

U.S. DEPARTMENT OF AGRICULTURE FISCAL YEAR 2008 BUDGET PRIORITIES

HEARING BEFORE THE COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES ONE HUNDRED TENTH CONGRESS FIRST SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 15, 2007

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**U.S. DEPARTMENT OF AGRICULTURE
FISCAL YEAR 2008 BUDGET PRIORITIES**

THURSDAY, FEBRUARY 15, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The Committee met, pursuant to call, at 2:08 p.m., in room 210, Cannon House Office Building, Hon. John M. Spratt, Jr. [Chairman of the Committee] presiding.

Present: Representatives Spratt, DeLauro, Cooper, Allen, Kaptur, Becerra, Doggett, Blumenauer, Berry, Boyd, McGovern, Etheridge, Hooley, Moore, Bishop, Ryan, Bonner, Hensarling, Lungren, Tiberi, Alexander, Smith.

Chairman SPRATT. I would like to begin this hearing, the first thing, I welcome and thanks to our three distinguished witnesses, on the first panel, the Secretary of Agriculture, Mike Johanns, in addition, Deputy Secretary Conner and Budget Officer Scott Steele, and Chief Economist Keith Collins.

Furthermore, I would like to welcome our witnesses on the second panel, Dr. Deborah Frank and Denise Holland of the Harvest Hope Bank in South Carolina.

Thank you, all of you, for taking time out to meet with us today. Your testimony and your answers to our questions will help us as we move forward with our own budget, and we value your contribution and your addition to the budget process.

The purpose of this hearing is twofold. In the first panel, we want to discuss both USDA's 2008 budget request and USDA's proposals for reauthorizing the Farm Bill that expires at the end of this year, a major hurdle as we go forward in this fiscal year.

This hearing will provide the members of this Committee a chance to ask the Secretary in greater detail and depth how his budget and the Farm Bill will impact important programs that provide valuable services to our communities.

For example, Mr. Secretary, we would like to explore with you in greater detail your proposals for the Department's food and nutrition programs. We are likewise interested in understanding how your proposals will impact rural communities which many of us represent, such as your proposed changes in the Rural Housing Program.

Because the Farm Bill is expiring this year, we are given a significant opportunity to improve the programs that provide safety nets not only for the nation's farmers and ranchers but also for natural resources, for rural communities, and for low-income citizens.

I know, Mr. Secretary, that you and your Department have spent considerable time and energy over the past two weeks meeting with interested groups and explaining your proposals to those of us here in Congress.

I appreciate your willingness to meet with us on this Budget Committee and give us an opportunity to learn in greater detail how your proposals would reform the Farm Bill.

We are particularly interested in discussing with you USDA's proposals on the commodity, conservation, and nutrition titles of your bill. There are some inconsistencies with your budget request for 2008 also that members may wish to explore.

We have a second panel, and we will hear on the second panel from two guests who have taken the problem and tackled the problem head on of poverty in their communities, and hunger in their communities.

According to the USDA, in 2005, 34 million Americans were food insecure. Nearly 11 million were hungry, went to bed hungry, 606,000 of them children. Unfortunately, many of the families struggling with hunger live in my State of South Carolina and I know the problem firsthand. I have seen it firsthand, but it is one that afflicts the whole country.

Dr. Deborah Frank spends her days treating poor children suffering from malnutrition at her Boston clinic. Another part of the country, but still no part of the country escapes this problem.

Denise Holland is the Executive Director of the Harvest Hope Food Bank which provides food for 149,000 people in central South Carolina who otherwise would have to do without.

I look forward to hearing from both witness, Dr. Frank and Mrs. Holland, about the real people who they are trying to help and their suggestions for how we in the Congress can help also.

Mr. Secretary, we welcome you here today. We will accept your statement for the record so that you can summarize or paraphrase as you please. But before going to you, let me offer the floor to Mr. Ryan for any comments he may wish to make.

Mr. RYAN. I thank the Chairman.

I also, too, want to extend our heartfelt welcome to Secretary Johanns. It is nice to have you here.

There is no question that the Farm Bill provides programs, a critical safety net for our family farmers across the nation. This is certainly true in my home State of Wisconsin where agriculture is a \$51 billion industry in our State's economy. And in my district where we contribute heavily to the nation's output of dairy, corn, and soybeans, it is a big issue where I come from.

That said, there is no question that these programs can be reformed and improved to better meet the needs of the family farmer. Not only do we need to make these programs more cost effective, we need to do a better job of allocating resources for these programs to those who actually need them.

I do not believe that we should be sending federal support checks for hundreds of thousands of dollars to any one farmer who is probably pretty well off already. That was never the point of these programs.

We have got to ensure that we are focusing this assistance to helping the family farmer who for reasons completely outside of

their control, weather, disease, pest damage, et cetera, are going to run into trouble every now and then.

Those are the people these programs were intended to help in the first place. Along these lines, I am pleased to see in the President's budget a proposal to means test for farm program assistance.

One of the main provisions of this plan would be to prohibit commodity program subsidies to producers who are among the top 2.3 percent of American farmers with adjusted gross incomes above \$200,000 or more.

I also support the President's proposal to update the financial instruments that are available to family farmers. And, finally, I believe we should return to a freedom to farm model which allows our nation's farmers to make their own production decisions without interference from the federal government.

There are a lot of ideas out there on how Farm Bill programs can be improved, and I think we need to have those discussions. The key is to ensure that we are helping those who actually need help while at the same time providing enough freedom and flexibility for farmers to respond to the ever-changing marketplace and run their farms as they see fit.

I look forward to this upcoming debate on the reauthorization of the Farm Bill, and this process will come through the Budget Committee. So this is something that each and every one of us in the Budget Committee are going to have to be mindful of and hopefully can help shape this discussion and send it in the right direction as we move forward.

With that, Mr. Chairman, I want to thank the Secretary for coming. I look forward to your testimony.

Chairman SPRATT. Thank you, Mr. Ryan.

Mr. Secretary, the floor is yours, and we look forward to your testimony.

STATEMENT OF MIKE JOHANNNS, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY CHARLES F. CONNER, DEPUTY SECRETARY; W. SCOTT STEELE, BUDGET OFFICER; KEITH COLLINS, CHIEF ECONOMIST

STATEMENT OF MIKE JOHANNNS

Secretary JOHANNNS. Mr. Chairman, thank you. It is an honor to be before this Committee.

And to all the members, I look forward to your questions.

What I would like to do is provide the Committee at the outset here with an overview of the Department's programs and maybe a few highlights from the 2008 budget request. I will begin, though, by providing a brief overview of the 2007 Farm Bill proposals that we announced on January 31st. In doing so, I will be better able to explain how the Farm Bill and the budget fit together.

So starting with the 2007 Farm Bill proposals. The 2007 Farm Bill proposals and the 2008 budget were developed on parallel tracks. The Administration's Farm Bill proposals represent the final phase of what has been nearly a two-year process.

We listened closely to producers and stakeholders all across the country and took a reform-minded and a fiscally-responsible ap-

proach to making farm policy more equitable, more predictable, and protected from challenge in the world trade arena.

While I firmly believe that the current law was the right policy for the times, times do change and they have changed. When the 2002 Farm Bill was passed, commodity prices were low, exports had declined for several years in a row, and the debt-to-asset ratio on agriculture was right at 15 percent.

Now, today, we just see a vastly different economic picture. Commodity prices are strong for most program crops. Exports have set records now several years in a row, including a record 68 billion in 2006. And projections are that we will reach another record this year, \$77 billion.

We are experiencing the lowest debt-to-asset ratio in recorded history. We have never been at this level before. It was at about 11 percent in 2006. Add to all of this the enormous impact that renewable energy has had on our Ag economy and it is pretty clear times have changed.

The time has come to move forward with a farm program that is market oriented and considers more than commodity prices alone when determining the appropriate level of governmental support.

Farm Bill proposals bolster this Administration's commitment to conservation programs that protect our natural resources. That would be an increase of \$7.8 billion over the ten-year score.

We propose an additional \$1.6 billion over that same time frame to advance the development and the advancement of renewable energy. This is targeted at cellulosic ethanol. This will help us to achieve the President's goal of reducing annual gasoline use by ten percent in ten years.

We propose funding to support \$1.6 billion in loans to rehabilitate more than 1,200 rural critical-access hospitals. Another \$400 million would be focused on trade and making sure our producers have a level playing field in the global market.

These are just a few highlights. I could do a couple of hours on these proposals. I will not do that. But when combined, the proposals would spend about ten billion less than was spent in the 2002 Farm Bill over the past five years excluding ad-hoc disaster assistance.

Importantly, they uphold the President's plan to eliminate the deficit in five years. On the other hand, looking forward, our proposals would provide about five billion more than the projected mandatory spending if the 2002 Farm Bill were just simply extended.

And this comment brings me to our budget proposal. The 2008 budget accommodates our Farm Bill proposals, and here is how it is done.

It includes an additional 500 million per year in the total for the Commodity Credit Corporation. This, if you will, is a placeholder in the budget, and it would be spread over the various titles of the bill. This level extended for ten years would cover the full estimated cost of the proposals.

The President's 2008 budget funds our highest priorities while exercising the kind of fiscal discipline that is necessary to achieve the goal of strengthening the economy and balancing the budget by 2012.

Before I present the highlights, let me take a moment to explain how USDA expenditures are divided. USDA outlays are estimated to total about \$89 billion in 2008. That would be roughly the same level as for 2007.

Of the total outlays for the Department, 59 percent support domestic nutrition assistance programs. Spending for farm and commodity programs, although we are probably best known for that, account for about 19 percent of our budget.

Conservation and forestry account for about 11 percent and the remaining 11 percent represents a whole host of other programs from rural development to research to food safety, animal and plant health, international programs, and administration.

Another way to look at our budget is the breakdown between the mandatory side and the discretionary side. For 2008, mandatory outlays represent 75 percent of the Department's total while discretionary programs account for about 25 percent.

Mandatory outlays are actually dominated by a few programs. The nutrition assistance programs, including food stamp and child nutrition programs, actually account for 76 percent of our mandatory outlays for 2008.

Farm programs funded by CCC and crop insurance account for about 24 percent of our mandatory outlays. Funding for nutrition assistance programs has grown from about 60 percent of our mandatory spending in 1999 to 76 percent in 2008.

During the same time period, total spending on farm programs has declined from about 40 percent to 24 percent of the mandatory spending.

Farm program spending through CCC is very highly variable. It reflects impacts of weather and changes in commodity markets, as well as emergency spending that may be allowed to address natural and economic disasters.

The dramatic increase in ethanol production has significantly increased the demand for corn, and what that does, of course, is it pushed corn prices higher. This is expected to significantly reduce CCC outlays in the next few years.

Both the Administration and the Congressional Budget Office January baselines for CCC showed this effect. We are not really in much disagreement there. CCC outlays are estimated to continue at an average of 12.4 billion from 2008 to 2017 under a simple extension of the current law.

Mandatory costs of the Crop Insurance Program are estimated to be five billion in 2008, which is roughly double the level of ten years ago. These costs are expected to grow roughly two percent a year from 2008 to 2017.

Turning now to our food and nutrition programs, the 2008 budget fully funds the expected requirements of food stamps and child nutrition programs. Total outlays for these programs are expected to continue to increase by about four percent a year over the next several years due to inflation and changing demographics of the nation. Most significantly, an increase in school-age population.

Although no program changes are sought for the child nutrition programs, a number of legislative changes are proposed for 2008 to improve access to food stamps as well as target them to those most in need.

On the discretionary side of the ledger, outlays for USDA's 2008 discretionary budget are estimated to be about 22 billion, about the same level as 2007, and I might add the same level as 2006.

The 2008 budget for discretionary programs reflects the President's priorities to encourage economic growth, increase our security while recognizing that fiscal discipline is absolutely necessary.

The budget requests the resources necessary to protect the food supply and agriculture from a variety of threats that could have a devastating effect on animal and human health. This includes increased monitoring and surveillance of the food supply and development of technology that will enhance our ability to detect and respond to emergencies. That would include avian influenza and bovine spongiform encephalopathy, BSE.

A record level of funding is also requested for meat, poultry, and egg product inspection. Another priority for the Department is a continued focus on expanding renewable energy resources. Funding for research that will improve cellulosic ethanol production and conversion of biomass into biofuels is increased.

In addition, our rural development programs will increase the amount of financial support available to leverage private-sector funding for small- and large-scale renewable energy generation activities.

The budget also reflects the resources necessary to meet the requirements of the neediest in our nation. It supports average monthly participation of 8.3 million participants in the WIC Program, Women, Infant, and Children, an increase of 100,000 participants per month over 2007.

We are also providing 15 billion in rural development loans, grants, and other assistance for rural America. The Department will continue to foster environmental stewardship by providing conservation technical assistance to farmers and ranchers and landowners.

The budget also includes four billion in mandatory spending for the Department's major conservation efforts which will support a record cumulative enrollment of 250 million acres in the various conservation programs.

The budget for the Forest Service provides sufficient wildlife fire resources to protect communities and natural resources and provides for sustainable forests and communities through full funding of the Northwest Forest Plan and continuation of the Payments to States Program.

We made difficult choices to keep spending under control while funding our priorities and balancing the budget. The 2008 budget includes proposals to terminate low-priority or duplicative or poorly-performing programs.

Let me just wrap up and say I look forward to working with Congress on the 2008 budget. I also look forward to working with Congress in crafting new farm policy. We are eager to ensure appropriate level of funding is made available to strengthen U.S. agriculture in rural America.

With that, I will conclude my statements, and all of us here at the table look forward to answering your questions.

[The prepared statement of Mike Johanns follows:]

PREPARED STATEMENT OF HON. MIKE JOHANNIS,
SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

Mr. Chairman and Members of the Committee, I am here today to discuss the programs and budget of the Department of Agriculture. I appreciate your interest in the Department of Agriculture and the benefits the Department's programs have for farmers, consumers, and a variety of other constituents. I am joined today by Deputy Secretary Chuck Conner; Scott Steele, our Budget Officer; and Keith Collins, our Chief Economist.

The Administration has recently released two important documents that highlight our priorities for 2008. On January 31, 2007, I announced a comprehensive set of Farm Bill proposals to replace the expiring Food Security and Rural Investment Act of 2002 (2002 Farm Bill). On February 5, we released our 2008 budget. The Farm Bill proposals will modify some of the projected spending in portions of the budget. The Farm Bill proposals and the 2008 budget were developed on parallel tracks. Our priorities, including conservation, renewable energy, rural development and others, are covered in both the Farm Bill proposals and the 2008 budget. I will assure you that we are upholding the President's plan to eliminate the deficit within five years.

I would like to provide the Committee an overview of the Department's diverse programs, review some key trends in our mandatory programs, including an overview of our 2007 Farm Bill proposals, and provide the highlights of our 2008 budget request for discretionary programs.

2008 TOTAL BUDGET OUTLAYS

USDA outlays are estimated to total \$89 billion in 2008, roughly the same as the level estimated for 2007. Of the total outlays for the Department, 59 percent supports domestic nutrition assistance programs, including: food stamps, school lunch, and the Special Supplemental Nutrition Program for Women, Infants, and Children—better known as the WIC Program. Spending for farm programs, including commodity payments, farm loans and crop insurance, accounts for about 19 percent. Conservation and forestry programs account for about 11 percent. The remaining 11 percent represents all of the other programs operated by the Department—rural development, research, food safety, animal and plant health, international programs and administration.

Another way to look at our budget is the breakdown between mandatory and discretionary spending. For 2008, mandatory outlays are \$67 billion, or 75 percent of the Department's total. Outlays for discretionary programs are estimated to be \$22 billion, or 25 percent of total outlays for the Department. The Department's largest discretionary program is WIC. Other programs in the discretionary category include the Forest Service, rural development, research, food safety, and plant and animal health.

MANDATORY OUTLAYS

Mandatory spending is dominated by a small number of relatively large programs. Nutrition assistance programs, including Food Stamps and Child Nutrition Programs, account for \$51 billion, or approximately 76 percent of mandatory outlays. Crop insurance and farm programs funded by Commodity Credit Corporation (CCC) account for \$16 billion, or approximately 24 percent of mandatory outlays.

Within the mandatory category, the trend has been an increase in the share of outlays associated with the nutrition assistance programs—from 60 percent of mandatory spending in 1999 to 76 percent in the 2008 estimate. Mandatory nutrition assistance programs are the Food Stamp Program and Child Nutrition Programs, which includes the National School Lunch Program. The increase in nutrition assistance outlays is largely due to food cost inflation and increasing participation.

FARM PROGRAM SPENDING

During this same period, outlays for farm programs and crop insurance have declined from 40 percent to 24 percent of mandatory spending. Farm program spending can be highly variable, largely reflecting changes in commodity markets as well as emergency spending to address natural and economic disasters in the agriculture and rural economy. Mandatory spending on farm programs funded through CCC, including the Conservation Reserve Program (CRP), has decreased from a record-high of \$32.3 billion in 2000 to just over \$20 billion in 2006. We expect this trend to continue with CCC outlays estimated to decline to \$11.7 billion in 2008 under current law, which assumes a simple extension of the 2002 Farm Bill. CCC outlays under

the current law baseline are estimated to increase to an average of \$12.4 billion annually from 2008 to 2017.

The reduction in CCC outlays in 2007 to 2008 is driven largely due to higher crop prices. Prices are higher because of the dramatic increase in the demand for corn for ethanol production. Additionally, most of the other major commodities are also at relatively high price levels. These high commodity prices have led to a significant reduction in CCC outlays, which indicates that farmers are relying more on the market for revenue than payments from the Government. Both the Administration and the Congressional Budget Office January baselines for CCC commodity programs show this effect. The rising demand of farm products for biofuel production coupled with strong export demand are expected to keep prices of most of the major CCC supported commodities at high levels for the coming years.

The 2002 Farm Bill authorized a major expansion of other conservation and environmental programs administered by the Natural Resources and Conservation Service. These programs are authorized by Title II of the 2002 Farm Bill and include: the Environmental Quality Incentives Program (EQIP), the Conservation Security Program (CSP), and the Wetland Reserve Program (WRP). For 2007 and 2008, nearly \$2 billion in mandatory funding will be spent each year on these programs. From 2008 to 2017 the annual costs for these programs are estimated to average between \$2 billion and \$3 billion, assuming extension of the 2002 Farm Bill. Within the amount for total CCC outlays, CRP accounts for \$2 billion per year in 2007 and 2008 and will average approximately \$2.5 billion annually over 2008 to 2017 under current law.

CROP INSURANCE

The other major component of USDA mandatory outlays is the Federal crop insurance program, a significant element of the farm safety net. Through the crop insurance program, farmers and ranchers are able to reduce the impact of natural disasters. Crop insurance is delivered through private insurance companies that share in the risk of loss and opportunity for gain. The companies are reimbursed for their delivery expenses and receive underwriting gains in years of favorable loss experience.

The mandatory costs associated with the crop insurance program include premium subsidies, indemnity payments (in excess of premiums), underwriting gains paid to private companies, reimbursements to private companies for delivery expenses and other authorized expenditures. While these costs are considered mandatory, they are subject to the annual appropriations process. Recognizing the uncertain nature of forecasting crop losses, in recent years, appropriations acts have provided "such sums as necessary." For 2008, the budget estimates about \$5 billion for the mandatory costs of the crop insurance program, which is roughly double the level of ten years ago. These costs are expected to grow roughly 2 percent a year from 2008 to 2017 with estimated total costs of over \$6 billion in 2017.

FOOD STAMPS AND CHILD NUTRITION PROGRAMS

The 2008 budget fully funds the expected requirements for Food Stamp and Child Nutrition programs. For Food Stamps, the budget includes nearly \$37 billion to fully fund estimated Food Stamp participation and food cost inflation. Food Stamp participation is projected to decline modestly from 26.3 million in 2007 to 26.2 million in 2008. The budget provides over \$14 billion for Child Nutrition Programs. This will support National School Lunch Program participation of 31.5 million children each day as well as food cost inflation.

Total outlays for Food Stamps and Child Nutrition Programs are expected to continue to increase approximately 4 percent a year over the next several years due to inflation and the changing demographics of the Nation, most significantly, an increase in the school-age population growth.

Although no program changes are sought for the Child Nutrition Programs, a number of legislative changes are proposed to improve access to Food Stamps as well as target them to the neediest. The 2008 budget includes proposed legislation to continue to exclude special military pay when determining food stamp benefits for deployed members of the armed services. Military personnel often receive supplements to their basic pay when they serve in combat. This proposal supports the families of servicemen and servicewomen fighting overseas by ensuring that they do not lose Food Stamp Program benefits as a result of this additional income. Further, the budget includes a proposal to exclude all retirement and education savings accounts from being counted as resources for eligibility determinations. This will help families access food stamp assistance without putting their future security at greater risk in their time of need.

In addition, the budget repropose legislation to restrict categorical eligibility for Temporary Assistance for Needy Families (TANF) recipients to those receiving actual cash assistance. Under current law, households that receive TANF services, including receipt of an informational pamphlet published with TANF funds, but which do not receive cash assistance, can be deemed categorically eligible for food stamps. Those receiving in-kind benefits under TANF could still qualify for food stamps by meeting the income eligibility criteria.

2007 FARM BILL PROPOSALS

I would like to take this opportunity to briefly outline the Administration's 2007 Farm Bill proposals, their potential budgetary impact, and how they are accounted for in the President's 2008 budget.

The Administration's Farm Bill proposals represent the final phase of a nearly two-year process. We listened closely to producers and stakeholders all across the country and took a reform-minded and fiscally responsible approach to making farm policy more equitable, predictable and protected from challenge in the world trade arena.

We started with the 2002 Farm Bill and propose to improve it by bolstering support for emerging priorities and focusing on a market-oriented approach.

While the current law has served its purpose, the time has come to move forward with a farm program that is more market-oriented and considers more than commodity prices alone when determining the appropriate level of Government support. The proposals continue this Administration's commitment to increase conservation programs that protect our natural resources and focus support on renewable energy that will help lead us to the President's goal of reducing annual gasoline use by 20 percent in ten years.

Let me touch briefly on a few areas where specific increases in our resources will help us continue to make progress in strengthening agriculture, rural America and environmental protections.

Highlights of the proposals include (funding reflects ten year totals):

- Reforming commodity programs to save \$4.5 billion through modernizing marketing assistance loans, tightening payment limits and closing loopholes, while enhancing the safety net with a revenue based countercyclical program and increased direct payments.
- Increasing conservation funding by \$7.8 billion, simplifying and consolidating conservation programs, redesigning the Environmental Quality Incentives Program (EQIP) to include a Regional Water Enhancement Program;
- Providing \$1.6 billion in new funding for renewable energy research, development and production;
- Targeting nearly \$5 billion in funding to support specialty crop producers by increasing consumption through food assistance programs, funding specialty crop research, and expanding export markets;
- Supporting beginning farmers by increasing their direct payments by \$250 million, reserving a percent of conservation funds, and providing more loan flexibility for down payment, land purchasing and farm operating loans;
- Strengthening disaster relief by establishing a revenue-based counter-cyclical program, providing gap coverage in crop insurance, linking crop insurance participation to farm program participation, and creating a new emergency landscape restoration program;
- Simplifying and consolidating rural development programs while providing \$1.6 billion in loans to rehabilitate all current Rural Critical Access Hospitals and \$500 million in grants and loans for rural communities to support high priority rural infrastructure projects;
- Dedicating nearly \$400 million to trade efforts to expand exports, fight trade barriers, and increase involvement in world trade standard-setting bodies; and
- Modernizing and renaming the Food Stamp Program to improve access for the working poor, better meet the needs of recipients and States, and strengthen program integrity.

These proposals would provide approximately \$5 billion more over ten years from 2008 to 2017 than the projected mandatory spending if the 2002 Farm Bill were extended. The 2008 budget makes accommodation for this by including an additional \$500 million per year to the funding total for CCC. This level extended for ten years would cover the full estimated cost of the proposals. Under these proposals, we would spend approximately \$10 billion less than what was spent under the 2002 Farm Bill over the past five years, excluding ad-hoc disaster assistance, upholding the President's plan to eliminate the deficit in five years.

2008 DISCRETIONARY BUDGET REQUEST

Outlays for USDA's 2008 discretionary budget are estimated to be approximately \$22 billion, about the same level as 2007 and 2006. The 2008 budget for discretionary programs reflects the President's priorities to encourage economic growth and increase our security, while recognizing that fiscal discipline is absolutely necessary.

The budget requests the resources necessary to protect the food supply and agriculture from a variety of threats that could have devastating effects on animal and human health. This includes increased monitoring and surveillance of the food supply and development of technology that will enhance our ability to detect and respond to food emergencies, including threats from avian influenza and bovine spongiform encephalopathy (BSE). A record level of funding is also requested for meat, poultry, and egg product inspection.

Another priority for the Department is a continued focus on expanding renewable energy resources. Increased funding is significantly increased for research to help lead to more efficient production of cellulosic ethanol and conversion of biomass into biofuels. In addition, our rural development programs will increase the amount of financial support available to leverage private sector funding for small and large-scale renewable energy generation activities.

The budget also requests the resources necessary to meet the requirements of the neediest individuals in the Nation. It supports average monthly participation of 8.3 million participants in the WIC program, an increase of 100,000 participants per month over 2007. We are also proposing \$15 billion in rural development loans, grants and other assistance. At the proposed level, over 39,000 homeownership opportunities would be provided and 16,500 multi-family housing projects that provide housing for 460,000 low-income tenants, most of whom are elderly, would be maintained.

The Department will continue to foster environmental stewardship by providing conservation technical assistance to farmers, ranchers, and landowners. As I mentioned earlier, the budget includes nearly \$4 billion in mandatory spending for the Department's major conservation programs, which will support a record cumulative enrollment of 215 million acres in these programs.

The budget for the Forest Service provides sufficient wildland fire resources to protect communities and natural resources, and provides for sustainable forests and communities through full funding of the Northwest Forest Plan and continuation of the Payments to States Program. Fire suppression funding is at the ten year average. In addition, the budget provides funding to continue implementation of the President's Healthy Forests Initiative to mitigate the threat of catastrophic wildfires. Resources proposed in the budget will reduce hazardous fuels on an estimated 2.95 million acres of land, an increase of 50,000 acres over the acres expected to be treated in 2007.

Tough choices had to be made as well to keep spending under control and achieve a balanced budget. This means doing more with less, eliminating programs that are not getting the job done, or cutting out wasteful spending. Therefore, the 2008 budget includes proposals to reduce funding or terminate low-priority, duplicative, or poorly performing programs. These include a reduction of \$438 million in earmarks in research programs and research facilities construction.

In closing, I want to emphasize that the USDA budget fully supports the President's goals to strengthen the economy, increase security, and restrain spending. The budget addresses these goals by funding our highest priorities. These funding priorities strengthen agriculture and rural economies, protect our food supply, build on our conservation efforts, and provide for the neediest individuals.

That concludes my statement. I will be glad to answer questions you may have on our proposals.

Chairman SPRATT. Mr. Secretary, you touched upon the so-called baseline for mandatory programs. The baseline based upon current expenditures is substantially lower than it was several years ago when the existing Farm Bill was adopted.

That baseline is important to us in projecting what the budgetary costs of different provisions is going to be and, frankly, in the House whether or not we have a PAYGO application and assuming that certain things will be provided for.

How confident are you that the baseline we are working with this year is a firm, reliable number given the fact that it is based upon commodity prices that are at historic highs?

Secretary JOHANNIS. Mr. Chairman, we are confident of that baseline, and here is what I would offer in that regard. And I might even ask, if you do not mind, for Dr. Collins to offer a thought.

We will be spending a lot of time in the months ahead talking about baseline for this Farm Bill. The reason why the baseline is at the lower level is very straightforward. Commodity prices are high.

We look at our carry-over and all of the other information that we look at in terms of making projections about prices and when it is all said and done, there is not going to be that much difference between us and where CBO is at.

We all have to start from some place. We started trying to figure this all out as we were thinking about our Farm Bill proposals because we had to have a number. You are going to go through pretty much the same process. And, again, I think when it is all said and done, there is not going to be a lot of disagreement about our baseline.

Dr. Collins may offer a thought on commodity prices, but I am confident in telling you I think we are at that baseline and I think it is a good baseline.

Mr. COLLINS. Mr. Chairman, as you well know and members know, baselines are both art and science. They have been very variable over the years. At the Department of Agriculture, we follow the convention of the Congressional Budget Office starting last year and we started using, quote, stochastic or probabilistic baselines.

That alone adds a couple of billion dollars as kind of a cushion to our baseline spending. We went in that direction because we felt that just picking one specific scenario of prices in costing out based on that was a little too unreliable.

Nevertheless, we are using one specific scenario of prices, high corn prices, as you mentioned, but we do provide a probability distribution around that and estimate outlays based on a number of alternative outcomes.

I would say, commenting on the Secretary's point, if you look at our ten-year score for commodity programs, it is only several billion dollars different than the Congressional Budget Office's score. So we are in this together, hopefully accurately.

We have lower corn costs. That is the most sensitive and the most expensive commodity program. We have lower corn costs than the Congressional Budget Office because of the high demand for ethanol. But we offset that with much higher cotton costs, and that is mainly the difference between our two baselines. In sum, the aggregate total is very, very similar.

Chairman SPRATT. The budget that you sent us includes \$500 million a year over the time frame of the budget. Is this largely to give you some cushion in case the commodity prices you are assuming do not obtain?

Mr. COLLINS. No. The 500 million a year simply represents our total ten-year budget expenditure or, excuse me, the increase in

budget authority that we expect our proposals would result in over ten years. That is \$5 billion over ten years. So we annualized that and made it \$500 million and put that in our budget as a placeholder. So the concept there is budget authority, \$500 million in 2008, reflective of—

Chairman SPRATT. For all titles of the bill?

Mr. COLLINS. For all titles of the bill, yes, sir.

Chairman SPRATT. The deficit impact over five years is about \$489 million. Are you aware of that?

Mr. COLLINS. What impact, sir?

Chairman SPRATT. The impact on the deficit over five years is about \$489 million.

Mr. COLLINS. You are talking about the total outlays associated—

Chairman SPRATT. Yes, sir.

Mr. COLLINS [continuing]. With all titles of the Farm Bill? I do not know the exact number, but it is something very large like that.

Chairman SPRATT. Let me ask you, Mr. Secretary, about rural development programs. I represent lots of small towns in the rural south, between Charlotte, North Carolina and Columbia, South Carolina. I have got all the small towns and rural communities.

And, frankly, your Rural Development Administration has been a Godsend to these towns. They provide financing, funding that otherwise is simply not attainable. They do not have the credit rating, the standing, the capacity to repay. And both with respect to rural development and rural housing, these programs are critically important.

I am dismayed to see that there are some fairly significant cuts in rural development and rural housing. What is the philosophy behind that?

Secretary JOHANNIS. You are absolutely right. As we did our Farm Bill forums across the country and I started commenting on this, I heard no negative comments about our rural development programs. And I literally went through all of my forums, not a single negative comment. If anything, people were lining up to say this is doing a great job for my community or my county. So they are very popular.

Let me approach this in a couple of ways. One is that from the standpoint of the 2008 budget, the 2008 budget includes about \$14 billion for rural development programs. This is essentially the same level as 2007. The entire 15 billion will be directed into those rural programs. It may be job opportunities. It could be a variety of things.

The 2008 budget includes 4.8 billion for single-family housing to support home ownership opportunities, 1.5 billion for water and waste water disposal loans and grants, 690 million for telecommunications, 4.1 billion for electric loans. And I could go on and on.

But then going on to our Farm Bill proposal, we are proposing some things that we heard about when we were out there doing the forums and things we are very excited about.

For example, we have in this country about 1,283 rural critical-access hospitals that really need to be brought up to standard. We

are proposing to fund a \$1.6 billion loan program so all of these hospitals can be rehabilitated. And these are in the most rural areas of our country.

And we will submit for the record a list of the states and the number of hospitals.

[The information follows:]

CRITICAL ACCESS HOSPITALS (CAHS)

A Critical Access Hospital (CAH) is a hospital that is certified to receive cost-based reimbursement from Medicare. In order to qualify for CAH, a hospital must meet the following criteria:

- Located in a rural area
- Provide 24-hour emergency care service
- Average length of stay of 96 hours or less
- More than 35 miles from a hospital or another CAH or more than 15 miles in areas with mountainous terrain or only secondary roads or certified by the State as being a “necessary provider” of healthcare services to residents in the area
- Beginning on January 1, 2004, CAHs may operate up to 25 beds for acute (hospital-level) inpatient care, subject to the 96-hour average length of stay for acute care patients.

Alabama	3	Alaska	10
Arizona	12	Arkansas	27
California	21	Colorado	25
Florida	11	Georgia	35
Hawaii	9	Idaho	26
Illinois	51	Indiana	36
Iowa	82	Kansas	84
Kentucky	30	Louisiana	27
Maine	15	Massachusetts	4
Michigan	35	Minnesota	80
Mississippi	28	Missouri	35
Montana	45	Nebraska	65
Nevada	10	New Hampshire	13
New Mexico	6	New York	13
North Carolina	22	North Dakota	31
Ohio	34	Oklahoma	34
Oregon	25	Pennsylvania	12
South Carolina	5	South Dakota	38
Tennessee	16	Texas	74
Utah	8	Vermont	8
Virginia	7	Washington	39
West Virginia	19	Wisconsin	58
Wyoming	14	Total	1,283

As of October 2006

We are also proposing additional new money, if you will, to use that terminology, \$500 million additional to try to deal with the backlog of water and waste disposal systems and other rural infrastructure.

We think this will conservatively bring that backlog down by 30 percent, maybe more. And this was done in the 2002 Farm Bill. It is something we are continuing here. That would be in addition to the other programs we are doing.

We are doing about \$500 million for renewable energy and energy efficiency grants, \$210 million in budget authority to support loans for this purpose.

So I guess what I would say to you, Mr. Chairman, if you look not only at the budget, which is about the same where it was at in 2007, but look at some of the things we are doing in terms of our proposals, you can see we have a very robust proposal here.

Chairman SPRATT. Well, I am dismayed to see that, for example, rural development, if my numbers are correct, is cut by \$226 million, 18 percent below the 2007 level, in the name of streamlining and consolidating.

Do you really think you can save that amount of money in streamlining and consolidating and still have as much money to use for actual grants and loans?

Secretary JOHANNIS. Part of our Farm Bill proposals, for example, are to do some streamlining and just a better job of delivering these programs. Those are things that we just feel obligated to do. How can we manage the program better, more efficiently and, therefore, get money to people who really need it out there in rural areas?

I could keep going. I mean, I could talk about some of the things we are doing in terms of targeting funding for cellulosic ethanol. That is very clearly going to help rural areas much like corn-based ethanol has helped in the corn belts.

So there are a lot of exciting things in our proposal that I think make a lot of sense, have a lot of support from farmers and stakeholders out there. As we did our Farm Bill forums, they talked to us about these things.

Chairman SPRATT. I could go on and on and on, and we could have this exchange.

Section 515, for example, a lot of these section numbers stand out to me because I have seen the very projects that are represented and they are still taking hits. And I will take your word for it that the puts equal the takes in this bill, but I am concerned about programs that I have seen work very well.

And you may be able to streamline them from your administrative standpoint, but your local loan officers, your local State officials, and your borrowers are fairly well familiar with things like Section 515, like business and industry, the old B&I, guaranteed loan. And I sort of go by the philosophy that if it is not broke, do not fix it. But we will take your word for it for today.

We have got other members here who have questions to you, some of whom are on the Ag Committee, and I will come back a little bit later today and ask you some further questions.

Mr. Ryan.

Mr. RYAN. Thank you, Chairman.

First, Secretary, I just want to commend you for putting milk on an equal playing field with the other commodities. That expired before the other programs in the Farm Bill did. That to me seemed like an unfair thing. And the fact that you put milk in your budget tells me that we are going to treat milk fairly like we should do the other commodities. Then let us get on to the business of reforming all of these commodity programs on an equal playing field. So I just wanted to commend you for that, number one.

I want to ask you about the ethanol quotas. In the President's State of the Union address, he recommended, and correct me if I am wrong, going from the current 7.5 billion gallon quota by 2012 to 35 billion gallons by 2017. Am I right on those numbers? Is there enough corn to plant in America to meet that?

Secretary JOHANNIS. That is a great question. We are not going to do that all with corn, not unless something dramatic happened.

That is why in our Farm Bill proposals, we are proposing to target the funding at cellulosic development.

Mr. RYAN. How soon or how well developed is cellulosic ethanol technology such that it can contribute to, you know, reaching that quota?

Secretary JOHANNES. I have been surprised at how far along it is. I think many people, including myself, have been saying sometime within the next five years, this will be efficient, cost-effective production.

But having said that, companies come to my office and talk about being ready to build a cellulosic plant. I know that there are companies working with the Department of Energy for grants.

So I am very optimistic based upon what they are telling me, based upon the research that is going on there. But very clearly the point here is you have got to develop that industry to reach those goals. It cannot all come from corn. It is not possible.

Mr. RYAN. Actually, the wood chipping in Wisconsin is a big forestry industry.

Secretary JOHANNES. Yeah.

Mr. RYAN. And the wood cellulosic looks like it is fairly promising. But having said all of that, pretty much the only game in town right now is corn. And the big talk that I hear in, you know, Wisconsin is in the past, the conservation people along with the corn and beans people all kind of got along with each other.

And so now you are beginning to see some friction between the priorities of conservation, you know, CRP, things like that, and these ethanol programs. And I think there is a concern out there that you are going to see one displace the other because of these quotas, because of these prices.

Would you care to comment on that and give me your prediction?

Secretary JOHANNES. We share that concern. You know, we support all of agriculture, whether that is the dairy farmer, the fat cattle guy, or whoever it is, the corn grower, soybean grower.

But very definitely this has ramped up very quickly and today you have corn prices that are in the vicinity of \$4.00. So that means that the input cost for that dairy farmer has basically doubled relative to corn very, very quickly.

But having said that, here is kind of our best read on this situation. Very definitely there is a period of adjustment going on, and I think that is going to last for the next 12 to 24 months. Those high corn prices are doing what the market tends to do; they are causing more farmers to make a decision about moving acreage from some other commodity into corn.

We certainly have some flex there. If you look at, for example, soybeans, we grew the largest crop ever last year. We have the largest carry-over ever. So you literally would have some flex.

It is possible that some of the conservation contracts coming up, maybe somebody will look at that and say, well, I had it in conservation, but it is a corn crop. You know, that is not going to be one for one acres.

And then really on a more long-term basis, and I am not talking about a decade, I am talking about what I believe will be sometime in the next five years, if not sooner, I do think you will see a robust cellulosic ethanol industry develop.

For example, in your State, this would be very helpful. One of the things that we proposed in our Farm Bill proposal in addition to other cellulosic projects is a new \$150 million wood to energy program. That material laying on the bed of that forest, does it make sense to convert it into cellulosic ethanol? It may make sense. It may make good economic sense and it may be good for that forest.

Mr. RYAN. If I could go into that then. And in Wisconsin, because, you know, the top half of the State is pretty much all forest and it is forestry paper, the wood to ethanol cellulosic production cost is 55 cents a gallon.

So if it costs a cellulosic wood ethanol refinery 55 cents to produce a gallon of ethanol, and that ethanol, I am told, is more efficient than corn ethanol, why do we have to subsidize ethanol at 1.26 a gallon and why do we have to guarantee, you know, that kind of a markup?

Secretary JOHANNIS. I was asked a similar question before the House Ag Committee. And today the subsidy is directed at corn-based ethanol and that sunsets. I think that runs until 2010, if I am not mistaken.

There may be a point in 2009 or something where Congress looks at this and tries to make a decision about whether that should or should not continue.

Mr. RYAN. Correct me if I am wrong, but it is sort of a triple layer of incentive. There is a tariff, a 54 cent a gallon subsidy, and then the quota on top of it, the production quota. Those are sort of the big three incentives.

Are all of those necessary now given that we have got this new quota on top to foster this kind of production and if we are going to go to a 35 billion gallon quota of just domestic, would it not make good sense to allow some imports in if we literally do not have enough, you know, ground to plant the stuff on?

I mean, do we need all three of these incentive programs to make this industry vibrant and work? And, look, I come from corn country. But, nevertheless, I think it is important to ask these questions.

Secretary JOHANNIS. Yeah. My deputy reminds me that these programs would be available for other biomass products. They would be available for that wood to ethanol idea that you are talking about.

The answer to your question is this. Three years ago, if you read articles about ethanol, you would probably be reading will it survive. It has been around a long time. I mean, ethanol production has been around a long time, but not very efficiently, not very effectively, not very cost effective.

That changed very quickly here. And, yes, admittedly, the last couple of years have been good years for the ethanol industry. We like to see that.

Congress has made a policy choice that until 2010 that that support should be there and that support will help the industry and help the industry stabilize. And there is a lot of other good purposes, less dependence on foreign oil—

Mr. RYAN. Absolutely.

Secretary JOHANNIS [continuing]. Environmental, et cetera. So we sit here today not taking issue with that policy choice. We have not proposed any changes in any of those items that you have mentioned.

Now, like I said in our proposal, though, we say let us focus on cellulosic ethanol. Corn-based ethanol is doing pretty well here. Let us focus on cellulosic. So our dollars are really directed at that.

Somewhere out there, long after this Secretary is gone, Congress may look at that policy and say we can make adjustments here. But for the time being, through 2010, you have that in place.

Mr. RYAN. Well, I guess that is the question. You know, like I said, I come from ethanol country. We are building eleven ethanol plants right around my area.

So the question is, this industry, has it succeeded to the level now where it is mature enough to sort of stand on its own or to better stand on its own or not? You just basically answered that question, but I think that is a question we need to think about.

I just want to finish with one quick question. DOHA may be back on track now. I mean, you hear this stuff. You know, one day, DOHA is dead, the next day, it is revived. We had over the Ways and Means Committee Ambassador Schwab here yesterday who said, you know, we may have a chance at DOHA again. And I hope we do.

But the EU Commissioner for Agriculture, Fisher Bohl—I think I am pronouncing that correctly—has complained that this new Farm Bill proposal is contradictory toward DOHA. I am not sure that she is correct, especially when you compare our programs to European programs.

But would you care to comment as to whether or not you believe your proposed reauthorization of the Farm Bill and the farm programs is in keeping and consistent with our direction to try and make DOHA work?

Secretary JOHANNIS. Yeah. I read those comments. In fact, when Maryanne Fisher Bohl was here in Washington, I took the opportunity to meet with her, and she had a lot of questions about the Farm Bill. And interestingly enough, after our meeting, she made a comment that she thought it was a better Farm Bill.

I was asked a similar question yesterday near the end of the testimony by Bob Goodlatte before the House Ag Committee, and I said this. We want more market access from the European Union. They also have very high subsidies that need to come down.

And I will just be very candid in my response. I think they were trying to talk our proposal down. That is just my personal opinion of it.

There is no doubt that something like direct payments, for example, that are not tied to price or production, that are decoupled from that are generally regarded as non-trade distorting and trade compliant.

Our increase in our conservation programs, \$7.8, I suppose we could have put that into something really trade distorting. We did not in our proposal. And what does that mean? Conservation programs again are generally regarded as trade compliant, green-box programs.

So if you tip down through the list of things we are proposing, although I will not tell you we wrote a Farm Bill based upon trade; we wrote a Farm Bill, we hope, based upon good policy and good for farmers and good for rural America, but I do believe that this Farm Bill approach makes a lot more sense in terms of the trade issue.

Final thing I will say. It is important. I do not know where every member stands on trade. Maybe there are some people anti-trade. Maybe there are some people pro-trade. I do not know.

But I will tell you this. Eighty percent of the cotton we grow in this country is exported, eighty percent. Fifty percent of our rice is exported. About every third row of our row crops, the crops you are interested in, go into the export market. That is changing because of ethanol, but it is still a major piece of what we do.

And we keep setting records in selling our products overseas. We are good at it and we have great products. So I just think you have to pay attention to that. You certainly do not want to take a step back.

And then the final thing. This cotton case is for real. We aggressively defended it. We lost. It was taken up on appeal. We aggressively defended the appeal. We lost. Brazil is now saying you have not fully complied. We are going to aggressively defend that.

Canada just filed a case against our corn program, a commodity that is important to your State, and Canada was joined by a whole list of other countries almost overnight. I mean, literally within 72 hours, Canada was not standing alone. Now, we will aggressively defend that too.

But, again, I just think we need to pay attention. We need to be mindful that for the American farmer, trade is really important. Let us do it right. Let us get a level playing field, all of those things, but this is really important to agriculture.

Mr. RYAN. Thank you.

Secretary JOHANNIS. Thank you.

Ms. DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

I apologize that we had to cancel the Agricultural Appropriations Subcommittee this morning, but so many of our colleagues on that Committee were paying their respects to our colleague, Mr. Norwood.

Let me try to address two areas in my time here. First, I just wanted to add in this area my comments to what the Chairman spoke about in terms of rural America. And as I look at this budget, we are looking at real budget shortchanges in terms of rural development and housing programs.

And let me just catalogue for a second. Cut to Rural Community Advancement Program by 21 percent, \$120 million cut in water line and waste treatment programs, defunding rural empowerment zone, empowerment communities. We are looking at the budget terminating Rural Business Enterprise Program, Rural Business Opportunity Grant Program, an estimate of about 19,000 plus fewer jobs in rural areas in 2008.

And, finally, the comment that my colleague, Mr. Spratt, made about the Direct Single-Family Housing Loan Program, which is a

request for elimination, and the zeroing out of the Section 515 Multi-Family Housing Direct Loan Program, which would result, I might add, in about plus 2,100 fewer units of rehabbed or built housing in 2008 than in 2006.

I think there are serious problems with what is happening in the budget on rural development, but I just want to posit that. And I want to move on to an issue with regard to the State of Indiana and the Food Stamp Program, Mr. Secretary.

The State of Indiana, I think, as you know, plans to contract out virtually all of the administration of their Food Stamp Program and programs like Medicaid. It is a \$1.6 billion contract over a ten-year period. Food stamps share the administrative cost of \$328 million. Project federal food stamp benefits that the contractor would help to issue in this period are in excess of \$8 billion.

Just flat out for myself, I am opposed to contracting out these services.

Under the Indiana contract, the State is going to turn over 80 percent of their staff and business operations to a private company, to IBM, next month. December 18th, USDA's Midwest Regional Office gave Indiana the approval to roll out the plan. Their letter said that it had lots of questions. It would approve the rollout for one year, 2007, 2007 being the key year. Next month, 80 percent is the shift of that workforce. How can we shift back to the old system after a year?

So, in essence, USDA's approval has set this in motion for the long haul. USDA said they had numerous questions on how the operations on the ground would work. Governor Daniels moved forward, signed a ten-year contract with IBM. Yet, Indiana did not answer any of USDA's questions about what the arrangement entails.

February 8, 2006, USDA asked for another letter, plain English, narrative description of the certification process, and that is a quote, that describes what the State and IBM each would do. The suggestion here is that the agency continues to be unclear.

Question. I want to understand how USDA approves a contract in December without understanding what the State is proposing to do. You have got a February letter. We continue not to know whether contract compliance complies with the federal law.

How do we grant an approval without knowing the project is going to comply with federal law? It is a \$1.6 billion contract. They have not answered any questions. And we have got 80 percent of the function and those services moving within the next 30 days.

Secretary JOHANNNS. Okay. I will offer a couple of thoughts on that. First thing, if I might just mention, the rural development issue. I think, and I can go through those account by account or somebody more knowledgeable even than I am can go through them, but I think part of what is happening here is that in many areas, we are moving toward guaranteed loan programs versus grant programs. We have been doing that for a number of years. It is probably not the case in all cases, but I am guessing that is a part of what you are talking about.

We just feel that oftentimes we get more for the dollar in those programs than just an outright grant. But, again, we can go through those with you.

In terms of Indiana, we have had a few states, not a lot, that have looked at the question of how best to administer the Food Stamp Program, and Indiana is one of those states.

The letter you are referring to, I have in front of me, dated February 8, 2007, where our regional administrator wrote to Mitchell Rube—hopefully I am pronouncing that correctly—and Indiana Family and Social Services Administration, and you are absolutely right, said we need this information. We need to have you explain the narrative.

Actually, it is, as you know, a very extensive letter. It is three pages from this administrator saying explain to us these items. But the letter goes on to say that they need the information by February 20th, because it is currently scheduled to change over, I think, on March 19th.

Ms. DELAURO. Nineteenth, uh-huh.

Secretary JOHANNIS. I can assure you we will pay very close attention to this. I can assure you that Indiana has to comply with the law and the requirements and satisfy us that what they are doing is not going to jeopardize somebody who is receiving food stamps. And that is how we approach this. If they are not ready, they are not going to be ready.

Ms. DELAURO. Mr. Secretary, the example in Texas, it has been a complete failure, so much so that I believe that on a bipartisan basis, the Subcommittee last year said that we were not going to take further steps in terms of any kind of funding until we understood what was going on.

Millions of people, thousands of people, let me say, left off, eligible people in that area. We are talking about on March 19th, and you are going to look at something on February 20th, and we have set in motion a process here which is going to take 80 percent of those services that are going to be shifted, 1,500 people losing their jobs without knowing how, in fact, the services are going to be delivered.

This is a radical approach. This is not a pilot program. You do not deal with 80 percent on a pilot program, and that it is going to be phased in. There is some impression that there is a phase-in. That is not accurate.

I am troubled. I have to be honest with you. I am just troubled by the lack of oversight on what appears to be a major, major departure from service delivery on a program that we know after so many years through this—through our Subcommittee, we have worked very, very hard on a bipartisan basis to make sure that the Food Stamp Program is working and working well.

We are now going down a new philosophical, ideological conceptual basis here about which we have prior example of failure, and we appear to be moving in that direction again with failure.

I must tell you that as an appropriator, I am very concerned as to what we are going to do about being able to limit what can be done without understanding very clearly what is going to happen in this area.

I have gone way over my time, but I think you understand the strength of my feelings on this issue, Mr. Secretary.

Secretary JOHANNIS. I do.

Chairman SPRATT. Thank you, Ms. DeLauro.

Mr. Hensarling.

Mr. HENSARLING. Thank you, Mr. Chairman.

Mr. Secretary, again, I want to thank you for being responsive to me and other members of Congress that represent districts that have significant cow-calf operations and for what you all did six, seven months ago in helping at least partially reopen the Japanese market. It was certainly important to a lot of Ag producers in the Fifth Congressional District of Texas.

Could you just give me a quick update on where we are in our dealings with the Japanese in fully reopening that market?

Secretary JOHANNIS. I would love to. Thank you for your compliment.

The Japanese market is open to U.S. beef. However, it is limited to all beef from animals 20 months and under. That was an agreement that the Department had reached with Japan immediately prior to my arrival.

The market opened up. And if you will remember, we had a problem with one of the shipments and so the market closed, and it took us about six months to get it back and opened.

Here is the good news. The Japanese consumers responded very well. We are selling beef in Japan faster than we can keep it on the shelves. They have responded very, very well.

Here is the problem though. Twenty months is not based upon any international standard. It is not acceptable to us, and we need to move that forward.

We had an understanding with Japan that for the first six months of shipment of beef into their country, we would see how things were going. That six months is now expired. It expired in January. And now we are asking Japan and really all of our trading partners to move to the international standards.

We are going to continue to push that issue, continue to do all we can to get that market completely opened based upon OIE standards. So good news, beef is there. Bad news is we want to sell more there. We believe we can safely and under international standards. They are not there yet.

Mr. HENSARLING. Thank you, Mr. Secretary.

Having been on this Committee for a number of years, I have realized that about 90 percent of the time, somebody uses the term cut. What they really mean is some program did not increase quite as fast as they hoped it would be.

I have not looked at the programs the gentle lady from Connecticut was alluding to. I assume she used the term properly.

But just for the record, do I understand that the Administration is proposing to increase food stamp spending three and a half percent, child nutrition, 1.4, and WIC, 4.2 percent? Are those accurate numbers?

Secretary JOHANNIS. I do not have those in front of me, but you are right. These programs have continued to grow. We also fund contingencies there. So if the programs grow more than anticipated, we will have money to continue to respond.

Mr. HENSARLING. So no reductions in federal nutritional assistance programs are being proposed?

Secretary JOHANNNS. Full funding. We fund whatever we believe the need is going to be, and then in addition to that fund a contingency program to cover anything additional that may come along.

Mr. HENSARLING. And just for the record, although I do not know if you have this in front of you, according to OMB, since the Administration came into office, at least through 2006, I see where food stamp spending is up 81 percent, child nutrition up 30 percent, and WIC is up 24 percent from 2001 through 2006.

Do those sound roughly accurate figures?

Secretary JOHANNNS. Yes.

Mr. HENSARLING. Thank you.

Secretary JOHANNNS. We have never been shorted in these programs. The President is very supportive of these programs. And so our outreach has been exceptional, and we continue to add people to the programs.

Mr. HENSARLING. Mr. Secretary, there are those in Congress who believe the only way to help the Ag producer is by producing a larger federal assistance check. In my dealings with Ag producers in the Fifth Congressional District of Texas, I come to some different conclusions.

You deal with a lot of Ag producers. People I hear from think it is very important that we get rid of the death tax. People I hear from, particularly my cattle producers, tell me we need to create more trade agreements so we can export some of this good Texas beef.

I hear people say we ought to open up ANWAR and OCS so that we can achieve greater energy dependence and bring down the cost of diesel and other fuels to power up their farm machinery.

So are there other proposals of the Administration that would help the Ag producer besides increasing the size of the federal check?

Secretary JOHANNNS. You know, we did Farm Bill forums all across the country, and I did over 20 of them myself. Did one in Texas, as a matter of fact, at Lubbock. And what I started seeing about halfway through those, because this is what farmers were saying to me, is that good farm policy is certainly a good Farm Bill, but it is so much more than that. Good farm policy is good trade policy, good tax policy. It is all of those things hitting on all cylinders, if you will, and it makes a huge difference in terms of where agriculture is at.

You know, I draw comparisons between 2001 when we sat down, or 2002, to write the last Farm Bill and today. And they are real comparisons. We have set records in trade in that period of time. We have set records in net farm cash income.

I can tell you the balance sheet for agriculture has never looked stronger. The debt-to-asset ratio is low. The net equity is, I do not know, it is above \$1.6 trillion. And, actually, our subsidies have been going down.

If you make the case that it is subsidies, then the all-time banner year for agriculture should be 2000 because we hit \$32 billion in subsidies. And I think you would not have to look very far and farmers would tell you that that was not a good time. In fact, it was a very, very difficult time.

So what is going on? Well, trade was not very good. A lot of things were not working very well for farmers. A lot of things are working well now. You know, I am absolutely convinced that it is so much more than the Subsidy Program. It is all of the other things. And I started saying that at Farm Bill forums and farmers would reinforce that, reinforce this idea that it is a whole list of things that need to work right.

Mr. HENSARLING. Thank you, Mr. Secretary.

Chairman SPRATT. Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for cutting duplicative and poorly-performing programs, including, as I understand it, what, \$438 million in congressional earmarks because we need to focus on our budget problems.

I am still worried, though, about efficiency of delivery of your services. It is my understanding that the Natural Resources Conservation Service alone has 3,800 offices around America. Is that true?

Secretary JOHANNNS. I do not have it in front of me. That would not be a surprising number to me.

[The information follows:]

The Natural Resources Conservation Service (NRCS) has 3,800 offices located in all States, Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, the Northern Mariana Islands, Micronesia, Palau and the Marshall Islands. Of the 3,800 NRCS offices, 98 percent are in the field. Staffs in these offices either provide direct customer service or critical technical and administrative support generally located within conservation districts. Over 2,500 of the total field offices are USDA Service Centers which are co-occupied by NRCS, FSA and RD.

Mr. COOPER. And then there is the Farm Service Agency, the Rural Development agencies. Do they have an equivalent number of offices around the country?

Secretary JOHANNNS. They are collocated. So, yeah, it would be very comparable. Again, I can get you exact numbers and would be happy to do it. But that would definitely be in the ballpark.

[The information follows:]

The Farm Service Agency (FSA) has 2,372 field offices and Rural Development (RD) has 825 field offices.

Mr. COOPER. Do all these counties have farms located within them?

Secretary JOHANNNS. You know, we went through and still are going through the issue of FSA offices. And that is not a popular thing to go out there and propose the closing of an office as you might expect.

But the answer to your question is, there are probably some counties out there where agriculture is fairly limited at this point, just simply because of urban sprawl and development and all the things that go on.

We have many offices, probably a third of FSA offices have less than three employees. And you are talking about programs that are hugely complex, change a lot. They can change, you know. And we are asking these three people to master those programs and answer the phone and run the computer and do all of the other things.

Mr. COOPER. Mr. Secretary, you are not in office to do the popular thing necessarily.

Secretary JOHANNNS. Oh, we are going to do everything we can to be efficient here.

Mr. COOPER. Can you tell me what the rent is that is paid by these 3,800 offices or the cost of the offices?

Secretary JOHANNNS. We would be happy to supply that. I, again, do not have that in front of me, but I would be happy to supply it.

[The information follows:]

The rental payments for NRCS's 3,800 field offices totaled \$62.2 million in FY 2006.

Mr. COOPER. Can you tell me productivity per worker? Like in those counties without any farms, what are these people doing?

Secretary JOHANNNS. You know, again, if you have very few farms there, then that is going to impact the workload obviously.

Mr. COOPER. Is there any other federal agency that has this many field offices?

Secretary JOHANNNS. I cannot imagine there is. I would have to believe we are in every county in the United States.

Mr. COOPER. How many offices have you reduced in your tenure as Secretary of Agriculture?

Secretary JOHANNNS. Here is what happened. We headed out to consolidate and close FSA offices. It was not popular here on the Hill. I agree, I am not here to win a popularity contest.

But Congress has added to an appropriations bill as of a year ago a very specific process now that we have to go through, and we are doing that. I think 21 states or 22 states are somewhere in the stage of getting that process done and other states will follow that. But Congress has spoken to us on this and given us the rules by which we can engage here with these offices.

Mr. COOPER. So if we speak to you loudly enough, you just go away and stop proposing closing offices that have no farms left in the county?

Secretary JOHANNNS. No. That is not the case at all. I mean, that very clearly is not the case. We have—

Mr. COOPER. May we look forward to your closure proposal then or can you give us a list of the offices that have no farm constituents left?

Secretary JOHANNNS. We would be happy to supply whatever information you need. I can tell you this. We continue to work through that congressional mandate literally State by State. And, yes, you can look forward to hearing from us repeatedly as we work through that process and bring our ideas to you as to how best to manage this system.

[The information follows:]

The 732 nationwide counties with no field offices include 28 counties that have been designated as non-agricultural because they have little or no agriculture and 704 with limited agriculture. Any USDA program needs for these counties are handled by neighboring field offices.

Secretary JOHANNNS. And, yes, in some states, there are fewer offices. There are going to be. But we have to follow the mandate. I—

Mr. COOPER. What matters is efficient delivery of services.

Secretary JOHANNNS. I agree.

Mr. COOPER. And the IRS code is complicated, too, but we do not have IRS field offices in every county in America, even though presumably everyone is a taxpayer.

Secretary JOHANNNS. You and I do not have much debate on this. I think what I want to achieve is exactly what you want to achieve, and that is a more efficiently-run system. And we are going to work to do that.

Mr. COOPER. I look forward to your including it in your testimony next year.

Mr. RYAN. Mr. Cooper, would you just yield for one second?

Mr. COOPER. I would be delighted to.

Mr. RYAN. Mr. Secretary, when you respond to Mr. Cooper, would you mind just CC'ing us with the same information?

Secretary JOHANNNS. Absolutely.

Mr. RYAN. Appreciate that. Thanks.

Secretary JOHANNNS. Sure. Of course.

Chairman SPRATT. Mr. Tiberi.

Mr. Alexander.

Mr. ALEXANDER. Yes, Mr. Chairman. Thank you.

Along the line that Mr. Cooper was talking, if we looked at efficiency only, we might look at doing away with some of the 435 congressional seats across the nation too.

Secretary JOHANNNS. I will not even go there.

Mr. ALEXANDER. The 502 Direct Loan Program, Mr. Hensarling said something about some of the programs just being reduced and not cut or eliminated. But I understand that that 502 Direct Loan Program has been zeroed out. And you suggested earlier that the Guaranteed Loan Program is more efficient in your opinion.

But my question is, is the Guaranteed Loan Program worth a whole lot to some people if they cannot be guaranteed a loan?

It is my understanding that many of those institutions out there are so upset with the way the SBA Program has been working that they just do not want to fool with it anymore. So if you have someone out there that needs a loan and they look at a program called a Guaranteed Loan Program and they cannot get a loan, that is a poor guarantee.

Secretary JOHANNNS. Let me offer a few numbers here, if I might. In the Guaranteed Loan Program, our 2008 budget would support \$4.8 billion in guaranteed loans, and that would be a \$1.7 billion increase over prior years.

The Guaranteed Loan Program does have the capacity to serve families with very low incomes. About 30 percent of the homeowners that are currently served by our Guaranteed Loan Program actually have incomes that are about 50 to 80 percent of the area's median income. These are people who are quite poor. The rest have income levels in the 80 to 115 percent. So even at that level, very definitely these folks are quite poor also.

We expect under the 2008 budget to provide about 39,000 home ownership opportunities. So I guess what I would say to you is this. We have actually had good success with this program, and the numbers seem to back it up. It seems to be operating well, and we seem to be reaching out to people who really, really need our help through the Guaranteed Loan Program.

So I think the USDA is the only federal agency at this point that had anything left of a Direct Loan Program. But I will provide you whatever you need to try to assist in your deliberations. But I think this is a program that is actually working quite well out there.

Mr. ALEXANDER. Okay. Going back earlier, you were talking about ethanol production and we talked about corn and wood chips and cow chips and everything else to convert to ethanol, but we never talked about sugar cane or sugar from the production of sugar cane or sugar beets.

In your opinion, is that worth looking at?

Secretary JOHANNIS. Yes. In our cellulosic ethanol proposals, I use that as kind of a generic description, but sugar cane and beets would be included in that. They would benefit from this program. And absolutely it is worth it.

You know, if you go to Brazil, that is the raw material, if you will, sugar cane that produces their ethanol. And I have been to a plant in Brazil where literally the trucks were coming in with the cane to process it into ethanol. So the answer is yes.

I will also tell you my personal hope is that both cane and beets look at this as a real opportunity for the future of these industries. I just think the current program is over time not going to work very well for them. In fact, I would argue it is hard for me to imagine it works very well even during the life of the next Farm Bill. And that is a whole separate discussion. But they very definitely would qualify under the cellulosic programs.

Mr. ALEXANDER. Okay. Thank you, Mr. Chairman.

Secretary JOHANNIS. Thank you.

Chairman SPRATT. Mr. Allen of Maine.

Mr. ALLEN. Thank you, Mr. Chairman.

Mr. Secretary, thank you for being here.

I have got two questions and I will try to get those out and let you deal with them in turn. The farming community in America is fairly diverse and regional. Flexibility and management is critically important. I am concerned that the Farm Bill proposal may decrease rather than increase regional flexibility.

Let me give you an example. The Senior Farmer's Market Nutrition Program was a new program in the 2002 Farm Bill that gives seniors vouchers that they can spend at farmer's markets. Maine was one of the first states to take advantage of that program, and it has been a phenomenal success.

For example, community-supported agriculture was not really widespread in Maine when it began and now we have a large number of farmers, and participation has increased dramatically.

Now, under Maine's system, farmers are paid up front with \$100 for each participating senior, and the seniors then get deliveries of fresh fruits and vegetables throughout the growing season. But when the program became permanent and not a pilot, USDA approved a set of rules that really crippled Maine's program. They set a number of different rules that made it impossible for the program to continue.

So the first question is, how does the USDA plan to address regionally-specific nutritional and agricultural needs in 2008, and

would you be willing to revisit the idea of flexibility in the Senior Farmer's Market Nutrition Program?

The second question involves the Regional Equity Program which provided base funding of about \$12 million to each State for conservation programs. That did help northeastern states like Maine. But in the Farm Bill proposal, the USDA has cut that Regional Equity Program.

We are very concerned that Maine may get really very little money even though farming, we may not export a lot, but the farming industry in Maine is really critically important.

So I am curious how you would address the problem of the backlog in conservation funding and in the absence of a Regional Equity Program, how you would propose to address the needs of those areas which are historically under-served agricultural communities?

Secretary JOHANNNS. In reference to your first question, I would be happy to look at whatever we have done and see if there is something we can do to try to fix the problem that you have got there. So let me just answer it that way.

Let me also point out this is probably on the positive side of the ledger. In one of our proposals, we take that senior voucher program and we set it off in terms of that being considered as part of your assets to determine whether you qualify for any other nutrition program. We do that with the senior voucher program in our proposal, college savings, and one other item I am not remembering right now. Oh, military combat pay. But I will look at that.

In terms of the 12 million, you are right. What we have proposed to do in our Farm Bill proposal is to base determination on the merit of the application. The \$12 million that was set aside by previous action, I think, kind of sets a placeholder for states like yours.

We did approach it differently. We said, look, let us just look at the merit of the application, see who qualifies based upon the merit. If your State does better in that application, that is great, but that is how we approached it.

Mr. ALLEN. If I could just follow-up there.

Secretary JOHANNNS. Sure.

Mr. ALLEN. The question we have is, given the diversity of agricultural communities around the country, what criteria are you going to use to judge whether a program in Maine is comparable to a program in Nebraska or Texas? It is that issue. The base funding to keep agricultural programs going in this area is very important to us, and we are not sure how a merit program would work.

Secretary JOHANNNS. We do it now. I mean, our conservation programs, at least in part, are based upon criteria and scoring. And so it is part of the charge to the USDA to figure that out and do it fairly. And I think we do.

Yeah. The criteria, it is not something we just put out there. It has to go through rule making, and we receive comments, and then we end up with what the criteria will be. But we do it now. So the answer to your question is, we do it now.

But admittedly what we are proposing does not create a stakeholder place for any State. We say we would go through that merit-

based system that we are familiar with and decide which applications rank where and which ones then would get funded.

The good thing about our conservation programs, almost always there is more demand than we have money for. And so they have to be scored some way and that is how we do it.

Mr. ALLEN. Okay. Thank you.

Secretary JOHANNIS. Thank you.

Chairman SPRATT. Mr. Smith from Nebraska.

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Secretary, you spoke about rural critical-access hospitals, and I am glad you did. I believe that in Nebraska—my district alone has 48 of them, 65 in Nebraska. And it is a delivery system that is working very well in terms of streamlining services.

There has been some give and take along the way within these rural communities, but I would say in large part, it has been very popular even though there is kind of some centralizing of services.

And so if you would care to share some of the rationale. You said it was on renovation, I believe, of some of these facilities. Would it be limited only to renovation or could you expand on that a little bit?

Secretary JOHANNIS. New equipment would be a part of that, but it is basically to bring that hospital up to modern standards.

As you know, in the Third District of Nebraska is a perfect example. Many of these hospitals are in small communities and very, very rural areas. When that hospital closes, healthcare disappears for a lot of miles.

And that is what we are trying to avoid. We are trying to not only avoid that hospital closing, but we want it to have state-of-the-art medical care, life-saving capabilities. So if somebody has a heart attack or there is a farm accident or a car accident or whatever, they can get to that hospital and receive that life-saving medical treatment.

So it is an excellent program. In my judgment, we should have done these hospitals sooner. But we have got the proposal to do all of them in our Farm Bill proposal. And I really think, like your district, it is going to be very, very well received really across the country.

And we will submit for the record a list of the states and number of hospitals impacted. I am going to guess that maybe not every State, but the majority of states have critical-access hospitals that will benefit from this proposal.

Mr. SMITH. Okay. Thank you.

I yield back the balance of my time.

Chairman SPRATT. Mr. Doggett.

Mr. DOGGETT. Thank you, Mr. Secretary, for your testimony.

Secretary JOHANNIS. Yes, sir.

Mr. DOGGETT. Let me say that I think there are some provisions in your proposal that have great merit—

Secretary JOHANNIS. Thank you.

Mr. DOGGETT [continuing]. Particularly those that focus on the question of whether we can continue to make unlimited amounts of payment.

I know that you have one proposal that picks a figure of 200,000 after appropriate deductions and the like. I am not sure if that is precisely the right level, but it is certainly the right direction.

We cannot do all the things you are being asked to do today and that we are being asked to do as a Committee if it is a blank check. But I need to center in and have great concern in the same area that Congresswoman DeLauro raised with you earlier, and that is the disaster and unmitigated failure of privatization of food stamp services in my home State of Texas.

Indeed it is an issue that a number of members of the Texas delegation wrote the Department of Agriculture about before Texas ever proceeded with its misbegotten contract with Exensor, a company based in Bermuda that will not even pay the taxes due that its competitors pay here in the United States, but wants lots of taxpayer business.

Despite the promise of great savings, this privatization contract has cost federal taxpayers money in additional administrative cost.

There is also, I think, serious disruption of service of low-income families in the area of Texas that I personally represent as a result of this pilot, including a delay to more than 3,000 families in the first three months alone.

Now that Texas has revised its contract with Exensor and limited the privatization scheme, I think we need to draw lessons from the mistakes made in Texas by Texans and the mistakes made in Washington by a Department that approved Texas moving forward with this back-room deal.

In January, as I think you are aware, USDA wrote Texas not once but twice asking for information before any further rollout of its more narrowed privatization plan. The State has apparently provided no answer.

And my question is whether or not we are going to have any more oversight from your Department than we had in approving this contract initially and whether the oversight will consist of anything more than just writing letters that are not answered of the type that you sent to Indiana.

But in Texas, the answer did not specify any February 20th date. In fact, the last letter seemed to express the dismay your regional administrator, just please give us some information, and Texas has not done that.

Secretary JOHANNIS. I do not have the Texas letter in front of me, but let me promise you I will. My attitude toward this is that we want a program that is run well, period.

We think we have made great strides in the food stamp area. You know, our error rate is as low as it has been really ever.

Mr. DOGGETT. Well, of course, that is one of the reasons that I am so concerned about the Exensor contract, because the error rate went up. We had a good Food Stamp Program before the current Administration down there started wrecking it by giving all the work in a privatization scheme to Exensor saying they would save our taxpayers money when, in fact, it ended up costing us money.

And I do not quite understand why it is you have only written letters asking for information and, yet, our old buddy, Mitch Daniels, who we have had a little experience with in this Committee and his earlier role, decides he wants to make the same mistakes

in Indiana, and you all are letting them go on and follow in this case the wrong Texas—

Ms. DELAURO. Will the gentleman yield?

Mr. DOGGETT. I yield.

Ms. DELAURO. I thank the gentleman.

And thank you, Mr. Secretary.

I want to take your word that you want to have a program that is run well. And Mr. Hensarling is not here, but my problem is not that—we are looking at the process here and how we are going to put families in jeopardy.

I just really want to ask you, based on the February 20th date and your own desire to have well-run programs, if you will give a commitment to this Committee that you will ask the State of Indiana to delay that transfer until we have had a chance to be briefed on the specifics on what you are requesting from the State and are satisfied and that we are satisfied that Indiana is, in fact, complying with the law.

Can we have that kind of a commitment from you, Mr. Secretary?

Secretary JOHANNNS. I can give you this commitment, that until we are satisfied that they are going to comply with the law and run a good program, they would not go forward. I would say that about any State.

Now, here is what I would offer to you. I really want to spend a little bit more time seeing where Indiana is at. This letter went out, I think, a week ago today.

Ms. DELAURO. February 8th.

Secretary JOHANNNS. And maybe the response is going to be on our desk by close of business today or tomorrow. Bottom line is this. We want the program to run right. We are proud of our Food Stamp Program. It is doing great things out there. We are enrolling numbers that I would imagine people did not even think we would ever get to. We are helping a lot of people.

I think in our Farm Bill proposals, for example, we are doing some very positive things in this area. I want to make sure what runs what, and I will follow-up on your request.

Ms. DELAURO. And if we can be briefed on this program. If this Committee can be briefed on this program. It is a hundred percent federal benefits in this program that are being transferred, half of the \$328 million in federal dollars that are the administrative costs.

I thank the gentleman. I did not mean to infringe on your time.

Mr. DOGGETT. You are willing, as I understand it, to brief the Committee on that? This is just not being sure you did a good job like you thought you did a good job or your predecessor did in approving the Exensor contract, but you are going to give us a chance to hear about it before all this happens?

Secretary JOHANNNS. We are always happy to be before this Committee.

Mr. DOGGETT. I just ask you to do the same thing for Texas as well on this new program because those letters did not have a February 20th deadline. One of them was January 4th. One of them was January 12th. The latter one said please let us know when we

can expect to hear from you regarding the State's decision and subsequent information.

As best I can determine, the State has not even told you when they would tell you. And this is just not acceptable oversight.

Thank you, Mr. Chairman.

Ms. DELAURO. Thank you. I thank the gentleman.

Thank you, Mr. Chairman.

Secretary JOHANNIS. Here is what I can do. I will follow-up on your comments relative to both states, and we will send somebody in your direction with the latest information we have and give you each a briefing. And hopefully we can answer the question.

Mr. DOGGETT. Or whatever you get from the states.

Secretary JOHANNIS. Yes.

Ms. DELAURO. That is right.

Thank you very much, Mr. Secretary.

Chairman SPRATT. Mr. Lungren.

Mr. LUNGREN. Thank you very much, Mr. Chairman.

And, Mr. Secretary, and your colleagues, it is good to have you here.

I have got a whole host of questions all the way from the California impact from this Farm Bill, since California has a little different agricultural reality than the rest of the country, to trade, which is very important to our farmers in California, and forestry.

Probably the poorest area in my district is a place called West Point in Calaveras County, has one of the highest percentage of children on food stamps, one of the lowest per capita income, and it used to be a thriving community with a very, very strong forestry industry.

Those are all important questions, but let me ask one that I do not think has been touched on and I am concerned about. And I realize you share responsibility with DHS on that, and that is the area of agri-terrorism.

I am concerned of the vulnerability of our food chain all the way from the farm to its final delivery point, the vulnerabilities that we have within that, and whether or not we are putting enough attention, and that includes funding for research on that, and whether or not we on the federal level are coordinating not only with the states but with the private sector in that regard.

I have had some classified briefings on the potential. It is enough to concern me. It is enough to suggest, at least in my mind, that this is a very strong vulnerability that not only could do damage to us economically in short order but could do human damage as well.

And could you tell me what your Department does in that regard and how you coordinate with the Department of Homeland Security in that regard?

Secretary JOHANNIS. We do. If it is agri-terrorism, we work with the Department of Homeland Security. But if it relates to an agricultural product, we would lead on that issue.

Here is kind of how it breaks down. We have in the budget request about \$341 million, and that is all part of the Food and Agricultural Defense Initiative. That would be our piece of that. Funding would include a 148 million increase for critical ongoing efforts.

So we work with Homeland Security. But, actually, it even goes beyond that. We would work with Health and Human Services, for example, if there was a threat to human health.

And then there is the piece of this that is hard to quantify from a budget standpoint, but it is very real, and that is situations like avian influenza. As you know, Congress put out a pretty substantial amount of money to deal with avian influenza issues. There has been an aggressive coordinated national effort, all departments, doing table-tops, sitting in the same room, doing their planning together. And that was in response to avian influenza, but I can tell you all of that work, all of that planning, all of that effort will serve us if it is avian influenza or a bioterrorism sort of attack.

So we feel very, very strongly that the cooperation here is good, the effort between departments is seamless. The money that has been sent our way by Congress has been appreciated. And I think we have a very, very robust system here. So it is an excellent question, and I think we are doing some good things here.

Mr. LUNGREN. Something I would love to follow-up with you about, the level of education that we are focusing on to inform members of the agricultural community about some of the very easy ways that you could introduce some very damaging diseases to our country and how we make sure that that educational system goes all the way down to the workers.

But let me just ask this about the area of forestry. What do I tell folks in some areas like West Point about the federal government's attitude? I know we have the Health Forest Initiative. We have some programs that try to assist those communities with payments for the schools.

But I have never seen people that were more devastated in terms of not having an opportunity for jobs in an area where there were generations, and some of these people were Native Americans living in this area, but all of them were people who wanted to continue to live in the area, but, frankly, they cannot find jobs because they talk about the restrictions we have placed on the forests of the United States and the inability for us to actually allow them to make any contribution.

Secretary JOHANNIS. I have personally visited areas throughout the country where at one time, there was a very robust industry and now there is virtually no industry. Like you, I have met with families where literally they are facing the prospect that they are out of work because the industry simply is dying.

Let me just tell you. I fundamentally believe that you can have a very robust industry that is sensitive to the forests, sensitive to the environment. Not everybody agrees with that.

In your State, there is a healthy measure of litigation. It is incredible.

Mr. LUNGREN. I plead guilty to being an attorney.

Secretary JOHANNIS. Well, I am an attorney too. Not to speak ill of our brethren, but any forest issue we address in your part of the country, you can almost guarantee that not only will our rules be challenged but everything else that you could possibly imagine.

Mr. LUNGREN. I know my time is up, but just one thing. And that is I wish the President and some members of his cabinet, when we are talking about alternative energy sources, in addition to talking

about switch grass, would also talk about the fuel that we have in our forests.

If we could somehow use that as a source of creating alternative for energy, it would create those jobs in this area. It would clean up that fuel and it would give us an advantage in the area of energy independence that would be extraordinary.

Secretary JOHANNIS. In your State, you are absolutely right, but that is true all across the country. In our Farm Bill proposals, forest biomass would qualify for all of the things that I have talked about with cellulosic ethanol. In addition, we have 150 million for wood to energy program. We have a grant program we are proposing for innovative solutions to local forest management issues.

We share your vision here. We think there is a great opportunity here. Again, I think you will end up with a healthier forest, a better managed forest, and you are not going to have the situations we often face in your State with forest fires where quite honestly they catch that ground cover and you are off to the races.

Mr. LUNGREN. Thank you for the indulgence, Mr. Chairman.

Chairman SPRATT. Mr. Blumenauer.

Mr. BLUMENAUER. I would like to follow-up on where Mr. Lungren and the Secretary left this. In part, there are things I think we can do in terms of tax and in terms of agricultural policy that levels the playing field in terms of what we do with biomass and get away from the specter of too much in corn that has all sorts of bizarre and unintended consequences, not the least of which for agriculture.

And I appreciate what is there, and I think there are things we ought to be doing in terms of how we provide the tax and subsidy incentives.

I have three questions. I will lead with my first one just to say part of it, I think the solution is being more thoughtful and aggressive about how we deal with the problem of fire fighting. We have had what, three of the six last year and spent over a billion dollars in fire fighting cost.

There is some work that is absolutely environmentally benign and, in fact, would be supported by environmentalists if we put some serious money into it and not pushing the limits with some legislation you do not have to do, but fine tuning legislation.

My colleague, Peter DeFazio, has some legislation that is not controversial, that will not be tied up in court, that will put people to work in communities like yours, and make those communities safer and fire resistant.

But there is a flip side to that and that is we have to stop treating our rural communities like suburban bedrooms where people are going to get urban level of fire protection by locating places where they simply are not safe. It is bad for forest management practices and it puts people at risk and draw your costs of fire fighting up 100 or 1,000 times.

And when you put global warming on top of this and then you have people going up into the hinterlands—I think the estimates are that there will be one million more people living in suburban Denver in this—we will not have enough money to fight the fires.

So my first question to you, and I know there will not be time to do justice to it because I probably will not even get to my other

two questions, but I would like a serious response about what you are willing to do to redirect some money in these noncontroversial ways that will put these people to work, provide some biomass material, and make the community safer, and concurrently that we start having State and local governments be responsible for not allowing people to sprawl into areas where they are not safe. It undermines the environmental and forest characteristics, and provides huge fire fighting liability. Question one.

Secretary JOHANNIS. Okay.

Mr. BLUMENAUER. Question two, shifting gears, and, again, I will be happy to have something in writing at a later time, deals with in the international arena. I mean, I love the authorization of up to 25 percent of our food aid as cash for local and regional purposes overseas, not spending a gazillion dollars to take dramatically subsidized crops around the world and putting local poor farmers out of work so we have got to give them more aid in the long run.

I would love to have a more detailed response in ways that would allow our food aid program to reach more people, more quickly, with a more efficient use of the taxpayer dollar.

This is one, Mr. Chairman, I hope we can get our arms around and work with.

And last but not least, I would love to have a response in terms of what you think the future will be if we are unable to take our farm and trade policies in a way that deals with things like Brazil whacking us on cotton subsidies or Canada on corn. What is the likely exposure for American agriculture?

These three questions, if you would, I am keenly interested and want to work with you. I appreciate the rhetoric that was advanced and some of the proposals.

I come from a State that, you know, we produce more agricultural product than my other friend, the other Earl from North Dakota. We produce more agricultural product. We get one-sixth, one-sixth of the total federal benefit in subsidies for commodities, for environmental, all of the things combined.

So I like where you are going. I like the approach. Your reaction to those three questions would be useful.

Secretary JOHANNIS. All three are great questions, and I will have to be a little abbreviated because of time, but I would love to sit down, talk with you more about your thoughts here.

Mr. BLUMENAUER. A written response is fine. I do not mean to impose on my colleagues.

Secretary JOHANNIS. That is all right. I can hit these pretty quickly.

We set out to do a Farm Bill proposal that simply would be more equitable, and that meant more equitable across farmers. Sixty percent of U.S. farmers are not subsidized with cash subsidies. They are not.

In our proposal, we have about \$5 billion for what we call the specialty crop producer.

Mr. BLUMENAUER. People who grow food—

Secretary JOHANNIS. Yes.

Mr. BLUMENAUER [continuing]. That we eat.

Secretary JOHANNIS. As you know, it is everything from research to phyto sanitary, sanitary, purchasing more fruits and vegetables.

The 25 percent food aid issue is something we believe in. It is in our proposal. And it makes a lot of sense.

We want to buy food here, too, but there are certain emergency situations where literally being able to get food to somebody is a life or death situation not in two months or 30 days, today. I mean, literally today. We are not taking all of the food aid, but we are saying this 25 percent would give us the flexibility to go out there, purchase food, get it to those people who need it very, very quickly.

And then in terms of your ideas on forests, we are open to ideas. The current system, I will just be very candid, is not working very well. Maybe nobody is happy about this system. Maybe environmentalists are unhappy. Maybe people whose job depends upon working in logging are not happy. There has got to be something we can do here. And I would love to sit down with you more extensively.

Mr. BLUMENAUER. I appreciate that.

I appreciate your indulgence, Mr. Chairman. Fifteen seconds, if I may.

I hope you are also considering with the emergency aid, you know, you have to do it fast with cash because of time constraints. I hope you will also consider in some of those areas where we come in with heavily subsidized American food, it puts the local farmer out of business and those people end up starving, unless we do it on a permanent basis. I hope you will use that as a consideration for cash payments as well.

Secretary JOHANNIS. And under this proposal, you could literally go into that marketplace and acquire food, and that is where we would buy it. So we think this would work well in certain circumstances, not necessarily in every circumstance. We are not asking for 100 percent.

Chairman SPRATT. Mr. Berry.

Mr. BERRY. Thank you, Mr. Chairman.

Mr. Secretary, we appreciate you being here today.

And, Mr. Conner, we appreciate you being here.

And my next remarks are not intended to reflect on you two guys at all, but I worked with Scott Steele and Keith Collins for a couple of years down at the Department and there are few people in this town or any place that I have greater respect for. And I wanted to recognize that.

Secretary JOHANNIS. Great. Thank you.

Mr. BERRY. In this Committee, we endlessly hear the discussion that if you just lower the tax rate that the economy will bubble up out of the ground and everybody will be eating rainbow stew and drinking free bubbly.

And, you know, my first thought about that is if it works like that, how come we are broke, how come the nation is \$9 trillion in debt?

My question to you is, the only justification I have ever been able to see for a farm program was to guarantee adequate production and processing capacity to be sure that our people had safe food supply.

Has anyone ever calculated the value to the economy of having the cheap and safest food supply of any economy in the world?

Secretary JOHANNNS. I would be confident that somebody has done calculations and I would be confident in telling you that I agree with that statement. We are blessed. We are blessed by exactly what you are saying, a very safe, wholesome food supply, and we generally spend less of our disposable income than just about anybody in the world. That is a very positive thing for people.

Mr. BERRY. Well, I think so too. Now, the next question I have is, most of that is going to change under a Farm Bill since the 1930s. And we keep tinkering with these Farm Bills. I am a farmer myself. I have been there. I still own one of those things. Anybody that thinks it is the road to riches needs to go buy one and learn a whole lot.

But it is big business. It requires a lot of money, a lot of capital investment. And you do not have to be a rich person, but you cannot produce and process the amount of food and fiber that we are going to be required to produce in this country and do it on the cheap. The technology demands that you have that kind of capital investment.

Now, I know there is still a few small operations out there, and that is just all well and good. But I would wonder if anyone has considered the value of Farm Bill to getting us in this position where we do have cheap food and fiber.

And before my time runs out, I have got another issue. You talked about trade a while ago. The rice industry thinks that the Department of Agriculture has absolutely walked away from us on the GMO issue with long-grain rice in Europe. And it is beyond me why either the USTR or you, Mr. Secretary, cannot stand up to the Europeans and get us at least an even break on that issue because there is no health risk or anything involved. And if we are waiting on them to give us the information that they have about how this happened and all that, I will not get any response from them.

But the other thing I would say is, and I got into this business by getting involved in conservation programs and working to see that conservation programs were put in place and learning about those things, the Natural Resource Conservation Service in Arkansas has the worst leadership of any government agency I have ever seen. It is a train wreck. The farmers have come to hate it, and they do not even want to do business with them. The landowners want nothing to do with them if there is any possible way to avoid it.

And I have talked to people at your agency over and over again about it and nothing has been done about it, and I would encourage you to look into that and see if you cannot do something to make it better.

Secretary JOHANNNS. I will.

Mr. BERRY. And I thank you.

Secretary JOHANNNS. Thank you. I will. I will look into the last issue you mentioned.

A couple of things I would offer very, very respectfully because I do not want to launch off into a discussion about tax policy. But, actually, revenues are up. I mean, double digit. It is rather remarkable.

And having worked around budgets a long time, you know, you have your base upon which you tax and you have your rate upon

which you tax that base, and there are a number of ways to approach this, but one way is if you can get that base moving and investing and employing and doing all of those things, that is going to impact the rate upon which you apply, so—

Mr. BERRY. If it was working any better, Mr. Secretary, we are going to be broke.

Secretary JOHANNNS. Well, the fact of the matter is the revenues are coming in at historic levels. That is probably why there is so much emphasis these days upon balanced budget and spending and earmarks and all of those things. But the revenues are very, very strong.

The other thing I would mention, you know, I share your philosophy about farm policy. I think we are the beneficiaries of some really great things that have happened. But the 2002 Farm Bill was not the same as the first Farm Bill passed. Each Farm Bill tends to build upon the shoulders of the last Farm Bill, and hopefully we do it a little better each time.

And we feel very strongly that our proposal is that for a variety of reasons, and I will not launch into that. But just in terms of dollars and cents, if you reauthorize the 2002 Farm Bill and just said let us do it all again same way, do not undot an I, do not uncross a T, you would be spending \$5 billion less than our proposal.

Now, we worked to make sure our proposal would fit within the balanced budget goals, and it does, but the reality is that we think there are some things here that make a lot of sense in that Farm Bill proposal.

Last thing I would say, and Keith would probably know this off the cuff, I think our rice exports have stayed strong.

Now, I would agree with you on the EU. And believe me, we are standing up to them. We are not going to back down. I do not care if it is hormones and beef or if it is the rice issue or whatever else the flavor of the day is with them, we are not going to back down. This is something we take very, very seriously because with rice, 50 percent of that crop needs to be exported.

So I just want to assure you, Congressman, I am not going away. I am not backing down, and I do not see the USTR backing down on this issue either.

Mr. BERRY. If the Chairman will indulge me this. How have you stood up to them?

Secretary JOHANNNS. On every issue we have with the EU, we have either filed claims against them in the WTO, we have worked to negotiate better results. I will tell you in every way we can push the envelope with them, we have. We have not walked away from your rice farmers.

Mr. BERRY. But we still do not have access to that market.

Secretary JOHANNNS. Yeah. They closed access to that market. Congressman, here is what I would tell you. Under our rules here in the United States, we could close access to markets and we do. And we do not like it, but sometimes you have to do it.

Now, in this case personally, I do not see anything unsafe going on here, and we are going to do everything we can to push this issue and force this issue. So I want you to know I am not walking away from this. We are absolutely committed to getting rice back into the EU and every market in the world, every market.

Keith.

Chairman SPRATT. Mr. McGovern.

Mr. COLLINS. Mr. Chairman, the Secretary asked me if I would amplify one further comment of his—

Chairman SPRATT. Yes, sir.

Mr. COLLINS [continuing]. If that is all right with you. I would just follow-up on what the Secretary said. Yes, we are having difficulty with the European Union, but I think if you want to look at the whole array of activities the Department of Agriculture has conducted with respect to rice, you have to look at the other markets besides the European Union, which could have closed to us and did not because of the work the Department of Agriculture has done.

I could point to Canada as a good example and the aggressive efforts we had with Canada to maintain that long-grain market.

I would also point out that before the rice year started, we expected to export 97 million hundred weight of rice. Then we had the problem with Liberty Link Rice. We thought exports were going to fall off the chart. They did not. And the large measure is because of the export market maintenance that the Department of Agriculture conducted around the world.

And as we sit here today, we expect our rice exports will be 102 million hundred weight for the year, actually more than we thought before we discovered Liberty Link Rice in the rice supply.

Thank you, Mr. Chairman.

Chairman SPRATT. Thank you.

Mr. McGovern.

Mr. MCGOVERN. Thank you, Mr. Chairman.

And thank you, Mr. Secretary, for being here, and I appreciate your testimony.

I want to take my five minutes to say a few words and ask a couple of questions dealing with the issue of hunger.

Secretary JOHANNIS. Yes.

Mr. MCGOVERN. And let me begin by saying that I think the food and nutrition programs under USDA's jurisdiction are among the most important programs we have. And they deliver essential food assistance to one in every five Americans and they address hunger in communities all across the country and in every single congressional district.

I am sorry my friend, Mr. Hensarling, is not still here. He went through kind of quoting a litany of numbers, and I would just say that the question really should not be about whether a program is level funded or cut or increased. The question should be whether these programs are adequately funded to meet the needs that we have in this country.

And you began by saying that you believe that these programs are indeed funded to meet the needs. I would respectfully disagree with that. When I look at this budget, I have to tell you I am a little bit concerned that it is inadequate to the task of addressing let alone eliminating hunger and food insecurity in this country. And the job of doing that rests not just with your agency. There are other agencies too. I had this discussion with Secretary Leavitt when he was here the other day.

But let me start with senior citizens. Many seniors need special diets and adequate nutrition for their medications to work. Yet, they lack access to adequate food.

I was explaining to Secretary Leavitt about a visit I had to an emergency room in Massachusetts, Massachusetts Hospital about doctors telling me about senior citizens coming there with all kinds of ailments because they are taking their medication without adequate food. These seniors are dehumanized. They are demoralized when they have to choose between food and medication or rent or utilities. Yet, once again, this budget just like last year proposes to eliminate the Commodity Supplemental Food Program, which is a modest \$107 million.

And while I am touching on the subject of seniors and food stamps, we both know why so many eligible senior citizens do not take advantage of the Food Stamp Program. They only qualify for a \$10.00 minimum monthly benefit, and the \$3,000 asset limit has remained the same for many years and unlike most programs for elderly, there is not index for inflation.

I think these are changes that need to be addressed in the Farm Bill, but I do not see any such proposals in your budget. And if these necessary changes were made, which I think they should be made, they will have a budget impact.

So I would like to get your comments on that. But before I do, I want to get my second question in with regard to children.

Nearly 80 percent of food stamp recipients are households with children, so changes in eligibility can have a devastating effect on whether working families are able to put food on the table for their kids.

Data provided by many faith-based organizations, food pantries, and food banks clearly shows that many families exhaust their monthly food stamp benefits about two-thirds of the way through the month. Yet, the changes in eligibility proposed in this budget actually reduces the number of families eligible for food stamps rather than increasing the amount of the benefit or expanding the number of families eligible for the benefit.

So in that respect, I think we are going in the wrong direction. For the 280,000 families slated to lose their food stamp eligibility under this budget, approximately 400,000 of their children will also lose their access to free school lunches.

So in addition, I think this budget once again fails to provide the necessary funding for universal school breakfast programs, after school feeding programs, the summer feeding programs, leaving more and more kids hungry, under-nourished, food insecure. Again, all of these programs remain significantly, in my opinion, under-funded with very limited reach.

Now, I guess, my question, Mr. Secretary, is that at a minimum, why can we not get a budget that adequately addresses hunger in America, I mean, or at least addresses the needs of our children and our senior citizens?

This budget, I think, tolerates hunger. And that is not to take away from the positive in this budget to try to deal with hunger, but it does not anywhere go near where we need to go to eliminate the problem in this country. It makes no effort to move America forward in cutting hunger in half or even reducing it by a third.

And so I would like your reaction to that, but also make a suggestion that maybe you or someone in this Administration should head up an inter-department or interagency task force designed specifically to deal with the hunger issue. Maybe cutting hunger in half by the year 2015, you know, or even doing better than that. But I do not see in this budget how we get to that goal.

And, again, if you could deal with this hunger issue, you know, we can control healthcare costs, we can get a more productive workforce, kids are going to learn better in school. I mean, all the benefits are very obvious to me. But, yet, we are not there with this budget. And I would appreciate your response.

Secretary JOHANNNS. I will ask Chuck Conner to offer a few thoughts. He works this issue a lot and so he probably has some special insights that I do not.

But a couple of thoughts that I might offer. I do not think any Administration in the history of this country has more aggressively and fully funded nutrition programs than this one. They are growing. We fully fund them. We establish a contingency program so if there is additional growth that we did not anticipate, we could handle that.

I think the senior program you are talking about, the Commodity Supplemental Food Program, let me just be very clear, in that proposal, we have outreach dollars to reach out to seniors. We feel very, very strongly that if they qualify for a nutrition program that we should get them on that program.

This Commodity Supplemental Food Program is only in a few states, if I remember correctly, a few states, and I think a couple of reservations, if I am not mistaken. It is a very, very limited program. And in my judgment, there is just no doubt that the greatest impact you are going to have is through the Food Stamp Nutrition Program.

And then the other one you mentioned, I think you are probably referencing the eligibility issue.

Mr. MCGOVERN. Yes.

Secretary JOHANNNS. And, again, if those citizens qualify for the Food Stamp Program, we want them on the Food Stamp Program, but this is a situation. And, again, the Deputy works this more than I do, but this is a situation where maybe they have qualified for job training or something and so they are automatically put there. And we are saying, wait. What it should be about is qualifying them for the Food Stamp Program. If they qualify, let me just assure you, we are going to get the benefit of that program.

Chuck.

Mr. CONNER. Well, Congressman McGovern, I think the Secretary has touched upon, you know, the key highlights of this. Again, I think the data would show pretty clearly that our outreach efforts in this Administration to reach those people that are eligible for food stamps but for whatever reason in the past have failed to sign up for the program has been, you know, a real benefit to this country.

And the data that was cited earlier by another one of your colleagues, I think, is the right data to show that we have reached a tremendous number of people with this program.

Mr. MCGOVERN. Yeah. But one of the problems I mentioned is that for a lot of senior citizens, they have a \$10.00 minimum which, you know, is nothing. And, you know, so, I mean, part of the issue is not just, you know, outreach, it is also having a benefit that is, you know, reasonable.

And we are not indexing this for inflation. We are not recognizing the rising costs. And I mean, I know my time is up, but I will again just point that out and say that I think we need to work on that.

And, again, I would urge the Secretary, you know, maybe this interagency task force or maybe a White House summit on hunger, but I think we need to focus on this issue in a way that—you know, with all due respect, I think we have a long way to go.

Mr. CONNER. Just a quick—

Chairman SPRATT. Go ahead quick.

Mr. CONNER. Just a quick closing comment on that point in terms of the level of benefit. In our budget proposal, we do provide six months worth of benefits to those transferring into the Food Stamp Program away from the CSFP Program. I believe that benefit is about \$22 million worth in the bill so that they do have a significant transition there.

Mr. MCGOVERN. But that is much smaller than the elimination of the Commodity Supplemental Food Program which the 22 million does not make up for what has been taken away.

Mr. CONNER. Well, depending upon their level of food stamp benefit they get once they qualify. That is correct.

Chairman SPRATT. Mr. Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman.

Mr. Secretary, good to have you back.

Secretary JOHANNNS. Thank you.

Mr. ETHERIDGE. Thank you.

Since we are talking about the budget, let me ask you a question. If you would enlighten me, I want to return to the conservation piece for just a moment.

You talked about how important it was, and I happen to agree with you. It is important to me and certainly to my State of North Carolina and I think all states.

North Carolina is one of the top five states in total livestock production in this country. It is a major crop producer, and we also have a growing influx of people from all over the country, a number of retirees moving there, and so we are growing very rapidly.

So conservation funding helps strike a balance between farm and these growing cities. Using programs like Farm Preservation and CRP are very important in a State like ours, and I think in most states.

So my question is this. We are being asked to set aside billions of additional funding for conservation for the next Farm Bill, which I happen to agree with. However, I am perplexed, and I hope you can straighten me out, with the President's own budget recommendation that we now have, for this year alone cuts conservation funding by almost \$400 million.

Secretary JOHANNNS. Here is what I can offer. We are kind of at an unusual intersection here, and I guess it happens during every Farm Bill cycle.

Mr. ETHERIDGE. Before you start, there is one other point I want to make. At a time in a State like ours and a lot in the southeast, we are seeing growth in poultry and pork, an area where obviously you can appreciate conservation is really needed.

We have got morbidity on animals that through EQUIP you have got to deal with. You got land conservation. These things really are a grave concern, and I am not sure these two things are meeting, you know. We are sort of like this.

Secretary JOHANNIS. Yeah. This gets so complicated, I almost need the budget guy to explain it. But as I understand it, it is a cut to the baseline. It is not a cut in terms of absolutes.

But here is another thing I would offer. We are kind of at this unusual intersection here where we have a budget process going on, but we also have a Farm Bill process going on. And this September, the current Farm Bill basically expires. It expires with the 2007 crop year, and hopefully we will have a new Farm Bill ready and up and going.

And in the new Farm Bill, as you point out, we substantially increase funding for conservation programs, about \$7 billion. In some of the programs that work very, very well in a State like yours and in the cattle industry, like our proposal for EQUIP is like an additional \$4.2 billion.

Mr. ETHERIDGE. But is that not a gap, Mr. Secretary? You are asking here and we are cutting here, and we do not have a bridge.

Secretary JOHANNIS. No. Scott, if you can walk us through this. I do not think that is the case.

Mr. STEELE. Yes. Mr. Congressman, yeah. We have authorizations that are funded in the 2000 Farm Bill that take some of these programs to higher levels than we are actually proposing in the budget. For example, EQUIP would go potentially in the 2002 Farm Bill, the one point two or three billion dollars.

This program has been traditionally funded at about a billion dollars by Congress. Last year, they funded at a billion dollars. We are proposing to again fund it at the billion dollars.

In waiting for the transition of the Farm Bill, we are going to have some new rules and regulations, new ways of operating these programs. So rather than making a change in the 2008 budget, we would rather make those changes in the Farm Bill context and then raise the money based on the new proposals that come forward in the Farm Bill.

So there is no absolute cut, for example, in EQUIP. We are still maintaining the same level. We just are not increasing it to the full authorization in the 2002 Farm Bill in 2008.

But the out-years, as the Secretary said, we are going to be ramping up EQUIP. We are going to be ramping up CSP, and these other conservation programs will see an increase of something like \$7 billion.

Mr. ETHERIDGE. In the authorization?

Mr. STEELE. Well, in our proposal—

Mr. ETHERIDGE. What about the appropriation side where the budget is?

Mr. STEELE. Well, that is a year-to-year thing. Now, you know, they can combine, put limitations on as they have in the past and do that, but, you know, that is up to—

Secretary JOHANNIS. Mr. Etheridge, the seven billion, though, is mandatory funding that would not be subject to appropriation.

Mr. ETHERIDGE. Okay. I see my time is running down. Let me just make a point that I am sorry my friend from Texas is not here. When he was talking about farmers and the checks they get recognizing that one good year does not necessarily mean a long-term successful operation when a piece of equipment today costs a quarter of a million dollars that just a few years ago may have cost the farmer or operation 100,000.

So it has a significant impact. It has been my experience that most farmers are not sending those checks back. I assume you do not have an agency taking those checks when they are sent out. And the last time I checked, we do not have a whole lot of farmers who are retiring to the Bahamas.

Thank you, Mr. Secretary.

And I yield back.

Chairman SPRATT. Ms. Hooley.

Ms. HOOLEY. Thank you, Mr. Chair.

Mr. Secretary, I have a couple of issues. There are a lot of issues I would like to talk to you about, but I want to try to stick to two.

The "National Forest Land Adjustment For Rural Communities Act" would authorize you to provide a source funding for a four-year extension of the "Secure Rural Schools" to help fund this initiative. The Administration recommends that we sell a number of National Forest Systems' land around the nation.

My question is, approximately how much revenue do you anticipate generating from your proposal? How do you anticipate counties would make up the difference? What happens four years from now and is that not a little bit like selling your seed corn?

Given the fact that this was tried last year, you know, why are we doing this again? And then what additional steps have you taken to further the reauthorization of this "Secure Rural Schools Act," which affects 42 states and 4,400 school districts across the country?

And the reason I talk about this is I am from Oregon, and I am from a State where this is just devastating to our rural communities, our rural counties. This is money that we said because you have all of these federal lands in your county that we are going to pay you in lieu of taxes. That is where it started. Then it was timber receipts and then it was the "Secure Rural Schools."

And we have literally pink slips going out today and tomorrow and the next day where you are cutting down the Sheriff's Department so they cannot operate, DA Departments so they cannot operate. In one instance, laying off a number of jail guards, actually is against the State law where they would have to go on that one.

So this is a very serious problem for those of us that have a lot of federal lands. So that is why I want to talk about "Secure Rural Schools." First question.

Second question, again being from the Wallamette Valley that grows 1,200 different crops, most of those are vegetable, tree nuts nursery crops represent—the specialty crops represent about 50 percent of the farm gate receipts with \$50 billion and, yet, as you heard my colleague say, only receive a fraction of USDA funding.

And I think it is a little ironic because most of these farmers—and I grew up on a farm in North Dakota, a wheat farm—but most of the farmers in Wallamette Valley are small farmers. They grow crops that are easily damaged. I mean, if you are a strawberry grower and you have rain at the wrong time, you do not have any sunshine at the wrong time, your crops go under.

So these are small farmers growing the foods that we need to supply to—you just heard one of my colleagues talking about hunger. I mean, we need to supply more of these foods to our schools. These are fresh vegetables, fresh fruits. Small farmers, certainly a lot of uncertainty, so sort of what your take is on that.

And I know in 2004, the President signed into law the “Specialty Crops Competitiveness Act,” which authorized \$44 million for specialty crop block grants for states, for research, for marketing, education, pest control, so forth.

However, since that act has been signed into law, the President has largely left this unfunded. So my question is, does the President’s budget include anything for this program and, if not, does this budget include anything that benefits this vital segment of U.S. agriculture?

Secretary JOHANNIS. Yeah. Let me, if I might, visit with you about specialty crops. Then I am going to ask Scott to maybe walk us through the budget on the program that you talked about at the start of your comments.

Ms. HOOLEY. “Secure Rural Schools.”

Secretary JOHANNIS. Yes.

Ms. HOOLEY. Okay.

Secretary JOHANNIS. “Secure Rural Schools.” I will tell you, Congresswoman, without any hesitation that specialty crops have never been a part of farm policy like we are proposing they be a part of it in the proposal we released three weeks ago.

The specialty crop legislation that you are talking about, all discretionary funding, and it has been a challenge to have much funding come out of that bill.

Here is what we are proposing, and this would be mandatory funding. We are proposing about a \$5 billion program for specialty crops, 2.75 billion to purchase fruits and vegetables for our food assistance programs, an additional 500 million to increase the purchase of fruits and vegetables in our school meals.

And the schools could use those fruits and vegetables in whatever way they feel would be best. They might do a snack program. They might do fruits and vegetables with their hot lunch program or if they have a morning breakfast, they might do it there.

We are providing a \$250 million increase for the Market Access Program, that is a program targeted at nonprogram commodities again, to promote. Very popular program.

We are providing 20 million to address sanitary, phyto sanitary issues, again directed at specialty crops. We are increasing the technical assistance for specialty crops, and our specialty crop farmers, the waste from those crops would be eligible for all of our energy programs.

In your area, you will benefit from conservation proposals and some other things we are proposing, but I would specifically mention that in your area, you would benefit from a proposal we have

that includes \$1.7 billion for regional water programs. And, again, I am confident that that would be very helpful to you.

We have had a very, very positive response to our proposal from specialty crop producers because, quite honestly, they just did not have much place in previous farm policy. But when we did our Farm Bill forums, these farmers showed up and said, you know, we want a place at the table, not subsidies. No one asked me in that industry for cash subsidies, but for research, purchasing fruits and vegetables, market promotion, sanitary, phyto sanitary.

And we have hit on every issue here, and I think it is the most bold initiative for the farmers that you are talking about of any Farm Bill proposal ever made to date in farm policy.

Now, let me ask Scott to talk to you a little bit about the budget numbers here.

Ms. HOOLEY. Okay, because I would like to have a sense of if you talk about \$5 billion for specialty crops, how does that compare to the commodity crops. That is what, 50 percent production.

Secretary JOHANNNS. Yeah. I know. I know. Commodity crops are going to get a sizable amount of money.

Ms. HOOLEY. Give me a ballpark figure of the comparison of the five billion compared to—

Secretary JOHANNNS. Thirty-five billion.

Ms. HOOLEY. Okay. And even though these are the small farmers, the farmers that have—

Secretary JOHANNNS. Here is what I would say. That is the direct subsidy number.

Ms. HOOLEY. Okay.

Secretary JOHANNNS. I can promise you I did not hear a single specialty crop farmer at any Farm Bill forum I did show up and say, you know, I want to be subsidized. Treat me just like soybeans or corn or whatever. In fact, they do not want to be because they worry that it will distort the marketplace. But they did want funding for the research, et cetera, and—

Ms. HOOLEY. And the market access?

Secretary JOHANNNS. Yeah, and all the others I have mentioned.

Ms. HOOLEY. Okay.

Secretary JOHANNNS. So this is a much larger place in farm policy for this group of very important farmers than has ever happened, ever. I promise you that.

Go ahead, Scott.

Mr. STEELE. Thank you very much.

On the "Secure Rural Schools" situation, and you probably know as much as I do, but I do not work for the Forest Service. I am a Departmental Budget officer, but I will try to explain to you what we are trying to do on this.

Basically, as you know, there are two pieces of legislation that apply to rural schools. There is something called, you know, the "1908 Act"—

Ms. HOOLEY. Right.

Mr. STEELE [continuing]. Where these counties that have a large timber production in their counties got 25 percent of the timber receipts.

Ms. HOOLEY. Right.

Mr. STEELE. The problem is we have had a very vast reduction in timber production and timber sales around the country, something from over ten billion board feet down to something like two billion board feet.

Ms. HOOLEY. Right. And that is probably not going to change.

Mr. STEELE. And that may not change. And that is something beyond our control a little bit because of court cases and things like that.

But in the year 2000, there was a bill passed by Congress which allowed these school areas, these counties to get, you know, the benefit of additional amounts of money that Congress enacted. And that law was in effect from 2000 to 2006.

Ms. HOOLEY. Right. Because we said on the "Forest Practice Act" that we were going to reduce the amount of forest cut.

Mr. STEELE. Yeah.

Ms. HOOLEY. And so this was to make up the difference.

Mr. STEELE. Make up the difference. And we understand that. Now, unfortunately, that second piece of legislation, the "2000 Act," expired in 2006. It has not been extended by Congress in 2007, although we did propose something in last year's budget. We again are proposing something similar in the 2008 budget which would extend this type of program for four years.

Now, I understand that there is some controversial aspects of our proposal in terms of selling off some of this land.

Ms. HOOLEY. Yeah, because what do you do four years from now?

Mr. STEELE. Well, then we will have to readdress it. But, you know, you have got to do something with the legislation here in Congress. And the Under Secretary, Mark Rey, has told us that, you know, he is willing to work with Congress and the committees to help work out a solution to this problem.

However, there is a problem in 2007 because we are not collecting any money. This is a lag, one year. You have to collect the money, then pay it out the next year. So right now there is a hiatus in terms of funding for 2007. We would continue this in 2008, but I think the payments would not be made until 2009.

Ms. HOOLEY. Right.

Mr. STEELE. So there is a lag problem in the funding here, and we realize that problem, but we are going to have to work with the committees on the Hill here to try to figure out a way to solve that problem.

Ms. HOOLEY. I just want you to know how serious the problem is and literally—

Mr. STEELE. But, still, I mean, it is not a total substitute. They could still fall back to the "1908 Act" and get some payments based on the timber receipts from that county. It is not a solution, but they are not totally without some source of funding there.

Ms. HOOLEY. Okay. Thank you.

Chairman SPRATT. Mr. Boyd.

Mr. BOYD. Thank you very much, Mr. Chairman.

Secretary Johanns, gentlemen, welcome.

Let me start, Mr. Secretary, by saying I know of your deep love for the land. You were reared on the land and have a great respect for those who farm it. And I have a great respect for you and the way you handled yourself.

I want to start by saying two things. One is thank you for the Department's work on behalf of the citrus industry relative to citrus canker. I know you were not there during the whole fight that has been going on a lot of time, but obviously we lost the fight in terms of eradication. But now you are helping us develop a policy or a plan to live with it. And we appreciate that.

By the way, our citrus farmers are doing pretty well, better than they have been doing because of market prices and reduced stocks.

I also want to say that many of those of us in the farm community are not opposed to Farm Service Agency mergers and consolidations. We know that needs to come, and we would along with Mr. Cooper encourage you to continue that in a reasonable and rational manner so that we can serve our farm community, but do it at the lowest possible cost to the taxpayer.

I want to ask two questions, Mr. Secretary. One is a general question. The other one, we are all parochial in a way, and you may know what that is going to be.

First of all, let me associate myself with Marion Berry's remarks, not all of them, but certainly the ones where he talked about our national agricultural policy and the importance of that to our economy, but not only to our economy, but to our national security.

Those of us who grew up on a farm and have parents and grandparents that owned a farm during the depression days understand how important the national agricultural policy and government's involvement is in this.

Commodity prices have traded in a very narrow range for 40 years. We have only been able to stay competitive, Mr. Secretary, because we stayed ahead of the curve on research and development. Research and development is of critical import, and the ways that we deliver that research and development is through our land grant universities, system research and extension services, and our ARS.

Secretary JOHANNIS. Yes.

Mr. BOYD. There are real cuts, not the cuts—I am sorry Mr. Hensarling is not here—but there are real cuts in your budget proposal.

Would you address how you think we can stay competitive and help me a little bit here, and do you have a plan soon for upping those research numbers?

Secretary JOHANNIS. I think what you are looking at is the earmarks. And if you just look at number to number, without earmarks, it looks like there has been a real cut. But if you recognize that those are earmarks, that is what has happened there. I think our funding for research is actually up some excluding the earmarks. So that is the number you are looking at.

I will also point out to you again we are kind of at this unusual intersection between budget and Farm Bill. But part of our proposals relative to Farm Bill are for really an aggressive effort to expand our research capability. We are proposing some internal reorganization so we will have it under one umbrella. It makes a lot of sense.

But we are also proposing additional funding, and we think that we can create a better working relationship between what is re-

ferred to as our intramural research and the extramural research that goes on.

The other thing I would mention I think would be very interesting to you, we are proposing a billion dollars in additional research in our Farm Bill proposals directed at those nonprogram crops, those specialty crops. Again, this was something that we were asked to fund.

So I think when you look at it, set off the earmarks, and you and I do not have to have a debate about earmarks; that is a big discussion point these days, our research dollars are actually pretty strong.

But I would ask you also to look at our Farm Bill proposals. I think we are doing some pretty exciting things there in terms of our proposal.

Mr. BOYD. I will, Mr. Secretary. But earmarks are not when you turn money over to the ALRS for the Land Grant University to work specifically on problems in the agricultural area. Those are real dollars when they are eliminated. So I appreciate your answer on that.

My second question, Mr. Secretary, you may know about this. Can you tell me from a parochial standpoint—again, those of us in the southeast, peanut crops has always been a very important program. You know, we changed it in a major way in the 2002 Farm Bill, and the storage and handling is a critical and important part of that, we believe, to keep southeast farmers, you know, growing that crop. Can you expound a little bit about your thoughts on that—

Secretary JOHANNNS. Yes.

Mr. BOYD [continuing]. And the fact that that portion of the Farm Bill expired in 2007?

Secretary JOHANNNS. Yeah. We have pretty well gotten out of the storage business, if you will. There are only two crops that get anything for storage, and one would be peanuts and one would be cotton.

When the peanut program was changed, and I just educated myself on this late yesterday afternoon after appearing before the Ag Committee in the House, that storage was put in place for four years. So that has now expired.

And, again, it would be in keeping with our approach, and that is to move away from paying for storage. And so that is what has happened here with the peanut industry. That is probably why you are maybe getting calls from your peanut producers. But that was only designed to be a four-year program. It has now run out and expired.

Mr. BOYD. If you would indulge me for 15 seconds, Mr. Chairman.

I think that they ran out of—I was not in the room when they wrote that 2002 Farm Bill, but I assume they ran out of money and that is one of the areas they cut. And, unfortunately, that is not in the baseline and now it is a problem for us.

Secretary JOHANNNS. Yeah. You will run into that problem. The MILC program is not in the baseline, for example.

Mr. BOYD. Thank you, Mr. Chairman.

Chairman SPRATT. Thank you, Mr. Boyd.

Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Chairman.

Welcome, Mr. Secretary, and gentlemen. Glad to see you again and thank for the great job you do.

My questions will center in two areas. One deals with strengthening local food systems by small- and medium-sized producers that are largely unsubsidized, and improving nutrition.

What tends to happen in a Farm Bill or in the way USDA approaches these is they are scattered all over the place and it is not looked at coherently. And I just wanted to draw that to your attention.

So, for example, in the WIC Farmer's Market Program, excellent program for—I do not have to explain to you what that is—for children, for mothers, many of those families do not eat enough fresh fruits and vegetables. Helps our local farmers who tend to be frozen out of the processing facilities far away and cannot get their product to market. As we approach a new Farm Bill and you look at your budget, I would really have you look at that program.

Another program is the Senior Farmer's Market Nutrition Program. I think you were informed I would be asking you about that one because that has been a test program since 2000, giving very small amounts of money to our seniors so they eat better and get fresh fruits and vegetables. There has been a cap on that at \$15 million around the country, and over half the states do not even have any prototype program.

We have one prototype program in Ohio which we have worked on now in our region for, I think, going on four or five years. And rather than USDA learning from these prototypes, what is happening in a State like Ohio, we have heard, based on some regulations that came out of USDA in December, now what they want to do is take a program and begin breaking it apart, putting it in other parts of the State where there is no experience.

And I would just urge you, Mr. Secretary, to look at these programs in a way that they operate over a period of time. You strengthen the local food system. You strengthen the ability of unsubsidized crop producers to provide good nutritious food. I would not bound you by just those programs, but rather look at the area Offices on Aging in regions all over this country. I would urge you to go see the Director of that over at HHS.

The area Office on Aging in the largest community I represent serves a million meals a year, a million meals a year. The area Office on Aging hates the food. All we need to do is to get our producers a little help in processing and we can provide a really good meal to a million people a year. If we can do that 12 months out of the year, we can then begin to move that food into the local schools.

We have never been able to get USDA to do this. I think I am going to propose a new piece of legislation as part of the Farm Bill in order to do this. But you understand it because you are an agriculturalist at heart.

So if you were to just take the Senior Farmer's Nutrition Program as part of that, could you tell me, would you consider—your budget does not say this—not capping the program at 15 million and drawing on the experience of regions that have painstakingly

tried to make it work with seniors across this country rather than in many ways dismantling what you have been about creating since 2000? Would you consider that?

Secretary JOHANNNS. Yeah, although we took a little different approach. And I would love to sit down with you more and talk about this. But in the programs that you have talked about, the additional funding that we are dedicating to our nutrition programs to buy fruits and vegetables, those programs could take advantage of what we are proposing.

And it is a substantial amount of money. It is not an insignificant amount of money, and I think it would be, yeah, 3.25 billion available. At least that is what we are proposing. And, again, mandatory funding is our proposal.

So it is something that if Congress acts on it, it would be there and available.

Ms. KAPTUR. But what links them to the farmer? What creates the continuum from farm to table? What is the mechanism?

Secretary JOHANNNS. Well, these crops especially, you are buying straight from that farmer. Again, I think these will help specialty crop farmers whether they farm an acre or are a very large producer of specialty crops, because we are literally going out there again with our proposal with a substantial amount of money and buying those crops. And that would come in an area like yours. It would be available for the programs you have talked about.

Now, the Senior Farmer's Market Program, I will tell you I like the program. I think it does do a lot of good things. I would be happy to take a look at that and how well that is working.

Ms. KAPTUR. Thank you.

Secretary JOHANNNS. But, again, I think if we can have a few minutes of your time sometime, we would love to walk you through our proposals here because I think they would make a lot of sense and work for what you are describing.

Ms. KAPTUR. Yes. We need a more coherent mindset at USDA to draw them together. It sounds like you are already there. I would love to meet with you on that.

I know my time is expired, Mr. Secretary. The amount we are going to pay on interest this year on the debt is 20 times more than your discretionary budget.

Secretary JOHANNNS. Yeah.

Ms. KAPTUR. So I thought I would just let you see this chart because it is a concern of all of ours. Our trade deficit is as bad as our budget deficit, and the major category of that is petroleum, \$250 billion a year, about an \$80 billion deficit, the most important category of trade deficit.

I just wanted to ask you, who at USDA or where in your budget—we see a billion dollars set aside for proposed change from the baseline for this coming fiscal year. Who is the czar of energy? Collin Peterson here in the House has set up a new Subcommittee, Conservation, Energy and Natural Resources. Who at USDA is thinking about this in an integrated way?

Secretary JOHANNNS. We established something that I think is really doing very well and doing some exciting things. It is an Energy Coordinating Council. Keith Collins is on that. But the Chair of that is our rural development person, Tom Dorr. And Tom has

a lot of fire and enthusiasm. If you have not met Tom Dorr, I would really recommend it. He is really good. And he would love to sit down with you on energy issues.

Ms. KAPTUR. Mr. Secretary, I would be very willing to work with any of my colleagues on this Committee or Mr. Peterson and just have a briefing for any members interested in agriculture and energy—

Secretary JOHANNIS. We would love to do it.

Ms. KAPTUR [continuing]. Prior to the Farm Bill. I would just offer that up.

And I know my time is expired, and I thank the Chairman.

Chairman SPRATT. Thank you very much.

Now, let me say to our panel thank you very much for being here today, for your forthright answers and your forbearance in helping us to understand the Farm Program. We appreciate you coming and we appreciate what you have added to our knowledge of the program and your budget request.

Secretary JOHANNIS. Thank you, Mr. Chairman.

Chairman SPRATT. We probably will have some questions for the record as we come to an understanding of what you are requesting. We may need to send you a copy of those, and we would appreciate a prompt response.

Secretary JOHANNIS. Yes, of course.

Chairman SPRATT. Thank you very much indeed.

We next have a panel that will take up the topic of interest and concern to all of us, and that is hunger in the United States.

USDA has estimated that 34 million individuals are food insecure. And USDA, the Department of Agriculture has a number of programs to address this problem of hunger in America, food stamps, school lunch, WIC, Women, Infants, and Children, the Commodity Supplemental Food Program, which the Administration is proposing to terminate, and the Emergency Food Assistance Program.

Our two witnesses who are about to come forward are Dr. Deborah Frank, the founder and Director of the Grow Clinic at Boston Medical Center, and Denise Holland, the Executive Director of the Harvest Hope Food Bank in South Carolina.

This hearing is held at the request of Jim McGovern, and I yield to Jim McGovern for an opening statement.

Mr. MCGOVERN. Thank you, Mr. Chairman. And I appreciate you accommodating me on this.

And I want to thank both Ms. Holland and Dr. Frank for being here. I know Dr. Frank very well, and the work that she is doing at Boston Medical Center is really quite incredible. But both of these individuals are doing unbelievable work and are battling hunger in their respective communities and actually serving as models for the rest of the country to follow.

One of the reasons why I had requested this additional panel was essentially out of a sense of frustration that we do not talk about hunger very much in this Congress and especially on this Committee where a lot of the discussion tends to be around numbers.

As I mentioned to Secretary Johannis, I think it is important that we understand that there are people behind those numbers. And a

lot of people do not realize this, but the United States of America actually signed a treaty to cut world hunger in half by the year 2015. And the last time I checked, the United States was still part of the world.

And I fail to see in this budget the mechanisms or the funding or the strategy to even reach that modest goal of cutting hunger in half by the year 2015.

And notwithstanding some of the good things that Secretary Johanns is doing, the fact of the matter is that we have a lot of kids who are eligible for the free school lunch program during the school year who do not get summer feeding in the summertime. We get people who are not taking advantage of the Food Stamp Program in part because the benefit is too low, not just because that they cannot go through all the paperwork to register.

The other day when Secretary Leavitt was here, I asked him some questions about the fact that a lot of senior citizens are showing up in emergency rooms ill because they are taking medication on an empty stomach and that we needed to do something about that, especially wanted to control healthcare costs. I mean, that seems to me to be one way to do it. And his response to me was, well, I assure you I am against hunger.

Well, I have never met anybody who is for hunger. But what we lack is the political will to actually reduce and eliminate hunger. It is something we can do. And I just hope as we formulate our budget here that this takes a high priority.

And, again, I thank the Chairman for allowing this panel to come before us, and I hope that this panel will shame us into doing what we need to do to end hunger in America. So thank you very much.

Chairman SPRATT. I might add that Dr. Deborah Frank is a graduate of Harvard Medical School, a professor at Boston University School of Medicine, a pediatrician, and an authority on the growing problem with hunger in the United States and especially its effects on children.

Ms. Denise Holland from my State, South Carolina, runs something called the Harvest Hope Food Bank, serves 18 counties throughout South Carolina, 12 in my district, providing for 350 member agencies, which are food pantries, soup kitchens, emergency shelters, the kids cafe, feeding 149,000 people every year. She is also a Treasurer of the South Carolina Food Bank Association and plays a leadership role in a number of civic organizations.

You have had to wait through all the afternoon, and we appreciate your patience and look forward to your testimony.

Dr. Frank, if it is agreeable with both of you, we will begin with you. Pull the microphone up to you because this room does not have very good acoustics.

STATEMENTS OF DEBORAH FRANK, M.D., DIRECTOR, GROW CLINIC FOR CHILDREN, BOSTON MEDICAL CENTER; DENISE HOLLAND, EXECUTIVE DIRECTOR, HARVEST HOPE FOOD BANK, COLUMBIA, SOUTH CAROLINA

STATEMENT OF DEBORAH FRANK

Dr. FRANK. Thank you. I would like to thank you for the concern that you and Representative McGovern and the members of the

Committee have shown for the well-being of Americans at greatest nutritional risk, which are our children followed closely by our elderly.

I am a researcher as well as a clinician. I am involved in the Children's Sentinel Nutrition Assessment Program which works in the states of many of the people on this Committee, including Pennsylvania, Maryland, Minnesota, Arkansas, and Massachusetts.

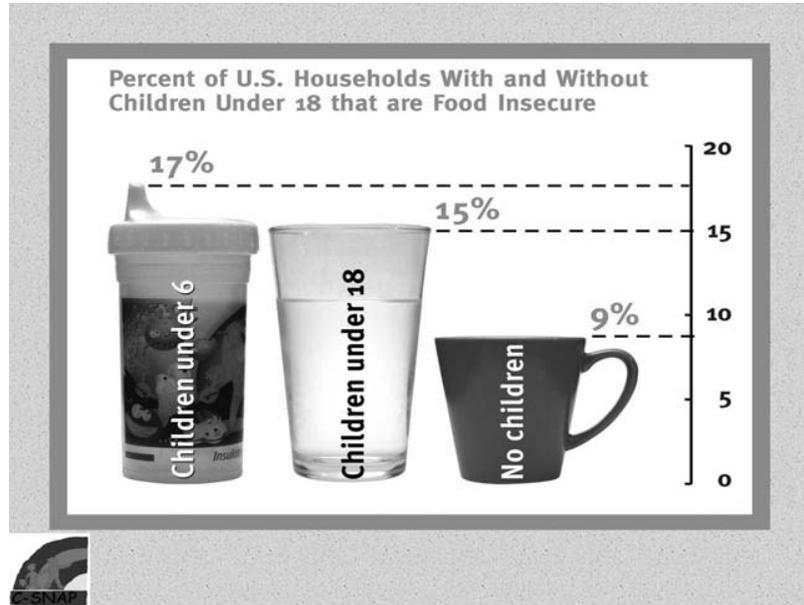
And I know you have had a lot of numbers and because I teach in a med school, I cannot help show you more numbers and more slides. But I really want to remind you what I know as a clinician, that every number comes with a name and a face.

And let me tell you about a little boy that I will call Sam. He was born in our hospital at a reasonable birth weight, six pounds, and then when he was sent into my clinic, which only takes kids who are scaring their neighbor health center doctors, at 13 months of age, he only weighed 17 pounds, which is the weight of a normal little boy of 17 weeks. He was all head, eyes, and ribs and long eyelashes, but his skin was so pale, I thought I could see right through him. And he had the most abnormal blood count I had seen in ten years. I thought maybe he had leukemia.

But then when I sat down to take his medical history, it became clear that the reason his blood count was so abnormal and he was so malnourished is that his family was trying to keep him from experiencing hunger by filling him up with a mixture of cornstarch mixed with water, and he was never allowed to go to bed hungry.

People get very emotional about our children going to bed hungry. Their parents try very hard to, quote, always have something in their stomach. But he was very seriously malnourished.

Once we were able to help his mother get onto the WIC Program, which she did not realize she was still eligible for now that he was a year, and also to get the family on food stamps, he began to look much better. He no longer looked like he had a fatal illness. But the last time we saw him, he was still developmentally delayed and on a waiting list, as many of my patients are, for Head Start.



Now, this child is not unique. As the first chart shows, the best way for an American family to suffer food insecurity is to have a young child under the age of six and even more under the age of three. You can see that households with children young enough to need a sippy cup are almost twice as likely as those without children to be food insecure.

And this really is scary because, as you probably know, the last couple of prenatal trimesters and the first three years of life are unique periods of rapid growth of body and brain. And if the nutrition for that development is not adequate of quality and quantity, the whole trajectory of the child's life is changed.

Any one of you could come visit this problem firsthand either in one of our sites or in your State. I would be happy to network you.

Now, the bland term of food insecurity does not sound very alarming. But even at the mildest levels, we found that it threatens health and development of young children.

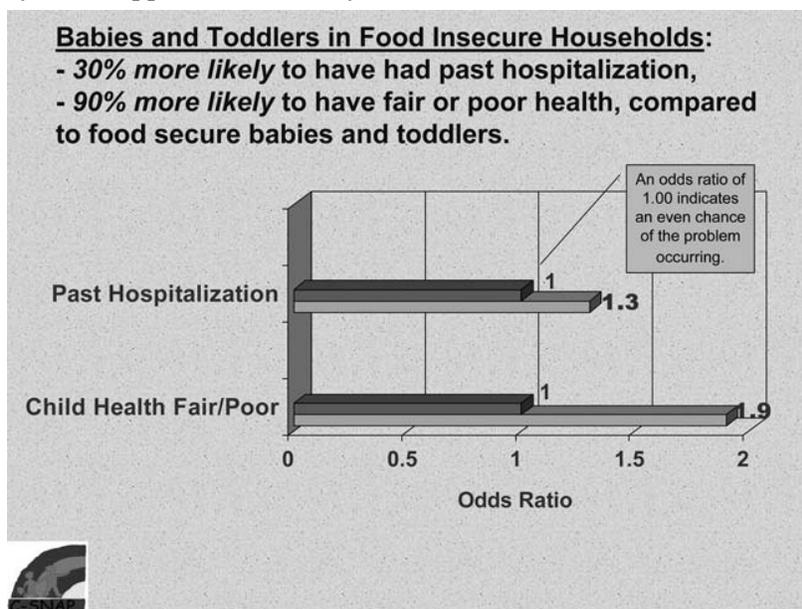
The nutritional status of a woman when she enters pregnancy and the amount of weight she gains during pregnancy are the crucial determinants of her baby's weight and the baby's birth weight is the crucial determinant of what we call infant mortality, which means dead babies.

And as you know, there are huge gaps in this country in who suffers from dead babies. We are getting better, particularly in, you know, medical meccas at keeping these very low birth weight babies alive. But the lower the birth weight, the more likely that this child will survive with lasting impairments and school failure.

This is one reason that WIC is so important. It has lowered infant mortality rates dramatically. But the problem does not end at birth. For everybody, including the elderly, malnutrition injures the immune function, which is the body's ability to fight infections.

With any illness, as anybody who has raised a child knows, children lose weight. But in my house, your house, when the baby gets over what we technically refer to as prevailing crud, they can eat as much as they want. They replenish themselves nutritionally and they very soon are growing normally, and, again, normally what we call immunocompetent.

In poor families where, as Representative McGovern said, people are running out of food quite routinely. If the child gets sick, particularly at the end of the month, there is nothing extra. There is not even enough. So the child is left underweight, more susceptible to the next infection, and down the cycle they go. The same actually also happens with elderly.



This infection malnutrition cycle is shown in the next chart, which shows that after giving everybody credit for all their background characteristics, children from food insecure families—they do not have to rate hungry, just food insecure—are 90 percent more likely to be in poor health and 30 percent more likely to have required a hospitalization in their short lifetime. These are kids in my research project across the country who are only kids under three. So that is a lot of hospitalization.

We have also found that WIC protects kids from this kind of underweight. Now, when we see a kid who is underweight and infected and sick, if they have decent access to decent healthcare—I was interested to hear about your rural hospitals—we can get them back to growth and health if we can get them adequate nutrition and adequate doctoring.

But even so, they are left with lasting deficits in their cognitive development posing serious implications for their future ability to participate in the global knowledge economy. And I heard a lot of conversations about strengthening the economy in the previous

panel. But if we want to strengthen the economy of the future, we have to strengthen the brains of the babies of today.

And even iron deficiency, which WIC is very good at decreasing without slowed growth, is associated with decreased IQ into adult. So if you are iron deficient as a baby, you are much more likely to have a low IQ as an adult.

And this is not just a baby problem. In older kids, there are multiple studies, including one from Mr. Berry's region in Arkansas and the Mississippi/Louisiana Delta that shows that food insecurity is not just associated in older children with poor physical health, but with decreased school achievement and reading and math, more behavior and emotional problems, which, of course, makes it harder for the other kids in the classroom to learn, and actually increased risk of suicide in adolescent girls.

So we have an endemic problem that is even now worse than it was in 2000. So when you are a doctor and you see a health problem that is all over the place, you want to know what are the possibilities for prevention and treatment. And I can tell you that there are several medicines, but you are the ones who can prescribe them. I cannot.

The first is the Food Stamp program, which buffers even in food insecure households, some of the deprivation of the children. And we know that when a family loses food stamps, their kids become sicker and more food insecure. WIC and school meals are also good medicines, but I understand that they are liable to be diluted.

There is good research just recently published that show a huge sample, not ours, that show that children who were on food stamps and WIC from birth and stayed in it cost Medicaid much less in terms of failure to thrive, malnutrition, and anemia.

And there is another recent study, also government funded, who followed 8,000 kids from kindergarten to third grade. Those whose families started to receive food stamps in that period had much greater improvement in their reading and math than those whose families stopped receiving food stamps.

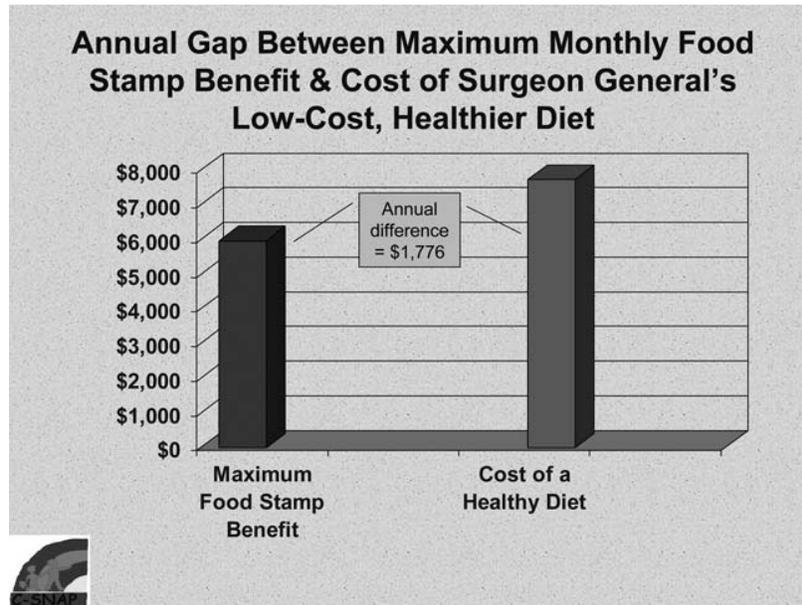
Now, what is going on with these good medicines? You have heard a lot of discussion about how we have expanded access and, in fact, that is true, but it is like the flu vaccine. Well, certainly more kids are getting flu vaccine this year than got it last year. But it does not reach anywhere near all of the eligible people enough to control the epidemic.

One in five kids who is eligible for food stamps do not get them, and particularly at risk are citizen children of the immigrants, but it is all kinds of kids.

Secondly, even if you get the medicine, the dose is what we call subtherapeutic. We know if your kid has strep throat, the doctor says make sure you give four doses a day for ten days. If you do not, the kid is going to get sick again.

Well, food stamps is that kind of low dose. It is not that it is not good. Penicillin is a good medicine. But the average benefits of dollar per meal per person, and that is based on a thrifty food plan, which is a theoretical estimate of what it would cost to purchase foods representing a minimally-adequate diet. We did a study in Boston, and this has been replicated in Seattle, and there are very similar findings in other parts of the country.

Next slide, please.



This is just like a medical meeting where there is a lag.

A family of four in Boston cannot even purchase the thrifty food plan assuming they get the maximum benefit of a \$1.40 per meal per person, which nobody does.

If you say, yeah, but, Mrs. Jones, that is not a good diet for your family's health, you really need to use this low-cost version of the Surgeon General's diet, they come up about \$1,800 a year short, which is completely impossible for them to provide from their cash resources because they are trying to get to work, keep the house warm, keep from becoming homeless.

So the Administration's recent budget proposal does not address the problem of broadening access or the adequacy of food stamps to purchase a healthier diet. And it threatens to dilute the WIC medicine by hampering the educational component.

And one of the groups that is at risk are those who are so poor that they are currently eligible for noncash welfare benefits. Somewhere around 280,000, and I was told 329,000 working families with children making the transition from welfare to work will lose food stamps and then their kids will probably also lose school meals and WIC.

So besides the failures of this preventive care in the proposal that I understand it, and it is not my expertise, as far as I can tell, it does nothing to address the issue of getting things to an adequate dose to enable families to purchase a healthier diet.

To put things in context, one person eating the South Beach diet for one day has to spend as much as the maximum amount, that nobody gets, the government would allot for a family of four on the same day under food stamps rules current and proposed.

Now, I know I am talking to a Budget Committee and not a medical meeting, even though you think maybe I forgot. But I know that your obligation is to make sure that America's resources are wisely spent.

However, I have described to you a miracle drug which cuts babies' chances of dying, decreases ill health and hospitalizations in children, and it sounds like in old people, too, and behavioral and emotional problems, and increases kids' school achievement. You can test them until they are blue in their face. If they come to school hungry, they cannot learn.

With your budget expertise, you can readily understand the implications of the fact that one average two- to three- day pediatric hospitalization, not ICU, just plain old pneumonia or something like these kids get, costs about \$11,000, which would fund a year's worth of food stamps and WIC for many children.

Now, I understand that you are not only balancing domestic expenditure and needs but also grappling with international ones. And I was told you are going to have to go off for a debate on this, but lest you think that I am wildly unrealistic, I would leave you with a statement made by Winston Churchill, who I do not think anybody would refer to as a starry-eyed liberal.

In the middle of World War II, when Great Britain was dealing with homeland security problems, orders of magnitude greater than ours, Churchill announced on the radio that there is no better investment for any society than putting milk into babies. And I am sure you will be equally statesmanlike.

Thank you.

Chairman SPRATT. Very much indeed.

[The prepared statement of Deborah Frank follows:]

PREPARED STATEMENT OF DR. DEBORAH A. FRANK, DIRECTOR, GROW CLINIC FOR CHILDREN AT BOSTON MEDICAL CENTER, AND PRINCIPAL INVESTIGATOR, CHILDREN'S SENTINEL NUTRITION ASSESSMENT PROGRAM (C-SNAP)

Mr. Chairman and Distinguished Committee Members: I would like to thank you for the concern for the well-being of American citizens at greatest nutritional risk, our children. You have always shown this concern and are again showing today by inviting a pediatrician to speak. As a researcher from the Children's Sentinel Nutrition Assessment Program (C-SNAP), a multi-site project in Pennsylvania, Maryland, Minnesota, Arkansas, and Massachusetts, which provides the most current and largest dataset in the nation about the food security, health, and development of very young, low-income children, I will be sharing lots of data with you. As a clinician, I cannot forget that every number comes with a name and a face, like my patient, whom I will call "Sam." Although he was six pounds at his birth in our hospital, when we met Sam at thirteen months of age, he weighed only 17 pounds, which is the weight of a normal little boy of seven months. He seemed to be all head, eyes and ribs with long eyelashes and a skin so pale it seemed you could see right through it. His blood count was so abnormal that I initially worried that he might have leukemia. However, when we sat down to take his medical history, the reason for Sam's condition became clear. This child, his mother, and his father were living in one room on the father's minimal earnings as a part-time gardener, and Sam was being fed a diet primarily composed of cornstarch mixed with water, especially when the winter meant there was little work for his father. Sam never "went to bed hungry" since his worried mother made very sure he was really full of cornstarch, but he was clearly seriously malnourished. Once we were able to assist his mother in enrolling this youngster in WIC and food stamps, his weight rapidly improved. But when we last saw him, he was delayed developmentally and like too many children in my clinic, on a waiting list for Head Start. It is on behalf of the many food insecure young children like Sam all over the country, who are invisible to all but their parents and their doctors, that I appear before you today.

Sam is by no means unique. As this chart shows that the surest way for an American family to suffer food insecurity, defined by the USDA as “limited or uncertain access to nutritionally adequate food for an active and healthy life for all family members,” is to have a young child. This chart, based on 2005 USDA national data, groups together all children under 6 years and does not focus the microscope on the most vulnerable children of all, those from birth to three. To understand the health of those children, we must turn to the data from the Children’s Sentinel Nutrition Assessment Program (C–SNAP, www.c-snap.org), which monitors the well-being of children during the critical period of brain growth between birth and three years. In the families of the most susceptible of all children, the rates of food insecurity range from more than 1 in 10 to nearly 1 in 5. For your interest, we have appended a chart for the members of the committee showing the most recent rates of food insecurity in your states, with specific data about the youngest children in the states where we are conducting C–SNAP. We welcome visits from the members of the Committee to C–SNAP sites and Grow Clinics in your states, so that you can see the problem firsthand. In addition to C–SNAP sites, there are Grow Clinics in Los Angeles, Houston, New York, and Florida to which I could readily refer you.

Now, the bland term ‘food insecurity’ does not sound very alarming. But whatever we call it, food insecurity, even at the mildest levels, is a well-documented threat to health and brain function at all stages of life. The effects of food insecurity are particularly devastating in prenatal life and early childhood when humans undergo unprecedented growth of body and brain. Nutrition of inadequate quality or quantity stunts this growth and development, jeopardizing the whole future trajectory of the child’s life.

The nutritional status of a woman as she enters pregnancy, and the amount of weight that she gains during pregnancy, are critical predictors of whether the child will be born low birth weight, the most important cause of “infant mortality,” which is how doctors refer to dead babies. Although we are getting better technically at keeping low birth weight babies from dying, the lower the birth weight the more likely that a child who survives will suffer from lasting impairments and school failure. This simple relationship explains why the nutrition counseling and healthy foods that the Special Supplemental Nutrition Program for Women’s, Infants, and Children (“WIC”) provides to pregnant mothers have been so effective in enhancing the survival of America’s children. In a five-state study, WIC was directly responsible for lowering infant mortality rates by 25% to 66% among Medicaid beneficiaries (Mathematica Policy Research, Inc. 1993).

After birth, nutrition continues to exert major influences on health and development. At all ages, malnutrition impairs immune function leading to the infection/malnutrition cycle. With any acute illness all children lose weight. However, in privileged homes once the acute illness is resolved, children rapidly rebound, increasing their dietary intake to restore normal growth. For many low-income families, where food supplies are uncertain even for feeding well children, once a nutritional deficit has occurred due to normal childhood illnesses, scarce resources means there is no additional food to restore a child to his/her former weight and health. The child is then left malnourished and more susceptible to the next infection, which is likely to be more prolonged and severe, and followed by even greater weight loss. It is this infection/malnutrition cycle, which explains this chart showing that infants and toddlers from food insecure families, after considering numerous background characteristics, are 90% more likely to be in fair or poor health and 30% more likely to have required a hospitalization in their short lifetimes. We have found (Black et.al, 2004) that babies under one year old who are eligible for WIC but do not receive it are 34% more likely to be seriously underweight than similar babies who receive WIC, with obvious implications for protecting babies from this deadly cycle.

With intensive nutritional and medical efforts, malnourished children can recover growth and health, but all too often malnutrition inflicts concurrent and lasting deficits on their cognitive development, posing serious implications for the malnourished child’s future ability to participate in the global knowledge economy. Lack of nutrients available to the brain during any part the critical period of brain growth from the last two prenatal trimesters through the first few years of life will lead to deficits in the part of the brain under development. Even iron deficiency anemia in early life (which WIC participation decreases) without slowed growth is correlated with lowered IQ all the way to adulthood. Four to five year old children who participated in WIC in early life have higher vocabulary and digit memory than those who did not (National WIC evaluation, USDA, 1986).

As knowledge of the importance of nutrition for proper brain functioning has evolved, awareness has also increased with regard to brain function; although brain size and structure can be most affected by malnutrition in early life, brain function can be seriously affected at any age. In older children multiple research studies all

over the country including the Arkansas-Mississippi-Louisiana Delta, (Casey, Szeto et. al. 2005) have shown that food insecurity is associated not only with poorer physical health but with decreased school achievement in reading and math and more behavior and emotional problems, including risk of suicide in adolescent girls. (Jyoti, Frongillo, and Jones 2005; Casey, Szeto, Robbins et.al; 2005; Alaimo, Olson, and Frongillo, 2002)

This alarming and widely prevalent condition is threatening all of America's children, but particularly the poorest, including Hispanic and African American children and citizen children of immigrant parents, where rates of food insecurity far exceed those that I have presented for the general population. So what are possibilities for prevention and treatment? I can tell you that there are several "good medicines" for this problem but they can only be prescribed by you. The first is the Food Stamp Program, which our research has found, buffers young children in food insecure households from themselves suffering food insecurity; parents are better able to protect their children. Moreover, we know that families and children who lose food stamps suffer increased rates of food insecurity and that the children are much more likely to be in poor health. Other good medicines include WIC and school meals, which may also be diluted under the Administration's proposals. Recent research shows that participation in the Food Stamp Program and/or WIC starting at birth is associated with decreased rates of Medicaid payments for children's anemia and malnutrition (termed "Failure to Thrive" in medical settings) under age 5. (Lee et al 2006) Moreover, participation in these programs decreases the likelihood that these children will be the subject of child abuse reports. In older children, particularly girls, food stamps have also been shown to decrease the risk of obesity (Jones, Jahns, Laraia, and Haughton, 2003) Another recent study demonstrated that among 8000 children followed from kindergarten to third grade, those whose families began to receive food stamps achieved significantly greater improvement in reading and math than those whose families stopped receiving food stamps. (Frongillo, Jyoti, and Jones, 2006)

So what is going on with these good medicines? Why haven't they cured the problem? There are two issues. First, like the flu vaccine, these medicines do not reach all of the eligible people. At least one in five children who is eligible for food stamps does not receive them. Particularly at risk for not getting the medicine are citizen children of immigrant parents who comprise 12% of all American children. For want of this "medicine" these children suffer from serious increases in rates of food insecurity and ill health, a risk even greater than those faced by other poor children. Secondly, even when America's families get food stamps, the dose is often what we in pediatrics would call "sub-therapeutic," akin to not giving enough penicillin to really cure a strep throat. The average food stamp benefit is a dollar per meal per person per day. We have shown in the report entitled, 'The Real Cost of the Healthy Diet,' that even assuming a family of two adults and two children receive the maximum possible Food Stamp benefit (\$1.40 per meal per person per day), which few real life families actually do, they would come up short about \$800 a year if they tried to purchase the government recommended Thrifty Food Plan market basket shopping in Boston. (I would like to enter into the record a link to this report: (<http://dcc2.bumc.bu.edu/csnappublic/HealthyDiet—Aug2005.pdf>)) Similar findings have been reported across the country from cities like Seattle. Moreover, as you probably know, the Thrifty Food Plan is USDA's theoretical estimate of what it would cost to purchase a market basket list of particular amounts and kinds of food representing a minimally adequate diet. It is the government's lowest cost meal plan and does not reflect current scientific thinking about nutrition and health. As the chart shows, if our family of four tried to purchase the most economically reasonable version of the Surgeon General's most recent dietary recommendations, their costs would exceed the maximum possible food stamp allotment by nearly \$2,000 a year. This is an impossible expense for families who are constantly trading off how to have money to get to work, keep a roof over their head, or keep the house warm while trying to provide healthy meals.

From what I understand, the administration's most recent budget proposal fails to address either the problem of broadening access to food stamps or of the adequacy of food stamps to purchase a healthy diet, and threatens to "dilute" the WIC 'medicine' as well. This budget proposal does contain some sensible measures, such as excluding from calculations of eligibility for food stamps retirement and college savings, and combat pay. Unfortunately, at the same time, it also proposes that families who as so poor that they are currently eligible for non-cash welfare benefits will nevertheless lose their food stamps and their children may consequently lose access to free school meals. Thus 280-329,000 American working families with children who are making the transition from welfare to work will lose this crucial work support. Currently, food stamp participants with pregnant women or young children

are automatically eligible for WIC—as a result of this new policy, without food stamps, these families may also lose their WIC benefits.

WIC, one of the mere 17% of Federal programs that the OMB has given its highest rating of “Effective,” also suffers under the President’s budget, with a \$145 million cut to Nutrition Services funding. Nutrition Services funding enables WIC to provide the invaluable nutrition education, counseling and referrals that are essential to WIC’s ability to achieve positive health outcomes. Under the President’s proposed cut, Nutrition Services funding would be frozen at 2006 levels with the result that there will be \$1.42 less for every mother and child served with which to deliver critical public health nutrition and other social services. As a pediatrician who frequently refers pregnant women and their children to WIC, I am concerned that this cut will diminish the quantity and quality of WIC nutrition services, including loss of professional nutritionists, and thus decrease WIC’s remarkable effectiveness.

For the nation as a whole, the reduction of \$145 million represents the loss of nutrition counseling and health referral services to some 800,000 clients. This is especially alarming, given that the USDA is on the verge of changing the WIC food packages to align with the most recent Dietary Guidelines for Americans and the current infant feeding practice guidelines of the American Academy of Pediatrics—an exciting, long-anticipated change that will greatly help WIC to keep providing quality services that meet clients’ nutritional needs, but will also require a lot of hard work by the states to implement. The proposed cut in Nutrition Services funding will jeopardize states’ ability to successfully roll out the newest and best “nutrition medicines” for children. Finally, in contradiction to the President’s own WIC technology initiative embodied in the Child Nutrition and WIC Reauthorization Act of 2004, the President’s budget has provided no money to meet WIC’s Management Information Systems (MIS) needs, another critical component to successful issuance of the new food packages, by managing the program’s integrity and containing food costs

Besides these failures of “preventive care” for children at risk of food insecurity, nothing in the current proposals would address the problem of increasing the “dose” of food stamps to a level that would enable families to purchase healthier diets for their children. To put things in context, one person eating the South Beach diet for one day has to spend as much as the maximum the government would allot for a family of four on that same day under the current and proposed food stamp rules.

I know that I am addressing a budget committee and not a pediatric conference, and, therefore, your obligation is to make sure that America’s resources are wisely spent. However, I have described to you a miracle drug which cuts babies’ chances of dying, decreases American children’s ill health, hospitalizations, and behavioral/emotional problems, and increases children’s level of school achievement. With your budget expertise you can readily understand the implications of the fact that one average 2-3 day pediatric hospitalization costs about \$11,000, which would fund years worth of food stamp and WIC benefits for many children. Of course, I also realize that you are not only struggling with the cost of domestic problems but with international ones, however, I would like to leave you with a statement made by Winston Churchill, whom no one would call a starry-eyed liberal. In the middle of World War II, when Great Britain was dealing with homeland security problems orders of magnitude greater than ours, Churchill announced on the radio, “there is no better investment for any society than putting milk into babies.” I know, as policy-makers, that you will be equally wise leaders of a society under stress.

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CHILDREN'S SENTINEL NUTRITION ASSESSMENT PROGRAM REPORTS

1. Food Stamps As Medicine: A New Perspective on Children's Health, February 2007.

The Food Stamp Program is America's first line of defense against hunger and the foundation of our national nutrition safety network. Physicians and medical researchers also think it is one of America's best medicines to prevent and treat childhood food security. The report demonstrates the important protective effect of food stamps on child food insecurity and for citizen children of immigrants. <http://dcc2.bumc.bu.edu/csnappublic/Food%20Stamps-Medicine%202-12-07.pdf>

2. Safeguarding the Health, Nutrition, and Development of Young Children of Color, September/October 2006.

An article summarizing C-SNAP's two reports on children of color and the buffering impact of nutrition assistance on their health and well-being as well as the way in which food insecurity puts young children of color at increased developmental risk. Published in *Focus Magazine*, a bi-monthly magazine of the Joint Center For Political and Economic Studies. <http://dcc2.bumc.bu.edu/csnappublic/SeptOct2006-Children%20of%20Color.pdf>

3. Nourishing Development: A Report on Food Insecurity & the Precursors to School Readiness among Very Young Children, July 2006.

A report of original C-SNAP findings demonstrating that the foundations of school readiness are laid long before the start of formal education begins. <http://dcc2.bumc.bu.edu/csnappublic/Nourishing%20Development%20Report%207-06.pdf>

4. 'The Impact of Food Insecurity on the Development of Young Low-Income Black and Latino Children;' & 'Protecting the Health and Nutrition of Young Children of Color: The Impact of Nutrition Assistance and Income Support Programs'—Research Findings from the Children's Sentinel Nutrition Assessment Program (C-SNAP), (Prepared for the Joint Center for Political and Economic Studies Health Policy Institute), May 2006.

A pair of reports demonstrating the increased vulnerability of young black and Latino children from low-income households to developmental risk linked to food insecurity and the buffering effect that family support programs can have on young black and Latino children's health and growth. <http://dcc2.bumc.bu.edu/csnappublic/Children%20of%20Color%20Reports%20May%202006.pdf>

5. The Real Co\$ of a Healthy Diet: Healthful Foods are Out of Reach for Low-Income Families in Boston, Massachusetts, August 2005

A report from a research team from the Boston Medical Center Department of Pediatrics revealing that, on average, the monthly cost of the Thrifty Food Plan (upon which Food Stamp Program benefits are based) is \$27 more than the maximum monthly food stamp benefit allowance. A low-cost healthier diet based on the most recent nutrition guidelines exceeded the maximum monthly food stamp benefit by \$148—an annual differential of \$1776. This is an unrealistic budgetary stretch for most families who qualify for nutrition assistance. <http://dcc2.bumc.bu.edu/csnappublic/HealthyDiet—Aug2005.pdf>

6. The Safety Net in Action: Protecting the Health and Nutrition of Young American Children, July 2004.

A comprehensive summary of C-SNAP findings showing the positive impact of five public assistance programs on young children's food security, growth, and health. <http://dcc2.bumc.bu.edu/csnappublic/CSNAP2004.pdf>

7. The Impact of Welfare Sanctions on the Health of Infants and Toddlers: A Report from the Children's Sentinel Nutrition Assessment Program, July 2002.

A report based on C-SNAP findings published in the July 2002 Archives of Pediatric and Adolescent Medicine. Welfare sanctions and benefit decreases have serious negative implications for infants and toddlers' health and food security. <http://dcc2.bumc.bu.edu/csnappublic/C-SNAP%20Report.pdf>

HOUSE BUDGET COMMITTEE MEMBERSHIP

Member	Average Percent of Food Insecure Households 2003–2005 by Member's State	C-SNAP Rates of Food Insecurity**
MAJORITY:		
1. John M. Spratt, Jr., SC, Chair	11.0%	
2. Rose DeLauro, CT	11.0%	
3. Chet Edwards, TX	15.2%	
4. Jim Cooper, TN	11.8%	
5. Thomas H. Allen, ME	9.8%	
6. Allyson Y. Schwartz, PA	8.3%	13%
7. Marcy Kaptur, OH	9.7%	
8. Xavier Becerra, CA	13.3%	
9. Lloyd Doggett, TX	15.2%	
10. Earl Blumenauer, OR	14.2%	
11. Marion Berry, AR	13.7%	11%
12. Allen Boyd, FL	13.2%	
13. James P. McGovern, MA	7.5%	19%
14. Betty Sutton, OH	9.7%	
15. Robert E. Andrews, NJ	8.9%	
16. Robert C. "Bobby" Scott, VA	10.2%	
17. Bob Etheridge, NC	9.8%	
18. Darlene Hooley, OR	14.2%	
19. Brian Baird, WA	13.2%	
20. Dennis Moore, KS	11.5%	
21. Tim Bishop, NY	11.9%	
22. Vacancy*.		
MINORITY:		
1. Paul Ryan, WI Ranking Member	8.5%	
2. J. Gresham Barrett, SC Vice Ranking Member	11.0%	
3. Jo Bonner, AL	12.5%	
4. Scott Garrett, NJ	8.9%	
5. Thaddeus G. McCotter, MI	9.6%	

HOUSE BUDGET COMMITTEE MEMBERSHIP—Continued

Member	Average Percent of Food Insecure Households 2003–2005 by Member's State	C–SNAP Rates of Food Insecurity**
6. Mario Diaz-Balart, FL	13.2%	
7. Jeb Hensarling, TX	15.2%	
8. Daniel E. Lungren, CA	13.3%	
9. Michael K. Simpson, ID	11.3%	
10. Patrick T. McHenry, NC	9.8%	
11. Connie Mack, FL	13.2%	
12. K. Michael Conaway, TX	15.2%	
13. John Campbell, CA	13.3%	
14. Patrick J. Tiberi, OH	9.7%	
15. Jon C. Porter, NV	10.4%	
16. Rodney Alexander, LA	14.4%	
17. Adrian Smith, NE	8.7%	

*Rep. Lois Capps, (D-CA) resigned from the Budget Committee on January 19, 2007 to accept assignment to another Committee.

**The Children's Sentinel Nutrition Assessment Program has sites in the following states: Arkansas, Maryland, Massachusetts, Minnesota, and Pennsylvania. Sites in California and Washington, D.C. are dormant. Food insecurity rates reflect the problem among our study population, who are low-income, urban families.

Chairman SPRATT. And now Denise Holland who comes at the problem from a different direction, and that is practical solutions, and her contribution to that is truly phenomenal.

We are glad to have you here to share your experience and wisdom with us.

STATEMENT OF DENISE HOLLAND

Ms. HOLLAND. Chairman Spratt and honorable members of the Committee, I want to thank you for this wonderful opportunity to be here and testify before you today.

I will summarize my testimony, but with your permission, submit my full testimony for the record.

My name is Denise Holland. I am the Executive Director of Harvest Hope Food Bank in Columbia, South Carolina, which serves 18 counties. We serve the Capitol City of Columbia, but most of our counties are rural in nature, particularly those in the PD.

I also am representing America's Second Harvest, the nation's food bank network, which is the nation's largest hunger relief organization.

Mr. Chairman and members of the Committee, I have been a food bank director for nine years. Since coming to Harvest Hope Food Bank, I have seen a dramatic increase in hunger and poverty in Columbia and particularly in the rural communities outside of Columbia and also around the country.

Last year, we served more than 149,000 needy people in a region of over 1.2 million. This represented nearly 75 percent of the 200,000 people estimated by the Census to live in poverty in our community.

On any given week in central South Carolina, including the Fifth Congressional District, some 19,100 different people receive food assistance from Harvest Hope Food Bank through local volunteer-led and community-based organizations.

Long ago are the days when the chronically unemployed and homeless men represented the majority of the people we serve. Today our member agencies, food pantries, soup kitchens, congregational meal sites, we are seeing the working poor. These are working poor who are families with children, and particularly the

elderly. Most are not receiving welfare and all are faced with the challenges of finding affordable housing and adequate healthcare.

Today we see way too many children in soup kitchen lines, too many working parents at food pantries, and too many elderly people who choose between can I pay for my utility or can I eat.

The USDA's most recent economic research study of the prevalence of hunger insecurity found that more than one in ten American households, including 35 million people in all, are food insecure or, as we say in South Carolina, they are hungry.

Of this total, 12 million are children. This data shows that South Carolina has the fourth worst rate of food insecurity in the nation and the highest rate of households, 15.5 percent, with very low food insecurity. For me in South Carolina, that would be very hungry. But statistics can often be too abstract, so I would like to share a very personal story with you.

About six months ago, I was behind a family in a local grocery store. While I waited in line, I watched a mother with three children choosing which foods to put back because her food stamp benefit was not enough to pay for all of it.

One of her daughters, I am assuming to be about nine or ten years old, appeared very sad. The mother said I know, honey, these are some of your favorite foods, but I just do not have enough left at the end of the month to pay for these so we have to put them back. I am very sorry. The little girl looked down and I thought she was going to cry in addition to myself.

I quietly told the mother that I completely understood her situation. I would be glad to take care of those few items for her and handed my business card. I wanted her to personally come see me. She broke down in tears as I did and hugged me, very thankful that I could do that for her because with nine days left in the month, she was not going to make it until her next food stamp allotment came in.

Food stamps are a lifeline for working families, and any reduction in this program would affect tens of thousands of families and significantly impact our donated food system.

The current food stamp benefit is extremely beneficial. It is helpful. But with America's Second Harvest and through our own hunger study which we participated with them, we found that the food stamp benefit only lasts 2.3 weeks of the month.

At Harvest Hope Food Bank, we have our own on-site emergency food pantry and the other 350 member agencies who report back to me each month report the last two weeks of the month are much worse than the first two weeks of the month, and that is because that food stamp benefit does not last that long.

I worry about how this President's budget proposal will affect those working poor families.

In South Carolina, in my 18 counties, we run about 13 kids cafe sites. Last year, I stopped at an elementary school where some children were eating through one of those sites. That night, we were serving chicken and collard greens, rice and peaches, all wonderful South Carolina food.

One little boy there who I sat down beside was greatly enjoying his meal. And I asked him, well, what did you do for dinner before you were able to come to this kids cafe site. He reached down in

his pants pocket and he pulled out a quarter, and he said I used to just go buy a package of crackers with the peanut butter between them because my mommy works two jobs and she is not there at night to give me something hot to eat.

These are real-life examples, but they fuel my passion every day to work hard to make use for every available resource so that no child just has crackers to eat at night.

I am particularly concerned with the President's fiscal year 2008 budget proposal. It funds or in too many instances cuts a number of programs that are utilized by many of the low-income people we serve in South Carolina. These are not people who want a handout. They are people who want a hand up.

In South Carolina, there are presently 227,000 households participating in the Food Stamp Program. In talking to the South Carolina Department of Social Services who works very closely with us, the President's proposed budget would negatively affect an estimated 68,000 South Carolina households. These are not merely numbers. They are real people. They are real people who we see.

If we are serious about ending hunger in this nation, we should be increasing access to the Food Stamp Program, not making it more difficult for eligible households to qualify. We should be increasing support for low-income families and seniors who need supplemental food assistance to help them make it through the month.

Mr. Chairman, the nation's food banks are like the proverbial canary in a mine shaft. We see the effects of poor economies, layoffs, rising energy, health, and housing costs often way before they show up in government statistics.

Nationally 35 percent of emergency food recipients have to choose between buying food or paying rent or mortgage. Another 42 percent choose between buying food and paying their utility bills. The problem is real. The problem is serious. Our families should not have to go hungry in order to avoid being homeless or without heat.

I spoke recently to several groups in Columbia who are funding some privately-funded organizations, and I talked about the community of homelessness in Columbia might be this big. But if we do not reach out to families who are struggling in this way, that I see as this gap, that community of homeless people will turn in to this group.

The President's budget has again targeted for elimination of the Commodity Supplemental Food Program. Last year, the Congress rejected this proposal, and we hope you will again do so.

Last year, my food bank provided more than half a million pounds of CSFP commodities to 1,250 low-income seniors each month, making a total of 15,000 distributions.

At our on-site emergency food pantry, 400 of them come to me the second Thursday. They come in wheelchairs. They are in walkers. They greatly appreciate that food.

The elderly population in South Carolina is one of our fastest-growing populations. And in 32 states, this program is very needed, is very appreciated. In South Carolina, while we have it in six counties, I desperately wish we had it in all 46.

I do not know where we will find the resources to help those who would lose the benefits of this program under the Administration's

budget. Please do not accept this proposal or the Administration's suggestions for losing program benefits who will be able to participate in the Food Stamp or other programs. This is simply not true. Many are ineligible or unable to access food stamps and those who are eligible will not be able to obtain the same quantity and value of food they receive in their CSFP food packages at retail prices.

The elderly we serve love to get their box. It is important to them that that is how they receive that assistance. Unfortunately, the Administration's budget and Farm Bill proposals fall short for reducing hunger in South Carolina and it falls short for the rest of our country.

Although most of the food we provide to needy families is sourced from the private sector, we rely heavily on federal commodity programs, especially the Emergency Food Assistance Program, TEFAP, to stabilize some leverage to those private donations.

Meanwhile, since the enactment of the last Farm Bill, bonus and surplus government donations to our programs has fallen by some 60 percent nationwide. At the same time, requests for food assistance has increased by eight percent or more nationally. At Harvest Hope Food Bank, we have had a 39 percent increase in the need for food due to hunger and food insecurity.

The fiscal year 2008 budget resolution and the next Farm Bill offer an opportunity to strengthen the system of farm to table for our nation's poor and hungry. As this Committee deliberates on the fiscal year 2008 budget resolution and how much will be provided for the new Farm Bill, I respectfully ask this Committee to reject the Administration Food Stamp and CSFP budget proposals and provide adequate funding for the nutrition title of the next Farm Bill so that our needy families and children and elderly will find a place in the budget and at our Farm Bill table.

In conclusion, Chairman Spratt and members of the Committee, I appreciate you allowing me to tell our story. In South Carolina, those passions of feeding the people run deep as they do across the entire nation.

Our hope is the budget resolution will provide adequate discretionary funding for Nutrition Assistance Program for fiscal year 2008 and will also provide some new funding for the nutrition title of the next Farm Bill.

Your Committee's continued support and leadership can pave the way toward ending hunger in America.

You know, several years ago, we had a wonderful opportunity in our food bank. There was a lady who came in. She was suffering from cancer, and she spent a little bit of extra time with our counselor, but she had three little boys who came with her.

Those three little boys were a little precocious, so we took them back to the packing area, one of our volunteers did, and allowed those little boys to pack their own bag of food to take home with them that day. They did not realize exactly that that is what they were packing.

But in the end, as they were rolling their cart out to the church van that had brought them and their mother there, the middle little boy looked up at his older brother and said we have never had this much food before. It kind of looks like Christmas. And the older little boy put his hand on his little brother's shoulder and he

said, you know what, that is what good people do to help people like us.

The hungry people in this nation are good people, and you are good people, and we need to work together to help them.

Thank you very much.

[The prepared statement of Denise Holland follows:]

PREPARED STATEMENT OF DENISE HOLLAND,
EXECUTIVE DIRECTOR, HARVEST HOPE FOOD BANK

Chairman Spratt, and members of the Committee, I want to thank you for the opportunity to be here and testify before you today. My name is Denise Holland, and I'm the Executive Director of the Harvest Hope Food Bank in Columbia, South Carolina. I'm here representing the Harvest Hope Food Bank, which serves 18 counties in central South Carolina, as well as America's Second Harvest—The Nation's Food Bank Network.

America's Second Harvest—The Nation's Food Bank Network is the largest hunger relief organization in the United States. Second Harvest member food banks serve all 50 states, the District of Columbia, and Puerto Rico. Nearly every community in the United States is served by an America's Second Harvest food bank and its local network of food pantries, congregant feeding programs, after school programs, and programs that serve the elderly. This work is accomplished through programs operated by congregations of every religious persuasion, civic organizations, and social welfare agencies. More than 50,000 local programs are included in this system of private sector support for the poor and needy in our communities.

Mr. Chairman and members of the Committee, I have been a food bank director for nine years working to feed and serve hungry and needy people in my state. Since coming to Harvest Hope Food Bank, I have seen a dramatic increase in the problem of hunger and the complexities of hunger and poverty in Columbia, in the rural communities outside of Columbia, and around the country. And as the problem has grown worse, the profiles of the people affected by the threat of hunger have changed. Long gone are the days when the chronically unemployed and homeless men represented the majority of the people we serve. Today many of the people receiving food assistance from our partner programs are working; they are most likely not receiving welfare, and are often faced with the challenges of finding affordable housing and adequate health care. Today, we see too many kids in soup kitchen lines, too many working parents at congregational food pantries, and too many elderly people having to choose between paying utility bills and eating.

Three months ago, the United States Department of Agriculture (USDA) released its annual prevalence estimates of food insecurity. The USDA estimates are an objective and authoritative measure of the state of food insecurity in our nation. In releasing these new food insecurity estimates, the Department chose to abandon using the term "hunger" and replaced it instead with "very low food insecurity." Changing words to describe hunger does not change the prevalence of hunger in America and in my state of South Carolina. Despite the word change, these prevalence estimates are generated by a highly reputable agency of the Federal government—USDA's Economic Research Service—and these statistics are viewed as the final and authoritative word on the problem of hunger in America.

The most recent USDA prevalence estimates find that more than one-in-ten American households—including 35 million people in all—live in food insecure households. Of the 35 million people deemed food insecure—in South Carolina, like the rest of the country, we just call them hungry—more than 12 million are children. In South Carolina we are 48th of 50 states and the District. We have the fourth worst rate of food insecurity in the nation—and the highest rate of households with "very low food insecurity," or hunger, with 15.5%.

In addition to the USDA estimates of food insecurity, America's Second Harvest also conducts independent research on the prevalence of the hunger problem and measures how well food banks are doing as they work to address this problem. According to independent research by Mathematica Policy, Inc. for America's Second Harvest, an estimated 25 million unduplicated people nationwide—including nine million children and nearly three million seniors—received emergency food assistance from our network food banks in 2005. That represents an 8% increase over 2001 and an 18% increase from a decade ago.

On any given week—this week, for example—four and a half million people are lined up for emergency food boxes at pantries or for hot meals at community kitchens across the nation. More than a third of the people served by our food pro-

grams—36%—are employed, and of our emergency food recipients, 70% reside in households were deemed food insecure using the USDA standards.

But national statistics can often be too abstract. So let me discuss the problem of hunger in South Carolina—and my community in and around Columbia, my home. The Harvest Hope Food Bank serves 18 counties in central South Carolina. It not only serves the capitol city of Columbia and its suburbs, but it also serves small towns, and rural areas. Last year, the Harvest Hope Food Bank served more than 149,000 different needy people in a region of over 1.2 million people. Of the 200,000 people estimated by the Census to live in poverty in our community—nearly three-fourths had, at some time, turned to our partner agencies for food and services. This is incredible and shameful in a nation so blessed by a strong economy and agricultural abundance.

On any given week in central South Carolina—including the 5th Congressional District—some 19,100 different people receive food assistance from the Harvest Hope Food Bank through local, volunteer led, and community-based agencies. These numbers matter because they allow you to see the challenge we face in South Carolina and in food banks and hunger relief organizations all across the country. Food banks and their agencies are the last defense against hunger for many low-income and working families. It is a good thing that this network of food banks and community based agencies exists, because more and more we are seeing people who must give up buying food at the grocery store so they can pay the rent, the utility bill, address a health emergency, or just put shoes on their children's feet. These are people who are falling through the cracks in our nation's safety net.

Approximately six months ago, I was behind a family in the grocery store. While I waited in line I watched a mother with three children face the dilemma of choosing to put back some groceries because her food stamp benefit was not enough to obtain what she had in her buggy. She had chosen very nutritious foods but was short \$17 dollars and was returning good food items such as peanut butter, jelly, bread, cheese, cereal and frozen chicken. One of her daughters, I'm guessing that she was about 9 or 10 years old, appeared very sad. I heard the mother say, "I know, honey, these are some of your favorites but I just don't have enough left at the end of the month to pay for these so we have to put things back-I am so sorry." The little girl looked down and I thought she was going to cry. I quietly told the mother that I completely understood her situation and could I pay for these items for her and handed her my business card. She broke down in tears and hugged me around the neck very thankful that I could do this for her because, with approximately 9 more days left in the month, she was not going to make it until her next food stamp allotment came in. I share this with you because this is definitely the reality for working families. The food stamp benefit is extremely helpful but, according to the America's Second Harvest Hunger study, it only lasts 2.3 weeks a month. This is a devastating reality for a family to face. It is especially devastating for children to have to worry about what they are going to eat. Food stamps are a lifeline for working families and any reductions in this program will affect tens of thousands of families and significantly impact our donated food system. At Harvest Hope Food bank, our pantries, and especially our own onsite pantry, experience a dramatic increase in the need for food toward the end of every month because the current allocation, while extremely helpful, needs to be increased. It certainly does not need to be decreased. I worry about how the President's budget proposal will affect working poor families.

At one of our Kids Cafe sites last year, I stopped to visit a table where elementary school children were eating. That night they were having chicken, collard greens, rice and peaches. All great southern food! I looked at one little boy who seemed to be greatly enjoying his meal and I asked him, before he came to our Kids Cafe site, what he did for dinner. He reached in his pants pocket and pulled out a quarter and said, "Before coming here, I would stop by a gas station and buy me a pack of crackers with peanut butter in them, because my momma works two jobs so she is not at home at night to fix something hot." This has fueled my passion to make sure that I must work hard with every available resource at my disposal to make sure that no child only has crackers to eat at night. How can we possibly expect our children to succeed in school when they are hungry?

To meet these needs in our communities, the food bank system was created to secure private donations of food and surplus government commodities, warehouse those donations and then distribute them to local partner agencies. This system allows us to receive donated food and produce from all around the country and provide it to needy people in my community. Food banks are the lynchpin in a massive network of private, charitable hunger relief that operates in nearly every community throughout the nation.

The local agency system in South Carolina and around the country is largely comprised of faith-based entities, with three-fourths of the pantries in our system being part of the community support provided by churches, synagogues, temples and mosques. These local hunger relief agencies reflect the very best of America, the broad array of America's social fabric and religious life; they also highlight the public and private sector successfully working together to address a major public health and social issue. I would like to commend the South Carolina Department of Social Services for their support in our hunger relief efforts. They are a highly valued partner in the fight to eliminate hunger and actively participate with us.

Our agencies rely heavily on volunteers to provide hunger relief, with two-thirds of our partner programs relying entirely on volunteer support. The volunteers in our system are crucial to our work. An estimated one million different people comprise the volunteer work-force around the country. These volunteers provide an average of 53 hours of labor annually, or put another way, they donate a full-time work week plus overtime each year to help their needy neighbors. Using the current minimum wage, the value of volunteer labor in our network in a typical week is estimated at \$8.2 million, or nearly a half a billion dollars per year.

The volunteers that keep our system moving don't just ladle soup or pack food boxes. They provide additional support to needy families that come to the pantries for assistance. Often the lack of food is just the presenting problem and the beginning of a relationship toward self sufficiency. Partner agencies provide after school tutoring in Kids Café programs, community support to seniors, counseling and training for jobs, housing support, mental health services, and an array of other support services that transform lives. Using a commodity that we have an abundance of—food—we are able to engage, educate, and empower people toward self sufficiency. This is the transformation that food programs provide everyday.

Our charitable food system has evolved and become more sophisticated as the face of hunger has changed. The need for much better food stamp referrals is based on the reality that little more than one-third (38%) of the people we serve are enrolled in the Food Stamp Program, even though nearly two-thirds (64%) reside in households with incomes below the Federal poverty level. We provide utility assistance and referrals to other public programs because the research shows that 53% of those we serve had to choose between buying food or paying their utility bills, 35% had to choose between buying food and paying their rent or mortgage, and 41% had to choose between buying food and paying for medicine or medical care.

Mr. Chairman, these facts are unacceptable in a nation as wealthy as ours. In America today we allow nine million children a year to rely on private charity to ensure that they don't go to bed hungry. We must do better. This Committee has an opportunity in the budget process to help reduce hunger and support the very effective efforts of the emergency food providers to meet the hunger needs in their communities.

I am particularly concerned with President's Fiscal Year 2008 Budget proposal. The President's budget request funds—or in too many instances cuts—a number of programs that are utilized by many of the low-income people we serve in South Carolina. These are families that do not want a hand out, but a hand up. They want to work toward self sufficiency, but the system that should support that goal is too often is stacked against them.

Let me provide one example of what I mean. The President's budget request proposes eliminating categorical eligibility in Food Stamps for families that are on TANF but receiving non-cash assistance. The non-cash assistance takes several forms, such as government supported child-care or day care, transportation, and other work supports. The categorical eligibility is meant to allow these families—typically, single working moms with children—to continue to receive TANF and food stamp benefits while they transition from welfare assistance to work and eventually self-sufficiency. Yet, the President's proposal would deny them food stamp benefits if their meager income or assets rise above the typical food stamp income threshold—which for a typical low-income household of three, a single working mother with two children is approximately \$1,799.00 gross income per month.

In South Carolina there are 227,000 households participating in the Food Stamp Program. The President's budget proposal will negatively affect an estimated 68,000 South Carolina households. It will not only increase the number of families who will have to go without food but it will also increase the number of people who will have to rely on donated supplies. At Harvest Hope Food Bank we never turn down any resource and we actively work to recruit more food resources. It is important to keep in mind that these numbers represent real people. And the challenges I face, on a day to day basis, to provide food for those in need are constantly growing. Removing any resource for being able to provide food would be devastating.

Mr. Chairman, increasing access to the Food Stamp Program should be a goal of this Administration and of the Congress. With the participation rate of eligible individuals in the Food Stamp Program is at only about 60% nationwide—and only a little better in South Carolina, where the rate is about 65%. More can, and should be done to ensure that low-income families who need supplemental food assistance to feed their children get the help they need. Needy seniors, legal immigrants and the working poor are all underrepresented in the Food Stamp Program and the President's proposal does little to address this problem.

Food stamps are the cornerstone in the nation's efforts to reduce hunger and help low-income families achieve self-sufficiency. Harvest Hope Food Bank and all of the nation's food banks are committed to continue working to improve and strengthen the Food Stamp Program. For instance, food banks across the United States participate in food stamp outreach activities with private funding and with the support of USDA. And it is in these public private partnerships that we leverage our resources, build strong networks, and best serve those in need.

Mr. Chairman, the nation's food banks are like the proverbial "canary in the mine shaft." We see the effects of poor economies, lay-offs, and rising energy, health, and housing costs, often before they show up in government statistics. Of course, we must always remember that these statistics represent more than mere numbers: they represent real people in our own neighborhoods and communities who are struggling to make ends meet. We see the family that struggles to pay the rent and therefore cuts into the family food budget. Nationally, 35 % of emergency food recipients have to choose between buying food and paying the rent or mortgage. Another 42% have to choose between buying food and paying their utility bills.

These families have to make difficult decisions and face heart wrenching trade-offs. When the President proposes cutting Low-Income Heating and Energy Assistance (LIHEAP) as he has in this budget request, it exacerbates the problems for those families that are already struggling to figure out how they will pay their utility bills. Or if the President proposes cutting Section 8 housing vouchers, as he suggested in this budget, it again only forces many of these families to choose between paying rent and putting food on the table. In Columbia South Carolina, the problem is very real and the estimated 4,500 people who live in public housing or receive Section 8 housing vouchers would rather pay rent and go hungry than be homeless. Just this past weekend our food bank was broken into and all we could find missing was several packages of meat. Food is a grave concern.

The President's budget request makes a number of reductions in funding for programs that, if allowed, will increase the number of people that turn to food banks for food assistance—while simultaneously cutting support for the very private sector charitable agencies that are meant to serve these families. One program targeted for elimination in the President's budget is the Commodity Supplemental Food Program (CSFP).

CSFP provides specialized monthly supplemental food packages of USDA commodities for low-income seniors and low-income, nutritionally at risk pregnant women, post-partum women, infants and children up to age six. The CSFP food packages are not meant to provide a full diet, but rather provide critical supplements to at-risk populations, especially seniors. In my food bank, we provided more than half a million pounds of CSFP commodities to 1,250, low-income seniors last year each month for a total of 15,000 distributions. And yet the President's budget proposes to eliminate the CSFP on the hope that the almost 442,000 seniors—91% of the program's caseload—who are now participating in CSFP will instead enroll in the Food Stamp Program. Yet, the Department knows that the CSFP senior population—and indeed seniors all across America—participate in the Food Stamp Program at very low rates. They have difficulty in negotiating through the application process and even greater difficulty in utilizing the benefits when they get them. But through CSFP, we are able to provide not just the food package, but also community-based support, which allows us to be able to check in on these senior citizens; see how they're doing and learn what other services beyond food assistance they may need. CSFP is a truly remarkable program that could help many more needy senior citizens, but the President's budget has targeted this program, once again, for elimination.

The elderly population in South Carolina is one of the fastest growing populations in the state. Three food banks in South Carolina participate in the CSFP program. These food banks utilize 47 sites in 6 counties; they provide a total of 3,705 seniors with a monthly nutritious box of food. Because the need is so great, especially in rural areas where there is a high concentration of elderly, we have had to establish a waiting list. When these seniors come to our food pantry they are often in wheelchairs, or rely on walkers. They are always thrilled to have the food.

Which brings, Mr. Chairman, to what I believe is a missed opportunity in the President's budget. Today, you have heard from the Secretary of Agriculture Mike Johanns about the upcoming Farm Bill reauthorization. The Farm Bill provides an opportunity to address the problem of hunger and under-nutrition in our communities in a profound way. Unfortunately, the President's budget and the administration's Farm Bill proposal fall far short of reducing hunger in South Carolina or the rest of our country. The President's budget proposal makes no new investments in The Emergency Food Assistance Program (TEFAP), a program that provides USDA commodities to food banks and other local charities for distribution to needy people through church food pantries, soup kitchens and shelters.

During the past four years, we have had a 39% increase in the need for food due to hunger and insecurity. We have also seen, during that time, a trend where public-sector food donations have not adequately kept up with the requests for food assistance that we face in our communities. Although most of the food we provide to needy families is sourced from the private sector, we rely heavily on Federal commodity programs, especially TEFAP, to stabilize and leverage those private donations.

Since the enactment of the last Farm Bill, there has been a troubling decrease in commodity donations through TEFAP. Since 2003, steadily rising farm commodity prices have reduced the need for USDA to purchase surplus commodities for market support purposes under the Department's Section 32 authority. Although the TEFAP mandatory purchases set by Congress have remained stable, the surplus or bonus commodities—constituting more than half of all TEFAP donations to food banks—have fallen off. Since 2001 bonus commodities have fallen by more than 60%. At the same time requests for food assistance have increased by 8% or more. Moreover, inventories held to support CSFP and support its costs have virtually disappeared, leaving this program under funded when appropriations are not sufficient to offset this shortfall.

I understand that in the upcoming debate on the Budget and on the Farm Bill, the choices may be few and the competing interests many, but with respect to TEFAP and the other commodity donation programs we clearly find mutual and compound interest. Many of the commodities donated to TEFAP, CSFP and other commodity donation programs are acquired to support farm prices and provide a farm safety net. These programs also serve as a nutrition safety net for millions of hungry people. Moreover, TEFAP commodities offer some of the healthiest and most nutritious food distributed to our agencies. TEFAP commodities stabilize our distribution when private donations are lagging or can help extend private donations enabling the food mix to be more complete.

TEFAP is critical to the estimated 25 million low-income people that access these commodities through food banks and the agencies we serve. The Fiscal Year 2008 Budget Resolution and the next Farm Bill offer the opportunity to strengthen this system of farm-to-table for our nation's poor and hungry. As this Committee deliberates on the Fiscal Year 2008 Budget Resolution and how much will be provided for the Farm Bill, it is crucial that Congress: increase mandatory food purchases for TEFAP; stabilize the surplus commodities provided to the program through Section 32; and find a way to maintain CSFP caseloads when commodity inventories disappear, and seek a long term solution to the lack of programs in many areas with unserved needy seniors. With demographic trends moving as they are, the nation needs a strong senior nutrition safety net.

The compelling need to strengthen and enhance the Food Stamp Program so that it can reach more eligible Americans, and the substantial decline in government commodity stocks donated to the TEFAP and CSFP in the face of increased demand upon the charitable food system argue strongly against the President's dangerous plan to eliminate CSFP and weaken the Food Stamp Program. I respectfully ask this Committee to reject these administration proposals, and provide adequate funding for the nutrition title of the next Farm Bill so that all of our nation's hungry will have a place at the table.

Efforts to increase access to food stamps for so many of those who are eligible but not participating is one of the fastest ways to succeed in our nation's battle against hunger. With the next Farm Bill, we can also find creative ways to capitalize on the many potential sources of support for TEFAP and CSFP—government commodities, industry food donations, private charitable donations, infrastructure and administrative grants, increased volunteers, etc.—so that these programs can operate with dependable and sufficient resources to meet their ever growing need. We must find a way to ensure that our needy families and children, and the elderly find a place in the Budget and at our Farm Bill table.

Several years ago, three boys were visiting our food pantry with their mother who had cancer. The boys were taken to our packing area to give their mother a little

private time with our volunteer counselor. While they were there, they did not realize they were helping our volunteers pack the bags of food that they were going to take home. The food was a combination of our donated supplies and TEFAP commodities. When they finished and were wheeling their cart to the Church van that brought them to us, one little boy looked at his older brother and said, "This is for us * * * Wow! We have never had this much food at our house, it is kinda like Christmas." The older brother, with a great deal of compassion and maturity, put his hand on his little brother's shoulder and said, "Well, we have a lot to be thankful for, because this is what good people do to help people like us."

In conclusion, Chairman Spratt and members of the Committee, I appreciate your allowing me to tell my story, and the story of many who are daily engaged in trying to end hunger in our country, one community at a time. Our hope is that the Budget Resolution will provide adequate discretionary funding for nutrition assistance programs in Fiscal Year 2008 and will also provide some new funding for the nutrition title of the next Farm Bill. Your committee's continued support and leadership can help pave the way to ending hunger in America.

Mr. Chairman, there are lots of good people in this country just like ourselves who need our help with these programs. My prayer is that help will continue. Thank you.

I look forward to answering any questions you may have.

Chairman SPRATT. Jim McGovern.

Mr. MCGOVERN. First of all, let me thank you both for your testimony. And I wish the Administration witnesses were here to hear this because I think you make the point that needs to be made, and that is that, you know, we all talk about balancing budgets and numbers and stuff, but that there are people behind these numbers and that when you make these adjustments or these reductions or you do not keep the programs adjusted for inflation and people do not get to take advantage of some of these programs, that means people go without food.

And if you are not moved by the moral argument of making sure people in this country have enough to eat, then I think you both made a case that you should be moved by just the numbers, because if the child goes without food, then he or she is going to grow up to be an unhealthy adult, and the healthcare costs, you know, as a child, you know, and as an adolescent and then as an adult, you know, are quite high. And I think sometimes we do not make those connections.

You know, when I look at programs that address child hunger in America, you know, you look at programs like WIC, food stamps, school lunches, school breakfasts, summer feeding programs, the Commodity Food Supplemental Program, Head Start, Early Start, and so on, none of them are adequately funded. And so we get into this little debate here, well, you know, we have a little increase over last year's level, but last year's level was not fully funded to meet the need and a little increase does not meet the current need.

But if food stamps and child nutrition programs were adequately funded, would that be sufficient to improve the health and development of our children and, if not, what are the survival issues your work has identified as necessary to a child's health and learning, and how can we in Congress bring a more effective approach to addressing child hunger and poverty in America?

Dr. FRANK. In medical terms, these child nutrition programs are what we call necessary, but not sufficient. For example, like heat or eat is an unbelievable issue in the whole northern tier. But even keeping the lights on in the southern tier is a huge issue, and keeping refrigeration so the food does not spoil.

And we have found that currently with the current funding, and I understand it is going to be cut a whole bunch, 17 percent of eligible families get LIHEAP. If you are eligible and do not get it and you are a baby, there is a 30 percent greater chance that you show up in an emergency room, you are going to be sick enough to be hospitalized. And that is a pretty drastic tradeoff.

This is just published in Pediatrics, okay, that if you take a whole bunch of kids and they are all eligible for LIHEAP, income eligible, but only 17 percent of them get it because that is the level of the funding of the program, and then you think about all the background differences, if you are a baby who is eligible for LIHEAP, a kid under three and whose family is not getting it and you show up in an emergency room, you are 30 percent more likely to be sick enough to have to be admitted to the hospital.

And, again, I can tell you that every admission, even short ones, are very expensive, would fund a lot of LIHEAP. And we found quite similar effects with housing.

If you take people on waiting lists for what we call Section 8 and compared them to people who are getting it, so where they are absolutely similar in terms of eligibility, the entire wait for age curve or the baby, which is what affects a lot of things, brain growth, susceptibility to infection, for the kids who are eligible and do not receive it is shifted over, so you about double the kids who are in the dangerous underweight range. And that has also been published in a reviewed medical journal.

So we have been taught to do evidence-based medicine. I am glad to have people here who are really interested in evidence-based social policy.

Mr. MCGOVERN. Ms. Holland.

Ms. HOLLAND. We see a great correlation between children who are sick and children who are hungry. You know, when school is out and, therefore, free and reduced breakfasts and lunch is not available to those children, parents worry because it is not just one meal they are then replacing, it is three. And during those times, you see great differences in the families that are coming in and the health, just, you know, in looking at them, at the general health of them. So nutrition is incredibly important to them. Eating is incredibly important to them. REGINA

For all the food banks within America's Second Harvest, we focus on making sure that they have, you know, fruits and vegetables. And particularly in South Carolina, we have programs to where we glean the fields, encourage the farmers to bring the extra crops in, and let us give those out throughout all of our member agencies. I think that is very, very important to it and, you know, helping them to make those good choices about nutrition.

When the food stamp benefit is not enough, I think certainly they do make choices because they do need to fill hungry stomachs. That is what Dr. Frank spoke of earlier. You know, it is much cheaper to buy the Ramen noodles, ten cents a package, but there is no health there.

So I do think it is incumbent upon all of us to increase the health of all those populations that we do by providing them not only adequate supplies of food but good nutrition as well.

Mr. MCGOVERN. Thank you.

Chairman SPRATT. Mr. Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman.

Let me thank both of you. I wish every member of Congress and the Administration could have heard your testimony.

I do not know if questions are adequate. Your testimony speaks for itself. But I want to share a couple of points and ask you one question.

Prior to coming to Washington, I served as the State Superintendent of Schools in North Carolina for eight years. I know what you are talking about.

My wife had just retired as a child nutrition director for our county schools. And she consistently shared with me you could always tell the child that was hungry because they ate well on Friday and were first in the cafeteria on Monday mornings.

We ought to have a breakfast program for every child in America and no matter what their background is because I think that would do a lot for academics. It would also help some other issues.

One point I will share with you before I ask a question. We have a program that we just kicked off jointly in the last two years. We have a State Farmer's Market in Raleigh. And the agencies came together and we got some State money and a little bit of federal and most of it is private, and built a receiving center from the farmer's market all the excess produce that we could pull together because a lot would go bad and we could not use it. And they would get it immediately. They can freeze it, reprocess it, and then they provide meals for families.

Something just to think about. I wish we had more money to do that.

Let me ask you one question, both of you. In addition to being on this Committee, I serve on the Ag Committee, and realizing the dollars we need. But is there anything that we need to do statutorily to change some things that you are working with that we can help make your job easier from a standpoint of things we do in agriculture for the programs that flow to the local level?

If you do not know today, check it out, let me know. We would sure like to make the job easier and distribute the resources more readily because you are out there, as my wife always reminds me when I come home, where the rubber meets the road. And you see the problems. And if I can get that information, we would certainly be happy to try to deal with it.

Dr. FRANK. The one thing I can address from clinical experience is in our hospital, we have volunteer lawyers and law students, and a good chunk of their time is spent helping people apply for food stamps and trying to deal with being irrationally turned down or stuff being lost.

I mean, the fact that it should take a lawyer to get a low-income family under food stamps, and, of course, that is a boutique program, you know, I mean, it is not a really good use of money or people's time. I think it speaks for itself.

But it is the only program where people do not just have to account for their income but have to account for their outlay. And the documentation is so complex that it sometimes takes a lawyer. I mean, I cannot do it.

Ms. HOLLAND. Thank you.

I would like to get with my colleagues with America's Second Harvest to respond to you on your question. But one thing that does come to mind, every food bank with America's Second Harvest, we do not leave any stone unturned when it comes to gathering food. It is a partnership between private donations of food and dollars and the Public Assistance Program through Department of Agriculture. We greatly depend on both of those to supplement each other to put an end to hunger.

I know in the State of South Carolina, we work very closely with local farmers and growers to bring fresh produce in. You know, our clients of our food pantries across the State really love that.

I think being able to adequately recognize their donations and what all those donations do for us give them the correct monetary tax benefit is very important to them and it is very important to us because we depend on that food so readily.

But thank you. I would like to get back with you on that.

Mr. ETHERIDGE. Mr. Chairman, with your indulgence, one little point.

Chairman SPRATT. Certainly.

Mr. ETHERIDGE. We in North Carolina, we have a lot of sweet potatoes, and I am sure each State has their own commodities. And every fall, a lot of that gets ditched in the ground because they do not have processing when people could use it.

And I would be interested if you would share in your thinking on that because I think I am going to talk to some of my colleagues to find a way that we maybe can get some companies to ramp up and process—

Chairman SPRATT. We had a member here by the name of Tony Hall of Ohio. And Tony had developed this program in Ohio where they did go out and glean the harvest. And it was a very well-organized program and lots of volunteers participated in it. It certainly should be something that would work in North Carolina beautifully.

Mr. ETHERIDGE. They ought to be able to do it.

Ms. HOLLAND. From a food bank perspective, we love that. And, in fact, the Society of St. Andrew regularly drops potatoes for us and we bring in college students that bag them. You know, there was a Martin Luther King Day activity. It was a wonderful activity.

Mr. ETHERIDGE. Great food bank. Thank you.

Thank you, Mr. Chairman.

Chairman SPRATT. Mr. Blumenauer.

Mr. BLUMENAUER. Thank you, Mr. Chairman. I appreciate what you and Mr. McGovern have done.

And I agree with you, Jim, it would have been nice to flip the panels and have the Secretary spend an extra—

Chairman SPRATT. We should have done that. The custom is we always take the Secretary first, but it would have been very instructive for the Secretary of Agriculture and his lieutenants to have heard your testimony, some of the most compelling authoritative testimony I have heard in 24 years.

Mr. BLUMENAUER. I am sure he is watching C-SPAN.

And I appreciate the protocol and what needs to be done. But it might be that we arrange for a video in all seriousness of what we

have done, if we could, because I think the Secretary is a person of generous spirit, and I truly think it would be useful for him.

I come here today hard on the heels of a farm forum I had at home in Portland this weekend with one of my colleagues, Sam Farr, from California who journeyed. And we listened to people on a statewide basis come in and talk about what should happen with the Farm Bill. And we had people from the Wheat League and we had people from nutrition programs, from schools, people who were involved with organic—I mean, the whole range of people. But it was interesting, the subtext is talking about how to put the pieces together in a way that made more sense.

And I deeply appreciate this testimony, Mr. Chairman. I appreciate the language and would just posit if you have more suggestions.

I mean, Doctor, you were saying infant mortality, we are talking about dead babies.

Ms. Holland, you were talking about food insecurity, but it is really hungry kids. I mean, the extent to which you have ideas that you have road tested for us of helping us reframe the debate, what is the hunger equivalent of the, quote, death tax that we might be able to drop into the political lexicon and help drive the discussion? If you have some thoughts, I would be very interested in that.

You may or may not have been here when I posed a question to the Secretary about our practice of shipping commodities overseas when at times, this food drives local farmers out of business, and that now the Administration is looking at taking a few of these dollars, not all of them, not most of them, but a fraction of them, 25 cents on the dollar perhaps, and buying local food to help people be self-sufficient and doing it faster.

If we could use your thought about local produce, local commodities, that there might be some provision in the bill that helps us buy food from local producers who would like to do that. And in some cases, if they had some revenue stream for local produce, local products, they might be able to give slightly better prices.

I know that in my community, they are involved with gleaning and whatnot, but we might be able to help stabilize local agriculture, have steady through-put to help you round out the diet rather than relying on occasional shipments of surplus commodities which may not really be what is necessary to provide the nutrition that is required. And your thoughts in that regard would be helpful.

I am on another Committee where the Chairman, Chairman Rangel, is driving an agenda in a very thoughtful fashion about the high cost for society of poor people. And one of my particular areas of interest is that the poor actually pay more. They pay more for substandard healthcare. They pay more for food. They pay more for milk. They pay more for their mortgages. I mean, these are working people.

And I would like to maybe try and get you in touch with the Ways and Means Committee staff because I think, Mr. Chairman, there may be something in what Charlie is doing with poverty that may be able to—there may be some tax elements that might make a difference, not just in the Budget Committee.

The streamlining the process that was offered up, I mean, Oregon was ranked as one of the two most food insecure states. It was brutal. It was shameful. We found that the single-most effective thing we did to move us to the middle of the pack is to try and negotiate this goofy process.

Somebody told me it was almost as complicated to apply for food stamps as for an OPEC loan, the private overseas investment loan of millions of dollars. They streamlined that. We have really made it hard on these folks. So your notion of the streamlining.

And last but not least, I would urge that you redouble your efforts with your national network. I mean, you have got amazing compatriots around the country who are starting to make progress with the local food banks, with people in the agricultural community, academics.

And if there is a way that we can work with you in broadening the national advocacy, I thought this was amazingly compelling, and I hope that there are ways that we can think about ways to link out so this happens locally around the country. As our fellow members are having their own hearings and workshops about the Farm Bill, that we make sure that what you represent is there in force.

Thank you very much.

Dr. FRANK. Thank you.

I mean, it is true. I mean, poor people pay more for worse food. In our State, you know, the WIC Farmer's Market vouchers are ten bucks for the whole summer, and we did have a State Farmer's Market Program that it went under. I mean, it was really simple stuff like, well, suppose we double the farmer's market vouchers and also for the elderly. That would certainly mean that there would be more people buying produce from local farmers. I mean, I am no economist. I am just a doctor, but it seems kind of does that work?

Mr. BLUMENAUER. We have some folks in Oregon who think it might.

Ms. HOLLAND. In South Carolina, as many states across the nation, they have what is called a SNAP Program, a Supplemental Nutrition Assistance Program. In North Carolina, I know there is a very good one. And we in South Carolina are trying to model and request a Supplemental Nutrition Assistance Program with our State legislature.

The proposal there would follow the North Carolina work which says the State allocates some money to help food banks purchase locally-grown foods to help supplement the supplies that we have. We would very much like to see that in South Carolina. I know many states have been very successful with it.

And I guess the critical piece of that is all the supplies of food, and it does for us with Food Banks, we work hard to have a good mixture from every available resource that we have, but, you know, every one of those was critically important to us and would not want to see any of those diminished at all.

Chairman SPRATT. Mr. Blumenauer?

Mr. BLUMENAUER. No.

Chairman SPRATT. Thank you so much for your testimony. We will take it to heart. But we very much appreciate your testimony

and coming here today, your patience and forbearance and waiting for the opportunity to testify. But you have made a lasting impression on us, and we will be taking the advice you left us with.

I have got one question. You spoke to the Food Supplemental Program, Supplemental Food Program. The President's budget also has a proposal that would terminate food stamps for some families that receive food stamps because they receive noncash welfare services.

How would that affect food stamp beneficiaries with whom you deal?

Dr. FRANK. Well, I see a huge number of families who are struggling to work and take good care of their children. They want to be good workers and good parents, and they already unbelievably stretch. And it is very difficult for working families because they have to recertify much more often, and this would be a disaster.

It really seems, you know, for all the piety about people playing by the rules, why would you take food away from families who are playing by the rules, trying to get off welfare, trying to get retooled to enter the job market? I do not get it.

I mean, I can tell you if you take away food stamps from people who had it, you can guarantee their kids will be more food insecure and be in poorer health. I mean, you know, that is a repetitive pattern.

It also looks like from the big kid data, which is not my data, they will do worse in school. So you already have the information, I think, you could extrapolate.

Ms. HOLLAND. Chairman Spratt, eliminating food stamp categorical eligibility would hurt tens of thousands of families in South Carolina that are currently receiving food stamps. It would remove—

Chairman SPRATT. CBO tells us the impact nationally would be about 200,000 families. I do not know what that translates to in South Carolina. I have got a number here that looks a little large. But what you are saying is the impact is substantial? It is not minimal?

Dr. FRANK. And if there is 280,000 families, that is 500,000 plus children. It is half a million children at least depending.

Ms. HOLLAND. The hurt would be deep and would be felt in South Carolina.

Chairman SPRATT. Thank you very much.

Jim, do you have any further questions?

Mr. MCGOVERN. I just want to thank you both. I mean, I think it has been an incredible hearing. And, you know, as somebody who cares about these issues along with Chairman Spratt, I think you have given us a lot to work with here.

And, again, I mean, I think the challenge for us is to try to get people to feel the urgency that we have to deal with this issue, and that it is not just a moral issue. I mean, if you want to be fiscally responsible, it is an issue that you have to deal with. And it is not sufficient to say that, well, we have increased this program by a half a percentage point or a percentage point. The question is, are we meeting the need?

And the other thing is, you know, if you take away, you know, the food stamps for, you know, working families, they may not be

working families very much longer. They may have to go on to some other sort of assistance because, you know, they just cannot afford it anymore.

But this has been very, very helpful, and I appreciate you coming here. And, believe me, your testimony will be widely circulated. Thank you.

Dr. FRANK. Thank you for having us.

Chairman SPRATT. My next stop is to see Charlie Rangel. That is why I have had time in and out of the room. And I will convey to him that we just had two witnesses that need to come before his Committee also.

Thank you for coming. Thank you for your testimony

Dr. FRANK. Thank you.

[Whereupon, at 5:37 p.m., the Committee was adjourned.]

