance with the provisions of the Federal Advisory Committee Act (FACA), (5 U.S.C., App.2).

In accordance with the SRS Act, each RAC must be comprised of 15 members who provide balanced and broad representation from within each of three specialized categories of interests required by the Act. Members also must reside within the state(s) in which the RAC is organized. To the extent practical, the membership of each of the three categories must include residents in the vicinity of the National Forest for which the committee provides advice.

In accordance with the SRS Act, members and replacements are appointed to 4 year terms or reappointed for an additional 4 years. The Secretary of Agriculture makes the decision to appoint from among the qualified candidates submitted.

The requirements for representation are statutory. We do not have the flexibility to waive the specialized categories for which RAC members can qualify under the SRS Act. In accordance with the SRS Act, each RAC shall be comprised of 15 members who provide balanced and broad representation from within each of the following three categories of interests specified in the Act:

- a. Five persons who represent:
 1. Organized labor or non-timber forest product harvester groups;
 2. developed outdoor recreation, off-highway vehicle users, or commercial recreation activities;
 3. Energy and mineral development, or commercial or recreational fishing interests;
 4. Commercial timber industry; or
 5. Federal grazing permits or other land use permit holders or represent non-industrial private forest land owners within the area for which the committee is organized.
- b. Five persons who represent:
 1. Nationally recognized environmental organizations;
 2. Regionally or locally recognized environmental organizations;
 3. dispersed recreational activities;
 4. Archaeological and historical interests; or
 5. Nationally or regionally recognized wild horse and burro interest groups, wildlife or hunting organizations, or watershed associations.
- c. Five persons who represent:
 1. State elected office (or a designee);
 2. County or local elected office;
 3. American Indian Tribes within or adjacent to the area for which the committee is organized;
 4. Area school officials or teachers; or
 5. affected public-at-large.

Question Submitted by Hon. David Rouzer, a Representative in Congress from North Carolina

Question. Last September, the EPA published Interim Recommendations for environmental standards and ecolabels for use in Federal procurement. EPA's recommendation for lumber excludes several credible standards that are widely used in the United States, including the Sustainable Forestry Initiative (SFI) and American Tree Farm System (ATFS) standards. Across the United States, more than 82 million acres of forestland are certified to either the Sustainable Forestry Initiative (SFI) or the American Tree Farm System (ATFS). This represents more than 70 percent of all certified forests in the United States. In North Carolina, 94 percent of the states certified forests are managed to SFI or ATFS standards. These forests provide a renewable timber resource, clean water, wildlife habitats, and numerous other public benefits. They also support thousands of jobs. I was disappointed to learn that this recommendation, along with a prior lumber determination by the Department of Energy, was made without consultation with the USDA. USDA not only has expertise in forest management and forest products, but has publicly stated that SFI and ATFS standards can be used to verify sustainability of forest products. I am hopeful that USDA will engage with DOE and EPA and work with them to change their current programs to recognize all three credible forest certification standards. Can you provide us an update on how you plan to work with and encour-

age EPA and DOE to recognize these forest certification programs for procurement purposes?

Answer. The U.S. Department of Agriculture's (USDA) Natural Resources and Environment Mission Area has met with EPA's Office of Chemical Safety and Pollution Prevention to discuss the interim recommendations. EPA's Standards Executive plans to reach out to the Sustainable Forestry Initiative (SFI), the American Tree Farm System (ATFS) and other forestry stakeholders regarding review of forestry labels and their alignment with Federal policies guiding EPA's use of voluntary consensus standards and private-sector conformity activities. USDA also plans to provide relevant, existing analysis to inform EPA's decision making for the lumber/wood category, going forward.

Questions Submitted by Hon. Dan Newhouse, a Representative in Congress from Washington

Question 1. Secretary Vilsack, I want to thank you for your work on GMO labeling and the time you have invested in trying to find a solution that prevents a potentially devastating patchwork of state and local labeling laws from taking effect. The House Committee on Agriculture has also spent a great deal of time working on what we believe is a strong, bipartisan bill to resolve the patchwork issue—a bill that was approved by almost $\frac{2}{3}$ of the U.S. House. Can you tell me what you think will happen if we don't get something enacted before the July 1st labeling compliance deadline in Vermont?

Answer. As Congress considers the path forward on this complex issue, I will continue to provide technical assistance to prevent the potential economic impact of a patchwork of state and local labeling laws. I am convinced that the segregation systems necessitated by such state and local labeling laws will have a cost and food companies have an incentive to pass on as much of this cost to consumers as they can. Some companies may decide that they want to segregate product for trace back. Some companies may also want to have separate warehouses, auditing systems, and the like. While there has been progress in the conversation, I understand an issue remains as to whether or not the chosen method of providing the product information is useful to the consumer. Regardless of the potential mechanism (e.g., QR code, 1-800 number, web-based system, etc.), some believe there needs to be an assessment of whether a substantial number of consumers find the mechanism useful to determine whether it is desirable to put information on the package itself. To address the overarching issue, congressional action is needed.

Question 2. Secretary Vilsack, to follow up on a question I asked during the hearing with you, last September, EPA published interim recommendations for environmental standards and ecolabels for use in Federal procurement. EPA's recommendation for lumber excludes several credible standards that are widely used in the U.S., including the Sustainable Forestry Initiative (SFI) and American Tree Farm System (ATFS) standards. Across the United States, more than 82 million acres of forestland are certified to either these two systems. This represents more than 70 percent of all certified forests in the United States and 95 percent in my home state of Washington. I was disappointed to learn this recommendation, along with a prior lumber determination by the Department of Energy, was made without consultation with the USDA. The Department of Agriculture not only has expertise in forest management and products, but has publicly stated that SFI and ATFS standards can be used to verify sustainability of forest products. I am hopeful USDA will engage DOE and EPA and work with them to change their current programs to recognize all three credible forest certification standards. Can you provide us an update on any plans you have to interact with and educate EPA and DOE about these forest certification programs?

Answer. The U.S. Department of Agriculture's (USDA) Natural Resources and Environment Mission Area has met with EPA's Office of Chemical Safety and Pollution Prevention to discuss the interim recommendations. EPA's Standards Executive plans to reach out to the Sustainable Forestry Initiative (SFI), the American Tree Farm System (ATFS) and other forestry stakeholders regarding review of forestry labels and their alignment with Federal policies guiding EPA's use of voluntary consensus standards and private-sector conformity activities. USDA also plans to provide relevant, existing analysis to inform EPA's decision making for the lumber/wood category, going forward.

Question Submitted by Hon. Suzan K. DelBene, a Representative in Congress from Washington

Question. Last September, the EPA published Interim Recommendations for environmental standards and ecolabels for use in Federal procurement. The EPA's recommendation for lumber excludes several standards that are widely used in the

United States, including the Sustainable Forestry Initiative (SFI) and the American Tree Farm System (ATFS) standards. Across the United States, more than 82 million acres of forestland are certified to either the Sustainable Forestry Initiative (SFI) or the American Tree Farm System (ATFS). This represents more than 70 percent of all certified forests in the United States. In Washington State, 95 percent of the states certified forests are managed to SFI or ATFS standards. To what extent was this recommendation, along with a prior lumber determination by the Department of Energy, made in consultation with USDA? It's my understanding that USDA has publicly stated that SFI and ATFS standards can be used to verify the sustainability of forest products. Can you provide us an update on how you plan to work with EPA and DOE on these forest certification programs?

Answer. The U.S. Department of Agriculture's (USDA) Natural Resources and Environment Mission Area has met with EPA's Office of Chemical Safety and Pollution Prevention to discuss the interim recommendations. EPA's Standards Executive plans to reach out to the Sustainable Forestry Initiative (SFI), the American Tree Farm System (ATFS) and other forestry stakeholders regarding review of forestry labels and their alignment with Federal policies guiding EPA's use of voluntary consensus standards and private-sector conformity activities. USDA also plans to provide relevant, existing analysis to inform EPA's decision making for the lumber/wood category, going forward.

