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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 in order to present the 2013 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: Bruce Nelson, Administrator of the Farm Service Agency (FSA); William Murphy, Administrator of the Risk Management Agency (RMA); and Suzanne Heinen, Acting Administrator of the Foreign Agricultural Service (FAS). 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 2013 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 2013 budget request for the FFAS mission area reflects the President’s Plan for Economic Growth and Deficit Reduction. The Administration remains committed to a strong safety net for farmers and will continue its efforts to strengthen crop insurance and disaster assistance. The President’s plan reduces the deficit by $32 billion over ten years by eliminating direct farm payments, decreasing subsidies to crop insurance companies, and better targeting conservation funding to high priority areas. In addition, the President's plan would also extend the 2008 Farm Bill disaster programs (or similar programs) through the 2017 crop year.

This budget also reflects the Department's Blueprint for a Stronger Service. The Blueprint is key to building a modern and efficient organization that will support the long-term vitality of rural America and the success of American agriculture. The plan takes a realistic view of the needs of American agriculture in a challenging budget climate, and lays out USDA's plans to modernize and accelerate service delivery and improve the customer experience through use of innovative technologies and business solutions. Ultimately, these improvements will help producers and businesses to drive America's economy and respond to 21st century challenges.

We are proud of our work and partnership with America's farmers, ranchers and rural communities. Today, American agriculture is a bright spot in the nation's economy, with record income and exports. Over the past three years, USDA's FFAS Mission Area has worked hard to do more with less, to manage current and future budget challenges, and to ensure that critical investments in rural America continue. Specifically, FFAS has taken a variety of steps to cut costs and improve services, including:

- In 2010, RMA negotiated a new standard reinsurance agreement for the Federal Crop Insurance Program that achieved $4 billion in net savings over 10 years;
- Cut travel, printing and supplies budgets;
- RMA and FSA established 15 common dates (reduced from 70) for farmers and ranchers to report acreage and crop data, reducing burdensome paperwork for farmers and USDA costs.

In 2012, FSA will close 131 county offices across rural America; and FAS will close two foreign offices and reduce staffing in five others. The FSA office closures are being conducted in full compliance with the restrictions imposed by the 2008 Farm Bill. By consolidating offices, FSA is adapting to reduced resources while continuing to provide high quality service from the remaining 2,113 office locations.

In addition, the agencies of this mission area have implemented buy-out and early-out authorities. As a result, all three agencies will be operating, now and into the future, with fewer staff. For example, FSA projects that its Federal and non-Federal staffing will total 12,691 staff years in 2013, a reduction of over 1,200 staff years from 2011. Since 2003, at the height of implementing the 2002 Farm Bill, staffing levels at FSA have declined by about 5,600 employees, a reduction of over 30 percent.

Although we are presenting a constrained 2013 budget, we believe it provides the resources that are needed to meet our mission area objectives. I fully support the budget requests for salaries and expenses for FSA, RMA, and FAS presented below. Now is not the time for further reductions. With the significant staffing reductions, office closures and other streamlining actions we have taken over the past three years, we now need time to manage these reductions and to streamline our operations wherever possible.

Farm Service Agency

The FSA is the lead agency for delivering farm assistance. FSA provides producers with access to farm programs such as farm ownership and operating loans, disaster assistance, direct and countercyclical payments, commodity marketing assistance loans, and certain conservation programs, such as the Conservation Reserve Program (CRP). The 2013 budget request for FSA reflects the ongoing effort to streamline processes and invest in more efficient systems.

Information Technology Systems

We know the Committee is aware of FSA's long-standing need to upgrade its aging technology, and we would like to thank you for the support this Committee has provided in recent years. Modernizing IT systems will improve FSA's quality of service, operational efficiency, and accountability. The 2013 budget includes $99.8 million for the Modernization and Innovate the Delivery of Agricultural Systems (MIDAS) project. This investment is critical for the project to remain on-time and on-budget.

MIDAS will help deliver farm program benefits to producers more securely, reliably, and rapidly than the current systems. In 2011, FSA designed the core parts of MIDAS and is now building the IT infrastructure, configuring the system, and developing applications. In late 2012, FSA will pilot the first version of MIDAS. It will encompass core information including farm records, customer data, and acreage reporting with GIS online mapping capabilities. During 2013, FSA will begin to operate the Marketing Assistance Loan program within MIDAS, and will continue to expand the system to encompass additional programs. In addition, FSA is connecting MIDAS to the Department's new financial management system (FMMI) to improve program integrity and payment accuracy.

Salaries and Expenses

The 2013 budget request for salaries and expenses for FSA reflects our focus on streamlining processes, investing in more efficient systems, and examining internal costs to cut out unnecessary spending. The budget requests $1.5 billion from appropriated sources, including credit reform transfers, for a net increase of $24 million above the 2012 enacted level. The increase will provide resources to help support the IT infrastructure modernization needed for MIDAS and will enable FSA to hire 37 additional temporary staff to maintain customer service during peak workload periods, such as program sign-ups. The 2013 salaries and expenses request supports a total of 4,494 Federal staff-years and 8,197 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.

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 CRP and certain programs administered by the Natural Resources Conservation Service. CCC also funds some export promotion and foreign food aid activities administered by FAS.

CCC outlays have declined from the record high of $32.3 billion in 2000 to $8.9 billion in 2011. Under provisions of current law, those outlays would be approximately $8.7 billion in 2012 and $9.2 billion in 2013. 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 slight increase from 2012 to 2013 reflects 2008 Farm Bill changes which eliminated the option for producers to receive advance direct payments. This change shifts into 2013 some direct payments that would have been paid in 2012.

Conservation Programs

CRP assists 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. Since CRP began in 1985, over eight billion tons of soil has been prevented from eroding. An estimated 200,000 stream miles are currently protected with CRP riparian and grass buffers.

As of January 31, 2012, CRP enrollment stood at 29.7 million acres on over 407,000 farms. In 2011, FSA held a general signup, enrolling 2.6 million acres. With contracts on 6.5 million acres scheduled to expire at the end of Fiscal Year 2012, USDA will hold a general sign-up from March 12 to April 6, 2012. The budget projects enrollment will remain below 30 million acres in 2013 and 2014, before rising back to just below the statutory cap of 32 million acres in 2015.

Through the Transition Incentive Program (TIP) FSA offers retiring landowners an additional two years of CRP annual rental payments provided they transition expiring CRP acres to a beginning or socially disadvantaged farmer to return the land to production using sustainable grazing or crop production methods. Due to high enrollment, the $25 million provided by the 2008 Farm Bill has been exhausted. The program yielded more than 1,500 contracts in 26 states totaling over 250,000 acres.

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 2013 budget proposes a total program level of about $4.8 billion. Of this total, over $1.6 billion is requested for direct loans and about $3.2 billion for guaranteed loans offered in cooperation with private lenders. These levels reflect credit usage forecasts at the time the budget was developed. We will be able to provide this level of assistance with just $98 million in budget authority compared to about $108 million provided in FY 2012. With this funding, we will be able to serve nearly 30,000 farmers and ranchers.

Risk Management Agency

The Federal crop insurance program represents the primary risk-mitigation program available to our Nation's agricultural producers. It provides risk management tools that are compatible with international trade commitments, creates products and services that are market driven, harnesses the strengths of both the public and private sectors, and reflects the diversity of the agricultural sector.

In 2011, the crop insurance program provided over $113 billion in protection on over 256 million acres. Our current projection is that indemnity payments to producers on their 2011 crops will be about $11 billion on a premium volume of about $11.9 billion. Our current projection for the 2012 crop year shows the value of protection will decline slightly, to about $106 billion. 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 2013 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 RMA, $75 million in discretionary spending is proposed, the same level provided in the 2012 Appropriations Act.

Acreage Crop Reporting Streamlining Initiative (ACRSI)

RMA is leading efforts to streamline and consolidate the data that USDA collects from producers. Representatives from RMA, FSA, Natural Resources Conservation Service, and the National Agricultural Statistics Service have simplified and standardized the acreage reporting process across various USDA programs. ACRSI objectives include: provide producers options to report common data; standardize data requirements across various farm programs; facilitate data sharing between farm programs; publish the relevant data elements, definitions, and schema for government, public, and commercial industry consumption; and consolidate acreage reporting dates across commodities to the extent practical.

ACRSI has already demonstrated results. Before ACRSI, FSA and RMA had more than 70 acreage reporting dates; there are now 15 acreage reporting dates common to both RMA and FSA programs. Funding to develop and maintain the IT infrastructure required for ACRSI is being made available from the crop insurance mandatory account. The Federal Crop Insurance Act (FCIA) authorizes RMA to use funding received through administrative fees collected from crop insurance participants to develop program-related IT systems.

Foreign Agricultural Service

Agricultural trade significantly contributes 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 Department, with the FFAS mission area in the lead, 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.

U.S. farm exports reached a record $137.4 billion in fiscal year 2011, and the agricultural trade surplus reached a record $42.9 billion. The fiscal year 2012 forecast, for U.S. agricultural exports, was recently revised to $131 billion –the second highest total on record. This estimate is down $1 billion from prior forecasts. In 2012, agricultural exports are expected to contribute a positive trade balance of $24.5 billion to the Nation’s economy. For U.S. agriculture to continue to thrive, we must continue to open, expand, and maintain access to foreign markets, where 95 percent of the world’s consumers live.

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 the past year, FAS and its people have been instrumental in resolving numerous sanitary, phytosanitary and technical barriers to trade. We've achieved less-restrictive beef agreements with Chile, Egypt, and most recently the United Arab Emirates; opened the Western Australian market to U.S. cherries and the Korean market to fresh Oregon blueberries. We have also reopened the Chinese market to live swine, and the Algerian market to U.S. dairy products. These efforts led to billions of dollars in additional U.S. exports to the world in FY 2011. A major success in the market access arena is U.S. beef exports. Last year, exports of beef and beef products reached an all-time high of $5.4 billion, surpassing the levels exported in 2003, the last year before the detection of bovine spongiform encephalopathy (BSE) that caused a disruption in U.S. trade.

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. 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. FAS carries out its activities through a network of 98 overseas offices and its headquarters staff here in Washington. With its overseas presence, FAS represents American agricultural interests throughout the world.

The 2013 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 $183 million, the same level provided in the 2012 Appropriations Act. This level of funding is expected to be sufficient to maintain the agency's overseas presence at current levels. The budget includes a decrease of about $10.2 million for headquarters costs. The decrease will be achieved through the continuation of a hiring freeze and further reductions to travel and training.

In 2012, under the Blueprint, FAS intends to close two overseas offices and reduce staffing at five additional overseas locations. The 2013 budget provides an increase of $5 million for higher operating costs at the agency's overseas posts, including increased payments to the State Department for administrative services provided at overseas posts. FAS has no administrative staff overseas and, therefore, relies on the State Department and other agencies for those services.

Agricultural Reconstruction and Stabilization

The FAS budget includes funding of $5.6 million for the management and support of the Department's participation in reconstruction and stabilization activities. We are supporting implementation of the President's strategy for Afghanistan by providing technical experts who serve as agricultural advisors. Their work is essential for stabilizing the country, ensuring the successful implementation of USDA-managed assistance programs, and developing human capital and institutional capacity at all levels of the Ministry of Agriculture, Irrigation and Livestock, a vital need in a country where 80 percent of the population depends upon agriculture for a livelihood.

International Food Assistance

For the McGovern-Dole International Food for Education and Child Nutrition Program, the 2013 budget provides funding of $184 million, the same level provided in the 2012 Appropriations Act. The requested level is expected to assist as many as 4.3 million women and children during 2013. Over 30 million children throughout the world have now received benefits from the McGovern-Dole program and its predecessor, the Global Food for Education Initiative.

The 2013 budget provides $1.4 billion for Food for Peace Title II food assistance, a reduction of $66 million from 2012 enacted. 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.

Food assistance will also be provided through the Food for Progress program that FAS administers. The 2013 budget includes an estimated program level of $170 million for this CCC-funded program, which supports the adoption of free enterprise reforms in the agricultural economies of developing countries.

Export Promotion and Market Development Activities

The CCC export credit guarantee programs (GSM-102 and Facilities Guarantee) 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 2013, the budget includes a program level of $5.5 billion for the CCC export credit guarantee programs.

For the foreign market development programs, the budget includes a program level of $200 million for the Market Access Program. The remaining programs, including the Emerging Markets Program, Foreign Market Development Program, and Technical Assistance for Specialty Crops Program are subject to reauthorization and funding levels are expected to be established in the next Farm Bill.

Mr. Chairman, this concludes my statement. Thank you for the opportunity to present our 2013 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 Committee may have.