FOR RELEASE ONLY BY THE
HOUSE COMMITTEE ON
APPROPRIATIONS

Statement by Michael T. Scuse
Acting Under Secretary for
Farm and Foreign Agricultural Services
United States Department of Agriculture
Before the House Subcommittee on Agriculture, Rural Development,
Food and Drug Administration, and Related Agencies

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to present the 2012 budget and program proposals for the Farm and Foreign Agricultural Services (FFAS) mission area of the Department of Agriculture (USDA). I am accompanied by the Administrators of the three agencies that comprise our mission area: William Murphy, Administrator of the Risk Management Agency; John Brewer, Administrator of the Foreign Agricultural Service; and Val Dolcini, Acting Administrator of the Farm Service Agency. We are also accompanied by Michael Young, Director of the Office of Budget and Program Analysis.

Statements by each of the Administrators providing details on the agencies' budget and program proposals for 2012 have already been submitted to the Committee. My statement will summarize those proposals, after which we will be pleased to respond to your questions.

Mr. Chairman, the FFAS mission area carries out a diverse array of programs and delivers services that support a competitive agricultural system and provide the foundation for prosperity throughout rural America. The programs we deliver to America’s farmers and ranchers – price and income support, farm credit assistance, conservation and environmental incentives, risk management tools, and trade expansion and export promotion programs – provide a critical safety net for our producers.

The budget environment we find ourselves in today is difficult, and difficult decisions had to be made in developing the 2012 President’s budget. In order to contribute our part to the goal of restoring fiscal discipline to the Federal budget, we have reviewed our programs and developed budget proposals that will help to streamline agency operations, improve efficiency, and reduce our administrative costs. Although we are presenting a constrained 2012 budget, we believe it does provide the resources that are needed to meet our mission area objectives.

Farm Service Agency

The Farm Service Agency (FSA) is the lead agency for delivering farm assistance. It is the agency that the majority of farmers and ranchers interact with most frequently. FSA provides producers with access to farm programs such as direct and countercyclical payments, commodity marketing assistance loans, farm ownership and operating loans, disaster assistance, and certain conservation programs, such as the Conservation Reserve Program (CRP).

Farm Program Delivery

The 2012 budget request for FSA reflects the difficult decisions that needed to be made in this budget environment. The budget focuses on streamlining processes, investing in more efficient systems, and evaluating our internal costs to maximize efficiency.

We know the Subcommittee is aware of FSA's long-standing need to upgrade its aging technology, and we would like to thank you for the $117.3 million in support this Subcommittee has provided thus far for information technology (IT) modernization initiatives. We appreciate the support the Subcommittee has provided, particularly in view of the challenges faced during times of budgetary constraint.

FSA has made progress in its efforts to improve the quality of its service to its clientele in recent years, although additional improvements are needed and many challenges remain. Since enactment of the 2008 Farm Bill, FSA has rapidly implemented newly authorized farm programs, including such complex programs as the Average Crop Revenue Election

(ACRE) and Supplemental Revenue Assistance Payments (SURE) programs. Many of these activities were effectively carried out with very few additional resources.

However, the agency's progress in implementation and delivery of these complex new programs in a timely, secure, and customer friendly manner has become increasingly difficult to ensure without significant additional progress in modernizing our business processes and IT systems as has been discussed previously with this Subcommittee. Important gains have been made as a result of recent appropriations, and continuation of these efforts is our highest priority for the 2012 budget request.

Information Technology Systems

The role of IT is crucial for FSA's capacity to continue to deliver adequate services to its farm clientele. After suffering from severe performance problems several years ago, the IT infrastructure supporting the delivery system has been stabilized and set up to transition to a 21st century IT environment, but this transition is far from complete and more funding is required. Therefore, the 2012 budget requests a funding increase for implementation costs of these IT system modernization efforts. This funding will augment the IT investments already made in recent years and will go a long way toward achieving the program delivery goals of improved quality of service, operational efficiency, and greater accountability.

The short-term stabilization efforts used to correct the most urgent deficiencies in FSA's IT network infrastructure have been successful in averting crippling breakdowns of the sort experienced three or four years ago. However, it is still essential that FSA program delivery be transitioned to a modern, centralized web-based system in order to meet minimum expectations for reliable, timely, and accountable program delivery in the future. This is the principal goal behind the agency's Modernize and Innovate the Delivery of Agricultural Systems (MIDAS) initiative.

In the summer of 2010, MIDAS moved from the planning and acquisition phase to the implementation phase. FSA has established a Project Management Office (PMO) to manage the day-to-day operations and provide the capability to acquire, manage, and deploy the MIDAS program. The PMO is a critical component of our effort to ensure that funding provided by this Committee is used effectively and efficiently. FSA, in coordination with the General Services Administration (GSA) recently finalized all necessary vendor contracts for the implementation of MIDAS. Consistent and reliable funding is critical to ensure that these contracts can be fully executed and deliverables completed. Lapses in funding or uncertainty over the amount that will be available could result in developmental delays and cost over-runs.

MIDAS will improve farm program delivery by making program benefits more accessible to producers. It will achieve this primarily by streamlining FSA business processes and moving FSA's IT system toward a more fully integrated IT architecture. MIDAS will build on the Common Computing Environment (CCE), a web-based platform where most of FSA's automated business processes will ultimately reside. The challenge for the initiative is that the business processes and transaction methods that are being moved to the CCE platform are highly fragmented after years of program implementation on other systems. The fully implemented MIDAS program will remedy this by reducing the complexity of these processes.

The budget also includes a request for $60 million to begin a refresh of the CCE. Of this amount, $26 million is requested in the FSA budget, the remaining amounts are requested by Rural Development and the Natural Resources Conservation Service. This funding will be used to replace outdated components of the IT infrastructure, many of which have exceeded their expected life cycles, in order to reduce system vulnerabilities to failure and improve the performance and effectiveness of the shared infrastructure. These improvements will allow the Service Center Agencies to serve program participants more efficiently with a more flexible and reliable IT infrastructure. This funding will allow for the first system-wide refresh of the CCE since the infrastructure was implemented in 2000. In addition, as the components of the CCE are replaced, USDA will implement configuration changes to support the delivery of current and future programs more effectively. As part of this process, the Department will improve system security, reduce the long term cost of infrastructure services, and improve service reliability.

Salaries and Expenses

The 2012 budget request for salaries and expenses for FSA reflects our focus on streamlining processes, investing in more efficient systems, and evaluating our internal costs to maximize efficiency. The 2012 budget requests $1.7 billion from appropriated sources including credit reform transfers, for a net increase of $143.3 million over the 2011 annualized continuing resolution level. The request reflects a decrease of $41.4 million from staff year reductions and administrative efficiencies, an increase of $122.3 million to fund critical IT replacement and modernization projects essential to support core agency operations, an increase of $60 million for Civil Rights Settlement Costs, and an increase of $2.4 million to fund new initiatives to improve Tribal Relations. Congressional provision for two-year availability of salaries and expenses funding for IT in the 2012 budget would enable FSA to continue strategic management of IT planning, development, and execution of FSA mission priorities.

FSA has taken aggressive action over the past several years and will continue to reduce discretionary administrative expenditures and operate within available funding during 2012. The 2012 budget reflects a decrease of $27 million for a proposed reduction of 504 Federal staff years, a $7.9 million decrease by reducing non-IT service contracts, and a $6.5 million decrease for travel and relocation expenses. The 2012 salaries and expenses request supports a total of 4,590 Federal staff-years, a decrease of 504 below the 2011 level, and 8,991 non-Federal-staff years. These staffing levels are essential to enable FSA to handle the workload associated with the broad array of complex programs entrusted to us.

The FSA request for IT includes increases of $96.3 million to continue the MIDAS project and $26 million to support the Department's effort to modernize and upgrade the CCE for the service center agencies. As noted previously, when complete, MIDAS will provide significant benefits to employees, farmers, and ranchers covering FSA's farm programs, including price support, conservation and environmental, and production and emergency disaster programs.

Farm Loan Programs

FSA plays a critical role for our Nation's agricultural producers by providing a variety of direct loans and loan guarantees to farm families who would otherwise be unable to obtain the credit they need to continue their farming operations. By law, a substantial portion of the direct and guaranteed loan funds are reserved each year for assistance to beginning, limited resource, and socially disadvantaged farmers and ranchers.

The 2012 budget proposes a total program level of about $4.7 billion. Of this total, nearly $1.6 billion is requested for direct loans and over $3.1 billion for guaranteed loans offered in cooperation with private lenders. These levels reflect credit usage forecasts at the time the budget was developed.

For direct farm ownership loans, we are requesting a loan level of $475 million to extend credit to about 2,900 small and beginning farmers to purchase or improve a family farm. For direct farm operating loans, we are requesting a program level of $1.05 billion to provide production loans to approximately 16,400 family farmers. The funding for direct operating loans reflects a shift in funding from the more expensive guaranteed operating loans program with interest assistance. As a result of this shift, more farmers will receive farm loan assistance through FSA at less cost to taxpayers.

For guaranteed farm ownership loans, we are requesting a loan level of $1.5 billion to provide about 4,200 farmers the opportunity to acquire their own farm or to preserve an existing one. For guaranteed farm operating loans, we propose a loan level of approximately $1.5 billion to assist over 6,500 producers in financing their farming operations. The guaranteed loan programs enable private lenders to extend credit to farm customers who otherwise would not qualify for commercial loans.

In addition, the budget proposes program levels of $2 million for Indian tribe land acquisition loans, $60 million for boll weevil eradication loans, $150 million for guaranteed conservation loans, and $10 million for direct loans for Highly Fractionated Indian Lands. For emergency disaster loans, the budget does not request an appropriation because disaster needs are unpredictable and some carryover funds are anticipated to be available. The budget also proposes $2.5 million for the beginning and limited resource individual development account (IDA) pilot program. The IDA pilot program was authorized in the 2008 Farm Bill to assist qualified applicants to purchase or make a down payment on farmland; purchase breeding stock, fruit or nut trees, and trees for timber harvest; and other similar purchases. If funded by Congress, the IDA pilot program will be operated through a Notice of Funding Availability.

Commodity Credit Corporation

The farm commodity price and income support programs are financed through the Commodity Credit Corporation (CCC), a Government corporation for which FSA provides operating personnel. CCC also provides funding for conservation programs, including the Conservation Reserve Program (CRP) and certain programs administered by the Natural Resources Conservation Service. CCC also funds some export promotion and foreign food aid activities administered by the Foreign Agricultural Service.

CCC outlays have declined from the record high of $32.3 billion in 2000 to $10.0 billion in 2010. Under provisions of current law, estimated outlays would be $11.1 billion in 2011 and $8.4 billion in 2012. The reductions since 2000 primarily are due to reduced commodity program outlays. These result from relatively high market prices for most major commodities, as well as other factors such as the shift of disaster assistance programs to a separate fund and the elimination of some other earlier emergency economic assistance programs. The reduction in

2012 also reflects 2008 Farm Bill changes which eliminated the option for producers to receive advance direct payments. This change shifts some direct payments into 2013 that would have been paid in 2012.

Conservation Programs

The CRP, in dollar terms, is USDA's largest conservation/environmental program. For over 20 years, it has cost-effectively assisted farm owners and operators in conserving and improving soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive farmland to a long-term resource-conserving cover. CRP participants enroll acreage for 10 to 15 years in exchange for annual rental payments, as well as cost-share assistance and technical assistance to install approved conservation practices.

The 2008 Farm Bill reauthorized the CRP through September 30, 2012, and made a number of changes in program provisions, including reducing the enrollment cap from 39 million acres to 32 million acres beginning October 1, 2009. As of January 31, 2011, total CRP enrollment stood at 31.2 million acres under 745,000 contracts on 140,000 farms; of which 4.9 million acres are enrolled under 408,000 contracts for continuous signup practices. In 2010, FSA held the first general signup since 2006, enrolling 4.3 million acres. FSA anticipates enrollment to be about 31.8 million acres at year end. For 2012, the budget projects enrollment of about 31.9 million acres, just below the statutory cap of 32 million acres. Secretary Vilsack is committed to the conservation benefits of CRP, and FSA is currently midway through a general signup for the program which began on March 14.

During 2010, FSA implemented the Conservation Reserve Transition Incentives Program, which offers retiring landowners an added benefit to transition expiring CRP acres to a new or socially disadvantaged farmer – who in turn enters the land into production using sustainable growing practices. FSA has had unexpectedly high signup for the program, enrolling 372 producers last year. In addition, regulations for the Voluntary Public Access and Habitat Improvement Program (VPA-HIP) were published July 8, 2010. VPA-HIP is designed to encourage owners and operators of private farm, ranch, and forest land to make that land publicly accessible for hunting, fishing, or other wildlife-related recreation under programs administered by the State or Tribal governments.

Biomass Crop Assistance Program

In June 2009, FSA issued a Notice of Funds Availability for matching payments for the collection, harvest, storage, and transportation of eligible biomass materials sold to qualified facilities under the Biomass Crop Assistance Program (BCAP). The first payment was issued in August 2009. On February 8, 2010, FSA published a proposed rule with a 60-day comment period to implement the second phase of BCAP, which includes establishment and annual payments. The final rule for BCAP was published on October 27, 2010.

The 2008 Farm Bill authorized “such sums as necessary” for the costs of BCAP. In June 2010, Congress enacted the 2010 Supplemental Disaster Relief and Summer Jobs Act which capped BCAP expenditures at $552 million for 2010 and $432 million for 2011. The 2012 budget proposes further limitations on the amount available for BCAP. Specifically, the budget proposes to limit funding for the matching payments portion of BCAP at $70 million. The proposal does not limit the amount of funding available for the establishment and annual payments portion of BCAP.

Risk Management Agency

The Federal crop insurance program represents the main risk-mitigation program available to our Nation's agricultural producers. It provides risk management tools that are market driven, harnesses the strengths of both the public and private sectors, and reflects the diversity of the agricultural sector.

In 2010, the crop insurance program provided about $78 billion in protection on 256 million acres. Our current projection is that indemnity payments to producers on their 2010 crops will be about $3.5 billion on a premium volume of over $7.5 billion. Our current projection for 2012 shows the value of protection will rise considerably, largely due to commodity price increases. This projection is based on the Department's latest estimates of planted acreage and expected changes in market prices for the major agricultural crops.

The 2012 budget requests an appropriation of "such sums as are necessary" as mandatory spending for all costs associated with the program, except for Federal salaries and expenses. This level of funding will provide the necessary resources to meet program expenses at whatever level of coverage producers choose to purchase. For salaries and expenses of the Risk Management Agency (RMA), $82 million in discretionary spending is proposed, an increase of $2 million above the 2011 annualized continuing resolution amount. The request includes additional funding for maintenance of the RMA IT system. Staffing for RMA is projected to remain at the same level as 2010.

Standard Reinsurance Agreement

RMA works daily to validate the utility of current insurance products – making certain we have the best protection possible for all of America's farmers and ranchers. RMA works to ensure outreach to small and limited resource farmers, to promote equity in risk sharing, and to guard against fraud, waste, and abuse within the program. In RMA's role as a regulator, it must also ensure the continued integrity and actuarial soundness of the Federal crop insurance program. We are also aware that in today's economy, it is particularly important that the program be cost effective and give a fair value for the taxpayers' dollar.

That is why we are proud of the new Standard Reinsurance Agreement (SRA), the agreement between USDA and the 17 approved private insurance companies that deliver the program. The 2008 Farm Bill authorized renegotiation of the SRA, which we and the

Approved Insurance Providers (AIPs) diligently negotiated in good faith last year. The new SRA will achieve $6 billion in savings over the next 10 years, two-thirds of which will go toward paying down the Federal deficit. The remaining $2 billion that did not go toward deficit reduction was applied to support of high priority risk management and conservation programs.

The Department's $4 billion in budget savings is one of the first and most significant Federal agency achievements in reducing mandatory spending and thereby helping to lower the long-term Federal deficit. The President has laid out an aggressive plan for reducing the deficit, and we are pleased to take a leadership role in that effort.

Good Performance Refund

RMA has several improvements to its programs underway as a result of the savings from the SRA. For example, RMA has published a proposed rule for a Good Performance Refund (GPR) program that would return a portion of out-of-pocket premium costs to farmers and ranchers who have had favorable insurance history in the Federal crop insurance program. The refund program is intended to reward producers' good insurance performance and encourages them to continue participation in the program and use the best available management practices.

We anticipate that $75 million will be available for this program each year to benefit farmers and ranchers across rural America. According to the proposed rule, RMA expects that there would be qualifying producers in over two-thirds of the counties nationwide. RMA published the proposed rule in the Federal Register on January 6, 2011, and the comment period ended on January 21, 2011. RMA is carefully reviewing the comments that were provided.

Information Technology

The RMA IT modernization (ITM) project is a multi-year, phased-implementation reengineering initiative to support Combo and new insurance programs and products, increase actuarial capabilities, and provide efficient policy and financial processing for producers and AIPs. The first phase, which was brought on-line in April 2010, focused on actuarial processes, policy processing, premium calculations, and other functions needed to administer various 2011 crop year insurance offers and implement the new Combo policy that affects about 75 percent of the Federal Crop Insurance Corporation's $78 billion program. The next phases of the ITM program – corporate business reporting and financial accounting – are in development. ITM is already enhancing services and benefits to producers through improved actuarial ratings, policy processing, and program integrity.

Legislative Proposal

The 2012 President's budget for the Federal crop insurance program includes a legislative proposal to reduce the mandatory costs of the program. The proposal would reduce the imputed premium amount for catastrophic (CAT) coverage, resulting in an estimated savings of $1.8 billion over 10 years.

CAT coverage was authorized in the Crop Insurance Reform Act of 1994, and the first CAT policies went on sale for the 1995 crop year. Over the course of the past 15-plus years, the CAT premium has been calculated using the same rating methodology used to determine the premium for a buy-up policy having the same loss threshold. Over this time-frame, the loss ratio for CAT coverage has been consistently lower than the loss ratio of the similar buy-up policy. After 15 years, USDA has collected sufficient data to suggest that the risk profile of producers who purchase CAT coverage is significantly different than that of producers purchasing buy-up coverage. This legislative proposal recognizes the lower risk associated with the CAT coverage and provides for a reduction in the premium rate. This reduction is consistent with our statutory mandate to set premium rates in an actuarially sound manner.

Because the CAT premium is fully subsidized, changing the premium amount will not affect producers' costs for CAT coverage. However, the premium reduction will impact payments to AIPs.

Foreign Agricultural Service

Agricultural trade makes a critical contribution to the prosperity of local and regional economies across rural America through increased sales and higher commodity prices. USDA estimates that every $1 billion of agricultural exports generates $1.3 billion in economic activity and supports 8,400 American jobs throughout the economy. Therefore, the FFAS mission area, through the work of the Foreign Agricultural Service (FAS), has an important role to play in removing agricultural trade barriers, developing new markets, and enhancing the competitive position of U.S. agriculture in the world marketplace.

The forecast for U.S. agricultural exports was recently increased to a record $135.5 billion for fiscal year 2011, an increase of $26.8 billion over 2010. Associated with that, agricultural exports are expected to contribute a positive trade balance of $47.5 billion to the Nation's economy. While the projected increase is a positive development, we can improve on this performance. To do so, FAS is playing an active role in the Administration's National Export Initiative (NEI). This is a government-wide initiative to double U.S. exports over the next five years in order to bolster economic growth and expand employment opportunities. Among its components are the expansion of trade advocacy and promotion activities with a particular focus on assisting small- and medium-sized enterprises; improved access to export credit financing; the removal of trade barriers to expand export opportunities; and enhanced enforcement of international trade agreements.

As we work to open new and maintain existing markets overseas, we face many challenges and barriers that must be addressed. An important means for doing so is through monitoring foreign compliance with trade agreements and working to remove unwarranted trade barriers. In this regard, the Department has established a goal that by the end of 2011 we will reduce non-tariff trade barriers in five major export markets and increase U.S. agricultural exports by $2 billion per year in those markets.

The FFAS mission area also makes a significant contribution to the Department's strategic goal of enhancing global food security. Through foreign food assistance, technical assistance, training, and capacity building activities, we are working closely with other U.S. departments and agencies to address global food insecurity and contributing to the Administration's global food security initiative – Feed the Future. With our broad range of agricultural expertise, USDA is well positioned to encourage the adoption of new technologies and production practices that can help increase the availability of food and improve its marketing and distribution.

Salaries and Expenses

FAS is the lead agency for the Department's international activities and is in the forefront of our efforts to expand and preserve overseas markets and foster global food security. The agency carries out its activities through a network of 100 overseas offices serving 156 countries and its headquarters staff here in Washington. With its overseas presence, FAS is at the forefront in representing American agricultural interests throughout the world.

The 2012 budget is designed to ensure that FAS has the resources needed to continue to represent and advocate on behalf of American agriculture on a global basis and to create new market opportunities overseas. The budget provides a program level of $236 million, an increase of $49 million above the 2011 annualized continuing resolution amount. In particular, increased funding is provided to expand export promotion activities, maintain the agency's overseas presence at current levels, and improve information technology network support at its overseas offices.

The budget includes $20 million of discretionary funding for trade expansion and promotion activities as part of the NEI. With increased funding, FAS will further the NEI's objectives by bolstering its trade compliance monitoring and enforcement activities, expanding its exporter assistance and education efforts, supporting state organized trade missions, and enhancing its in-country market access and promotion activities.

The budget also provides an increase of $9.3 million for higher operating costs at the agency's overseas posts, including increased payments to the Department of State for administrative services provided at overseas posts. FAS has no administrative staff overseas and, therefore, relies on the Department of State and other agencies for those services.

It is important to note that the increases in FAS' overseas operating costs, including payments to the State Department for administrative services, result from a number of factors over which the agency has no control, including overseas wage and price increases and variability in the value of the dollar. These increases are, therefore, non-discretionary and must be met if FAS is to maintain its overseas presence at current levels and have the resources necessary to achieve its mission.

An increase of $4 million is also included for FAS to contract with the State Department for overseas IT network support and maintenance. This will allow FAS to take advantage of the secure information system structure that is operated and maintained by the State Department and will ensure that sensitive agency information is fully protected. Strong security for FAS IT systems is essential because of the sensitivity of the information the agency compiles and handles.

For the Cochran and Borlaug Fellowship Programs, the budget includes increased funding of $1.5 million. These programs provide training and collaborative research opportunities in the United States for foreign agricultural researchers, policy officials, and other agricultural specialists and thereby help to advance U.S. government food security and trade policy objectives.

Agricultural Reconstruction and Stabilization

The FAS budget includes funding of $14.6 million for the management and support of the Department's participation in reconstruction and stabilization activities, including Provincial Reconstruction Teams (PRTs) in Afghanistan and Iraq. Of this amount, $13 million is moved from Departmental Management where it has been funded previously. The funding is included in the FAS budget as the agency is now responsible for full management of the operational and policy components of USDA's reconstruction and stabilization activities. The overall level of funding for these activities is increased by $1.6 million to meet higher administrative costs and to support additional activities in fragile market economies, such as Haiti. Additional funding to support the costs of placing advisors in these countries and the activities they carry out will be provided by the Department of State and the Agency for International Development (USAID).

During 2010, FAS managed the deployment of more than 60 agricultural advisors to Afghanistan, most of them career employees from around the United States. These experts serve as advisors at the provincial and district levels, where they provide advice to local agricultural officials and farmers on technical issues related to production and marketing. Others serve as advisors to the Ministry of Agriculture, Irrigation, and Livestock, where they are helping to build the Ministry's capacity to manage programs and deliver services to farmers. Among other things, USDA is working with U.S. land grant universities to build an Afghan extension service.

International Food Assistance

The United States plays a leading role in global efforts to alleviate hunger and malnutrition and enhance world food security through international food assistance programs. USDA contributes to these efforts by carrying out a variety of food aid programs that support economic growth and development in developing countries.

For the McGovern-Dole International Food for Education and Child Nutrition Program, the budget provides funding of $200.5 million, a reduction of $9 million below the 2011 annualized continuing resolution level. The requested amount is expected to assist as many as five million women and children during 2012. Nearly 28 million children throughout the world have now received benefits from the McGovern-Dole program and its predecessor, the Global Food for Education Initiative.

The budget maintains funding for Food for Peace Title II grant food assistance at the 2011 annualized continuing resolution level of nearly $1.7 billion. Title II, which is administered by USAID, provides agricultural commodities as assistance to combat malnutrition, foster sustainable development, meet famine and other emergency requirements, and support the donation activities of the World Food Program.

In addition to those two programs, additional food assistance will be provided through the Food for Progress program that FAS also administers. The 2012 budget includes an estimated program level of $156 million for CCC-funded Food for Progress programming, which supports the adoption of free enterprise reforms in the agricultural economies of developing countries.

Export Promotion and Market Development Activities

FAS administers a variety of export promotion and market development programs that contribute to the NEI's export expansion goals and play an important role in our efforts to enhance rural prosperity through increased sales and higher commodity prices.

The CCC export credit guarantee programs provide payment guarantees for the commercial financing of U.S. agricultural exports. The guarantees facilitate sales to buyers in countries where credit is necessary to maintain or increase U.S. sales. For 2012, the budget includes a program level of $5.5 billion for the CCC export credit guarantee programs.

For the foreign market development programs, which are funded through CCC, the budget includes an overall program level of $256 million. This level is consistent with provisions of the 2008 Farm Bill.

The budget assumes no bonus awards will be made under the Dairy Export Incentive Program (DEIP) during 2012 and, therefore, no funding is provided in the CCC budget baseline. U.S. dairy products have been competitive in overseas markets recently due to favorable market conditions and, as a result, no DEIP bonuses are being awarded at present. This situation is expected to continue unchanged throughout 2011 and 2012. However, should market conditions change and conditions warrant, CCC funding could be made available to the program up to the maximum annual level authorized under U.S. commitments to the World Trade Organization.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to present our 2012 budget and program proposals. We look forward to working with you as you review and consider our proposals and will be pleased to provide whatever assistance you may require. The Administrators and I would be pleased to answer any questions you and other Members of the Subcommittee may have.