

**HEARINGS TO EXAMINE USDA ORGANIZATION
AND PROGRAM ADMINISTRATION**

HEARINGS

BEFORE THE

**COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES**

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

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MARCH 17, 18, 2016
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HEARINGS TO EXAMINE USDA ORGANIZATION AND PROGRAM ADMINISTRATION

(Part 1)

THURSDAY, MARCH 17, 2016

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

The Committee met, pursuant to call, at 1:00 p.m., in Room 1300 of the Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Goodlatte, Lucas, King, Thompson, Austin Scott of Georgia, Gibson, Hartzler, LaMalfa, Davis, Yoho, Walorski, Rouzer, Moolenaar, Newhouse, Kelly, Peterson, Walz, McGovern, Lujan Grisham, Kuster, Aguilar, Graham, and Ashford.

Staff present: Bart Fischer, Jadi Chapman, John Goldberg, Mary Nowak, Mollie Wilken, Patricia Straughn, Stephanie Addison, Lisa Shelton, Liz Friedlander, Mary Knigge, Robert L. Larew, Nicole Scott, and Carly Reedholm.

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

The CHAIRMAN. Part 1 of this hearing of the Committee on Agriculture, examining USDA organization and program administration, will come to order. Please join me in a brief prayer.

Heavenly Father, we thank You, Lord, for the multitude of blessings you have bestowed upon us as a country. Lord, we ask Your wisdom and guidance as we make decisions and hear this testimony, and understand its impact on the various programs that we are responsible for and working with.

Forgive us, Lord, our failings. We ask this in Jesus's name. Amen.

Today and tomorrow, we have before us most of the Under Secretaries of the Department of Agriculture. Each of these witnesses is responsible for an important mission area within USDA. Accompanying our witnesses are the Administrators who manage the agencies and programs within these larger mission areas. These folks lead the network of nearly 100,000 USDA employees who carry out the laws that this Committee works to enact.

We welcome each of you here today. I know that preparing for these hearings can be time consuming for the witnesses who already have plenty on their plate. Please know that your commit-

ment of time and knowledge does not go unnoticed and unappreciated, and we do appreciate you and the work that you do.

The primary purpose behind these hearings is to connect the Members of this Committee with the full bench at USDA. It provides an opportunity for our Members to see in one setting how all of the various pieces of USDA fit together. It is an opportunity for our Members to gain an even stronger understanding of the policies and issues they focus on by getting under the hood to see how all, or at least more, of the parts work. It is also an opportunity for our witnesses to gain a better understanding of our responsibilities and the issues and policies our constituents care about. In short, this is a good opportunity for constructive dialogue between Members of this Committee and the Department.

With the implementation of the 2014 Farm Bill largely complete and with growing concern in the countryside about a sustained drop in commodity prices, it is important that the Committee fulfill its vital oversight role to see what is working well and what needs improvement. The hearings we will hold over the next 2 days are a vital part of that work. They build on a similar series we held last fall, and I intend for them to become an annual component of our oversight efforts.

[The prepared statement of Mr. Conaway follows:]

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

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With that, I recognize my friend, the Ranking Member, for any remarks he may wish to offer.

The CHAIRMAN. With that, I recognize my friend, the Ranking Member, for any remarks that he would like to offer.

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

Mr. PETERSON. Thank you, Mr. Chairman.

This is the second time the Committee has held a 2 day hearing to take a deeper look into USDA's organization and program administration, and given the fact that we have so many new Members, like every Congress, it is probably a good thing to have the ability to look through all the different parts of the USDA programs. And for a lot of people, on the part of the public, have no idea how much stuff there is at USDA and how complicated it is.

So this will give the opportunity for Members to have a better understanding. So, with that I look forward to the testimony and yield back.

The CHAIRMAN. I thank the gentleman.

The chair would request that other Members submit their opening statements for the record so that the witnesses may begin their testimony and to ensure that there is ample time for questions.

The chair would like to remind Members that they will be recognized for questioning in order of seniority for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. I appreciate Member's understanding.

I would ask the witnesses to limit your oral presentations to 5 minutes. All written statements, of course, will be included in the record. Over the course of today's hearing, following the testimony of each witness, everyone at the table will be available to answer any questions.

Now after each panel, in order to transition and keep us on time, we have allotted about 10 minutes for that. What I would like to do is ask that the panel immediately recess over to 1302 and give us a brief couple of minutes. There may be some Members who would like to individually talk to you one-on-one about something that is going on. So if you could, while we are shuffling around, do that right as we finish, that way we can get the other panel and we can start on time while you are having those brief or longer meetings that you might want. If you all could accommodate us with that, we would appreciate it.

With that, I would like to welcome our first set of panelists. The Honorable Kevin Concannon, who is the Under Secretary, Food, Nutrition, and Consumer Services of the USDA. Mr. Concannon is accompanied by Ms. Audrey Rowe, the Administrator of Food and Nutrition Service, and Angie Tagtow, the Executive Director, Center for Nutrition Policy and Promotion.

With that, Under Secretary Concannon, please begin when you are ready.

STATEMENT OF HON. KEVIN W. CONCANNON, UNDER SECRETARY, FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY AUDREY ROWE, ADMINISTRATOR, FOOD AND NUTRITION SERVICE, USDA; ANGELA TAGTOW, M.S., R.D., L.D., EXECUTIVE DIRECTOR, CENTER FOR NUTRITION POLICY AND PROMOTION, USDA

Mr. CONCANNON. Thank you, Mr. Chairman, for the opportunity to join you today. I truly appreciate the Committee's ongoing support for Federal nutrition programs, and value our continuing partnership.

While the economy improves, we must remember that full opportunity still eludes too many Americans, and poverty is a reality. SNAP lifts millions out of poverty. Census analysis shows that in 2014, SNAP had the largest child poverty reduction impact of any safety net program, other than refundable tax credits. It also benefits all those involved in producing, processing, delivering, and marketing food that recipients buy, and nearly $\frac{1}{4}$ of SNAP spending in grocery stores and supermarkets reaches American farmers.

I want to address concerns about the proposal to implement the farm bill SNAP retail standards provisions. While it is driven by the law, it is a proposed rule, and we will consider all comments seriously, detailed comments the most helpful.

As framers of the farm bill, this provision is intended to ensure that every participating retailer truly advances SNAP's mission. The rule is a measured but critical response to the threats posed by diet-related disease.

Let me also address a proposal raised by some that would significantly erode SNAP's effectiveness, converting it into a block grant. This would be a step backwards in the fight against hunger. My experience as a State Commissioner showed me that block grants cannot respond timely to economic changes, natural disasters, and other unforeseen circumstances, as SNAP can and does. Block grants limit states when need increases they are forced to choose between benefit reductions and waiting lists for eligible citizens.

Some argue for block grants to allow states to tailor SNAP to specific needs, but as described at the Committee's recent state options hearing, SNAP already strikes a careful balance between national consistency and state and local flexibility. We should preserve and strengthen this proven structure.

Though SNAP remains essential, we would all prefer that fewer families need to utilize it. The projected 2.3 percent participation drop in 2017 is encouraging, but some ask why progress is slow. The fact is that employment gains have not reached all of our citizens. Low-skilled workers face tough job prospects, and some have trouble because of problems in their past. SNAP is the only resource for many workers unable to get hours and wages that meet their families' food needs.

Our priority is to reduce the need for SNAP by helping participants secure stable, good-paying jobs, while also getting benefits to families in need. And let me be clear. SNAP has work requirements and has always had some. Furthermore, states have access to substantial employment and training resources, including 100 percent Federal funding. But too many states leave these resources unused for ideological and political reasons. It is both cynical and an affront to decency to fail to help SNAP recipients find jobs, and then force them off the program.

We actively partner with states to meet their E&T responsibilities. USDA recently selected ten states for the SNAP to Skills project to improve their SNAP E&T programs by drawing on best practices. We are also working to support healthy food choices in SNAP with increases in farmers' markets accepting SNAP benefits, and the farm bill FINI grants to incentivize food and vegetable purchases.

Let me turn now to the farm bill. We move to implement the law promptly with many key changes in effect soon thereafter. Rule-making is now underway. We added funding and 2 year spending flexibility for TEFAP in 2015. The multi-agency task force now convenes quarterly to improve USDA Foods. The Food Distribution Program on Indian Reservations now offers bison and blue cornmeal, and we are working to improve more traditional local foods.

The Administration remains committed to improving program integrity. SNAP payment error rates are among the lowest in the government. We are building on that progress. We recently strengthened oversight of quality control, as mentioned in the recent OIG report. FNS has already identified many of the issues in OIG's report, and initiated actions to effectively correct them.

FNS has zero tolerance for fraud, and has made tremendous strides in rooting out violating retailers. In 2015, we issued 2,693 sanctions against violators, permanently removing 1,900 store owners. We will continue to improve to maintain the public's confidence in Federal stewardship of tax dollars. All of these nutrition programs for meal standards, to WIC foods, to nutrition promotion in SNAP are grounded in the *Dietary Guidelines for Americans*. They are not only the cornerstone of the USDA and HHS nutrition programs, but also inform nutrition standards for our nation's military, its veterans, and other Federal needs. I am proud of the Center for Nutrition Policy and Promotion's work on the recently released *Dietary Guidelines*.

Thank you again for the opportunity to join you, and I look forward to your questions.

[The prepared statement of Mr. Concannon follows:]

PREPARED STATEMENT OF HON. KEVIN W. CONCANNON, UNDER SECRETARY, FOOD, NUTRITION, AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Thank you, Mr. Chairman, and Members of the Committee for the chance to update you on USDA's Food, Nutrition, and Consumer Services (FNCS) accomplishments and priorities. With me today are Audrey Rowe, Administrator of the Food and Nutrition Service (FNS), and Angela Tagtow, Executive Director of the Center for Nutrition Policy and Promotion (CNPP).

Let me begin by expressing my appreciation to you, Chairman Conaway and Ranking Member Peterson, along with other Members of this Committee, for your ongoing support for Federal nutrition programs, as expressed in the Agricultural Act of 2014. As you know, the history of these programs is one of bipartisan leadership from both Congress and the Executive Branch. I am proud of the accomplishments of this Administration in preserving and strengthening the programs, but I am profoundly conscious of the fact that they would not have been possible without the steadfast commitment of the Committee to keeping these programs available to help those who truly need them to put food on the table.

As we continue to see progress in the economic recovery, we must remain mindful that for too many Americans, full opportunity remains elusive, and many families still cannot be certain of enough food throughout the year for an active, healthy life. Often those Americans who are most at risk of food insecurity also face obesity and related health conditions, in part because factors that contribute to these problems are interrelated—limited access to healthy food sources, inconsistent incomes, and other challenges. This is especially concerning because the typical American diet falls substantially short of nutrition recommendations. The Federal nutrition programs, which operate as partnerships with tens of thousands of state and local service providers, work together as a nutrition safety net to prevent hunger and improve nutrition, while also supporting local economies. They touch one in four Americans each year.

The Supplemental Nutrition Assistance Program, or SNAP, is the foundation of this system of programs. I know that SNAP has been a focus of the Committee's

work in recent months. I appreciate the series of hearings you have conducted on SNAP, and their focus on the strong evidence of its effectiveness. Studies have shown that participating in SNAP is associated with a significant decrease in food insecurity and, in turn, helps to address a range of negative health outcomes that are associated with food insecurity.

SNAP also lifts millions of people out of poverty. Recent Census data indicate that 4.7 million people, including 2.1 million children, were lifted out of poverty due to SNAP benefits in 2014. The impact is greatest for the most poor, moving 13 percent of participating households from below to above 50 percent of the poverty line as it improves their well-being with better access to food resources. The Supplemental Poverty Measure shows that SNAP reduced child poverty by almost three percentage points in 2014—the largest child poverty impact of any safety net program other than refundable tax credits. Evidence is clear that food-focused SNAP benefits increase household food expenditures more than an equal cash benefit would. But SNAP does not just help relieve short-term hardship. SNAP's benefits are especially evident and wide-ranging for those who receive food assistance as children, including long-run improvements in health, educational attainment, and economic self-sufficiency.

SNAP also benefits local businesses and economies through its countercyclical economic impacts. During economic downturns, every \$1 in new SNAP benefits generates up to \$1.80 in economic activity. Every time a family uses SNAP benefits to put food on the table, it benefits the store and the employees where the purchase was made, the truck driver who delivered the food, the warehouses that stored it, the plant that processed it, and the farmer who produced the food. Nearly $\frac{1}{4}$ of all SNAP spending in grocery stores and supermarkets reaches American farmers.

As this Committee continues to review SNAP, I want to speak candidly about the proposal raised by some to change SNAP into a block grant provided to states; such a change would have significant and negative consequences for the SNAP program. A block grant structure would significantly erode SNAP's responsiveness to those it serves and ultimately be a step backwards in the national fight against hunger. As a former Commissioner in three states, I would like to share my concerns about converting one of the most effective programs we have for addressing hunger, particularly among children, into a block grant:

- Currently, SNAP offers a national nutrition safety net. Its design recognizes that poor and low-income households need help affording food in every region of the country and a national program ensures that no matter what state or community a family lives in, if the family doesn't have enough money, it can get the help it needs to put food on the table.
- Moreover, SNAP responds to changing economic circumstances efficiently, effectively and immediately, expanding when and where the economy is weak with benefits that flow to communities, states, or regions of the country that face rising unemployment or poverty. A block grant would not be able to respond in this way, or even meet the needs of families affected by natural disasters and other unforeseen circumstances. A fixed block of money, even with some mechanism to adjust for changes with need, will never respond without costly delays that leave hard-hit communities without the resources they need to help families afford food. As important, under a block grant sapping local economies would also lose the automatic countercyclical boost that SNAP offers. Evidence from the Great Recession shows just how important the current structure is to ensuring that SNAP benefits go where they are needed during a downturn. The recession was deep and affected every state, but some states saw their economy flounder earlier than others. No formula had to be used and no decision had to be made by the Federal Government to ensure that Texas had the resources necessary to cope with rising SNAP caseloads in March 2008 while Massachusetts' caseload did not begin to rise dramatically until January 2009.
- SNAP allows benefits to be redeemed across state lines. National standards for retail store approval and monitoring protect integrity. Block grants could lead to differences in retail store and food eligibility that would limit participant access to food, cause confusion among retailers and clients, be costly to food retailers, and negatively impact local economies.
- Block grants tied to past spending levels leave no room to address low participation rates among eligible working families or elderly. States could not encourage participation among vulnerable groups without cutting benefits for others to accommodate increased caseload.

Some have argued that block grants are needed to allow states flexibility to tailor SNAP to specific needs. These arguments fail to consider the significant flexibilities

that states already have available for this purpose. These SNAP flexibilities, many described earlier this month at the Committee's hearing on state options, have made the program more efficient, accurate, and effective. States have a wide array of options under existing SNAP rules to simplify operations, meet special needs, and design locally-responsive employment and training programs. By streamlining reporting requirements, adjusting certification periods, standardizing deductions for certain living expenses, and aligning SNAP with other Federal programs, states can target resources and better serve eligible households. Additionally, states may choose to uphold, eliminate, or modify the drug felon ban, including requiring that persons with drug felony convictions be tested for drug use as a condition of eligibility; and they may opt to include a photo on the household's EBT card. During my tenure at the Department, I have not had one commissioner or governor ask that we block grant the program, as they realize the current partnership and options work, and work well.

States may also pursue regulatory waivers that further the purpose of the Program, often using creative strategies, while maintaining the needed balance between access and integrity. Many of these innovative solutions leverage technology and provide good customer service, while ensuring that the basic protections and standards required by law are maintained. For example, sixteen states have been approved for a waiver to provide secure electronic notices to clients who opt to receive them that way, rather than on paper. Fourteen states are operating under waivers to conduct unscheduled SNAP eligibility interviews, where, rather than prescribing a set time that may not work for the client, the household is provided with a notice and number to call at their convenience to complete the interview. These innovations through the waiver process allow us to test improvements that can, if they work, be expanded nationwide, but if they do not work, we have an opportunity to learn from that and not repeat the same mistake in other communities.

While flexibility is critical to ensuring that states can meet the needs of their residents facing difficult circumstances, Members of this Committee have criticized states for how they have used their flexibility, and sought to constrain it in certain areas. The most notable of these is states use of broad-based categorical eligibility, an option by which states extend eligibility to households that receive a non-cash benefit funded by TANF. Conversely, there are examples where states are not taking options favored by the Committee. The Agricultural Act of 2014 codified existing FNS rulemaking that allows states the option to withhold issuing replacement cards to households with excessive requests, defined as five or more in a year. FNS provided states this option as excessive card replacements may be an indicator of potential benefit trafficking. To date, only three states—Iowa, Massachusetts, and Michigan—have adopted this state option. Conversion to a block grant would weaken the ability to ensure consistency across states in areas of interest to Congress. SNAP is designed to strike the right balance between national standards and state and local flexibility. Its national structure, which is fundamental to its success, should be preserved and strengthened.

As vital as the program is to so many, we can all agree that it would be better if fewer families needed to utilize SNAP because poverty and need were lower. And while the trends are pointing in the right direction—we are currently projecting a 2.3 percent decrease in participation for Fiscal Year 2017—some ask, why haven't we made more progress in reducing the need for SNAP, given the reductions in unemployment in recent months?

While overall unemployment has declined, unemployment rates for some workers remain far higher than average. Bureau of Labor Statistics data show that unemployment rates for high school graduates are substantially higher than for college graduates. Workers without high school diplomas are even more likely to be unemployed, and their wages are likely to be far lower than those with more education. Furthermore, some citizens have trouble entering the labor force because of criminal records or other problems from years past. And, many who have jobs do not get the hours and wages they need to meet their food needs but may not be eligible for many other forms of assistance. SNAP is also serving more eligible people because of state and USDA efforts to streamline the program to ensure that those who need benefits are able to access the program with less hassle and paperwork.

As a senior Federal official responsible for this program, and as a former State Commissioner, I can tell you without reservation that the best way to reduce the number of low-income people on SNAP is to connect them with better paying jobs and support them with employment and training. Our objective is to reduce the need for SNAP by helping adults able to work to secure stable, good-paying employment, while at the same time ensuring that those who do need help are able to get it.

One criticism heard repeatedly in some quarters is that SNAP discourages work. This claim does not hold up under close scrutiny. Work is important not only to household economic success, but also to the well-being of families more generally. The claim that SNAP does not support work reflects more ideology than evidence:

- In contrast to commonly heard rhetoric, SNAP does have work requirements. In general, those who are able to work must register to do so, accept a job if offered, and not voluntarily quit or reduce work hours in order to get SNAP. This requirement is not waivable. In FY 2015, 13.6 million SNAP participants were registered for work.
- Many of those who receive SNAP and can work, do work—the latest data shows that among SNAP households headed by an adult who is not elderly or disabled, more than ½ work. Studies show that more than ¾ of new SNAP participants are in households with earnings. Among SNAP households with at least one working-age, non-disabled adult, more than 75 percent work in the year before or after receiving SNAP.
- SNAP’s benefit structure is designed to support and encourage work by mitigating the benefit “cliff”. When a SNAP participant increases their earnings, their SNAP benefits decline gradually by 24¢ to 36¢ for each dollar earned—a strong incentive to work longer hours or prepare and search for higher-paying employment.
- SNAP’s Employment and Training (E&T) program helps participants prepare for and secure good paying jobs, serving about 600,000 SNAP participants in FY 2014 and more than one million participants in FY 2015. FNS recently established the Office of Employment and Training to better target E&T resources to the most effective strategies.
- States have considerable flexibility in designing E&T programs. They may target specific populations or geographic areas, operate mandatory or voluntary programs, partner with other state or local agencies to provide services, develop third-party reimbursement models, and decide which services to offer to E&T participants.
- We are also working with ten states to implement the E&T pilot projects authorized by the 2014 Farm Bill. These projects were awarded in March 2015 through a competitive selection, along with a rigorous evaluation to determine their effectiveness in helping participants prepare for and secure good paying jobs. We look forward to encouraging results from these pilots, to help participants improve their prospects for self-sufficiency with good paying jobs and long-term career aspirations to help them achieve and maintain independence.
- And earlier this month, the Department selected ten states—Arizona, Arkansas, California, Maryland, Massachusetts, Michigan, Minnesota, Missouri, North Carolina and Tennessee—to take part in the SNAP to Skills project, a peer-to-peer effort to help state agencies improve their SNAP E&T programs by drawing on best practices from other states. This project, which we propose to continue in the FY 2017 budget request, underscores the critical role of Federal oversight and technical assistance in helping states improve their effectiveness.

In addition, able-bodied adults without dependents (ABAWDs) are only eligible for SNAP for 3 months in any 3 year period unless they are working or participating in qualifying education and training activities. Some have argued that states should end the practice of seeking waivers of the ABAWD time limit in areas of high unemployment. The law already makes this a state choice. To me, it is unwise to impose time limits in places where ABAWDs seeking work are unable to obtain jobs because the economic conditions are particularly difficult. Moreover, all states should be utilizing their E&T resources to help ABAWDs prepare for and find employment so these individuals are able to both move toward self-sufficiency and continue receiving SNAP while preparing to obtain stable, good-paying jobs. Unfortunately, too many states do not take this responsibility seriously and leave substantial E&T resources, including 100 percent Federal funding, unused. In FY 2015, states returned \$18 million in 100 percent Federal funding, and 21 states did not take advantage of any of the Federal matching funds that are available to them. It is both cynical and an affront to decency to fail to use the tools available to make SNAP effective in supporting work.

USDA is also working to support healthy food choices in SNAP:

- We have made great progress in providing better access to farmers’ markets and farm stands, with nearly 6,500 of these outlets now capable of redeeming SNAP benefits. We are working to expand this reach even further. In 2015, FNS equipped approximately 1,770 farmers’ markets and farm stands with

wireless SNAP EBT equipment. Redemptions at farmers' markets reached \$19 million in FY 2015, and we hope to see that number continue to grow.

- We recently published a proposed rule to implement the 2014 Farm Bill provision that increases the range and depth of healthful foods that SNAP-authorized stores must offer.
- In 2015, USDA awarded \$31 million through the farm bill-authorized Food Insecurity Nutrition Initiative (FINI) grants for projects to incentivize fruit and vegetable purchases among SNAP participants; more grants will be awarded very soon.
- And we continue to advance and improve the effectiveness of SNAP's Nutrition Promotion and Obesity Prevention grant program, more commonly known as SNAP-Ed, by working to ensure that funded strategies are based in strong and emerging evidence, and increasing focus on policy, systems, and environmental approaches as endorsed by public health experts.

The Department has moved energetically to implement the nutrition provisions of the 2014 Farm Bill promptly. Non-discretionary provisions affecting eligibility and benefits in SNAP and the Commodity Supplemental Food Program were implemented immediately upon enactment in Spring 2014. Today, rulemaking continues. Many rules will codify changes that are already implemented; several dealing with SNAP retailer issues are still under development. As I noted, USDA recently proposed a rule implementing changes to SNAP retailer requirements mandated by the Act. Other farm bill accomplishments include:

- USDA utilized the increased funding provided by the farm bill and added new 2 year spending flexibility for TEFAP in Fiscal Year 2015; the President's Fiscal Year 2017 budget requests additional TEFAP funding.
- The multi-agency Task Force on USDA Foods now convenes quarterly to explore potential improvements in USDA Foods.
- We worked closely with a group of Tribal program operators and nutritionists to select and directly procure traditional and locally-grown foods for the Food Distribution Program on Indian Reservations (FDPIR). The program now offers bison and blue cornmeal, and more traditional local foods are in the process of being approved. The President's budget requests additional funds for this effort.
- The Department has increased the purchase of Kosher and Halal foods, adding Kosher canned salmon to TEFAP options in 2014, and Kosher and Halal certified tomato sauce and Kosher peanut butter in 2015. States have ordered over \$13 million of these foods to date.
- We have launched most of the pilot projects authorized by the Act, including the SNAP E&T pilots, the pilot to offer all forms of fruits and vegetables in the Fresh Fruit and Vegetable Program, and the pilot to allow schools to procure unprocessed fruits and vegetables with their USDA Foods funds.
- The studies authorized by the Act are complete or nearing completion. A study of the impact of eliminating cash issuance in the Puerto Rico Nutrition Assistance Program is complete, and studies on the feasibility of operating SNAP in the Commonwealth of the [Northern] Mariana Islands, and nutrition assistance administration by Indian Tribal Organizations, will be released in the next several weeks.

As the Child Nutrition reauthorization process is underway, although not under the jurisdiction of this Committee, I know there is great interest here, so I would like to provide an update on the school meals programs. Schools around the country have made tremendous progress in improving the nutritional quality of school meals, working hard to effectively implement the meal standards FNS finalized in 2012. Today, over 97 percent of schools have met the meal patterns. For those few that are still working to reach this goal, USDA is supporting implementation with its robust Team Up technical assistance program, and providing flexibilities to those schools with specific challenges. Following the standards literally pays off for schools, as they receive an additional 6¢ for each meal that meets them—the first non-inflationary reimbursement rate increase in over 30 years. Participation in the school lunch program has returned to levels near those before the patterns were implemented, and participation in school breakfast has grown robustly. Many schools are sourcing fresh, high-quality, local ingredients through Farm to School programs, which operate in school districts of all types—large and small, rural and urban—to connect local farmers with their local schools and help them implement the meal improvements—a clear “win-win.”

Updated school meals standards were endorsed by over 350 nutrition and health organizations as the right thing to do for children's health. And we are seeing hard evidence of success: recent studies from Harvard and the University of Connecticut are showing positive outcomes from these standards, including evidence from a number of schools that students are eating more fruits and vegetables and that there has been no increase in plate waste.

Making healthful school meals accessible to low-income families continues to be a priority for our agency. The Community Eligibility Provision (CEP) is an option that allows school districts in high poverty areas to offer free school meals to all of their students. It reduces the administrative burden on schools and families associated with collecting and processing household applications, but retains the sharing of cost between USDA and local and state authorities that is central to the traditional certification and reimbursement approach. In just its second year of nationwide implementation, CEP is now reaching more than eight million students nationwide in about 17,000 schools and 3,000 school districts.

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

The Child Nutrition reauthorization process also provides an opportunity to build on the success of WIC, which uses science-based nutrition standards to ensure its food packages contribute effectively to meeting the nutrition needs of low-income pregnant and *postpartum* women, infants, and young children. Several studies found the food package changes we made may have had positive impacts on early childhood obesity and have increased preschoolers' consumption of fruits, vegetables, whole grains, and low fat milk. We are making great strides in transitioning to EBT, which will improve the shopping experience for both participants and vendors.

Finally—as we have done since the beginning of this Administration—we are committed to continually improving the integrity of nutrition programs. Good stewardship of tax dollars is one of our most important objectives; USDA has long recognized that the programs cannot succeed without strong public confidence. That is why we continually strive to improve program oversight and to identify, penalize, and exclude those who seek to defraud the programs, in order to preserve benefits for the vast majority of participants who play by the rules and genuinely need help ensuring their families have access to adequate, nutritious food.

We are proud that SNAP maintains one of the lowest payment error rates in the Federal Government and continue to build on our progress in this area. FNS works directly with states to offer guidance and develop corrective action plans in cases where the payment error rates are above six percent. We recently issued new policy to further strengthen oversight of the quality control process in light of the recent OIG audit. USDA had already identified many of these issues and initiated action on our own reviews, which indicates that our controls and policies are working as intended. FNS is already implementing measures to effectively correct these issues.

FNS has also made tremendous strides in rooting out bad actors on the retail side of SNAP. In Fiscal Year 2015, we issued 2,693 sanctions against retailers that had committed violations. Overall traditional investigative and analytic investigation outcomes increased by 21 percent during the same time period. We continue to work to identify and eliminate fraud, waste and abuse.

We are also working aggressively to limit improper payments in the child nutrition programs. The latest school meal integrity study found applicant misreporting, though sometimes unintentional, to be a significant source of payment error, in addition to other sources of error that are not related to applicants. Strategies such as direct certification and Community Eligibility reduce reliance on household applications while also expanding access and reducing administrative burden on families and schools. For times when applications are needed, we are working to improve the application process in order to minimize the chance of errors by applicants and reviewers. Some such efforts include the development of a prototype electronic application and the implementation of new, tested strategies to improve the process of verifying information on applications without discouraging participation of eligible children. As required by the Healthy, Hunger-Free Kids Act, we have developed a uniform accountability system for state oversight of school meal programs.

The American public believes in helping individuals and families in need put healthy food on the table—but they want to know it is being done in an efficient and wise way. That is why we will continue to battle error and abuse in all of our

programs to assure these vital programs will continue to be there for those who truly need them.

As I hope I have underlined throughout the testimony today, we are making enormous efforts to further a healthier America. It's important to note that the nutrition programs—from meal standards, to WIC foods, to nutrition promotion in SNAP—are grounded in scientific evidence and nutritional recommendations, including the *Dietary Guidelines for Americans (DGA)*. Every 5 years since 1980, a new edition of the *DGA* is released in order to promote health and prevent chronic diet-related disease for current and future generations. The *Dietary Guidelines* is the nutrition policy backbone for this country. It not only is the cornerstone of USDA and U.S. Department of Health and Human Services nutrition programs, it also informs nutrition standards for our nation's military and other Federal needs. In addition, it is essential to the work of nutrition and health practitioners and serves to inspire sectors and industries that are all part of what our nation consumes daily. The *2015–2020 DGA* focuses on the importance of achieving healthy eating patterns. The current body of evidence shows that a healthy eating pattern as a whole package is more than the sum of its parts and may be more predictive of overall health and disease risk than individual foods or nutrients. As with previous editions, the latest *DGA* provides information for policymakers and health professionals to help everyday Americans make sound decisions. It also notes, importantly, that healthy eating patterns are not one-size-fits-all. The *2015–2020 DGA* embodies the idea that a healthy eating pattern is not a rigid prescription, but rather, an adaptable framework in which individuals can enjoy foods that meet their personal, cultural, and traditional preferences and fit within their budget. As we move into implementation, we look forward to improving the nutritional value in our various programs to reflect the most current body of science pertaining to healthy eating and to doing our part to help the public achieve healthy eating patterns.

Thank you for the opportunity to join you today. I look forward to any questions.

The CHAIRMAN. Do you all have opening statements, or are you just answering questions?

Ms. ROWE. Just answering questions.

The CHAIRMAN. Well thank you very much. I appreciate that, and I recognize myself for 5 minutes.

Mr. Concannon, on the retailer proposed rule that has taken some 2 years to get to where you are right now, there is a lot of concern about the interpretation of the interpretation. I met yesterday with some convenience store owners who are particularly concerned that you intend to intentionally drive them out of the delivery system that, right, wrong, or indifferent, rural America has to have in the fight to provide food to rural America. Not everybody lives within 3 miles of Whole Foods or Harris Teeter or whatever.

So can you talk to us about the seven different varieties? Does ground beef and sliced beef count as one variety or two, and how many of each individual items has to be on a shelf for that to be a qualifier?

Mr. CONCANNON. Yes, Mr. Chairman. I appreciate the question, particularly about that proposed rule because it was just released within the last 2 weeks, and I want to emphasize, as I mentioned in my oral testimony, it is a proposed rule. That proposed rule is intended to implement a provision in the Agricultural Act of 2014, the farm bill, that directed us and the purpose of that, to strengthen the stock in stores, is really to provide additional choices for low-income Americans.

The rule as proposed is just that, proposed. Our goal is to make sure that it is a very workable rule for stores. So for example, the questions you have raised, can two types of meat be counted, or let's say, ground beef *versus* sliced beef or pork chops *versus*—

The CHAIRMAN. Bacon.

Mr. CONCANNON.—bacon, as an example. We want the rule, the final rule to be reasonable, to one that reflects the ability of stores across the country. I had the occasion this past week to meet with store owners from Iowa, the state in which I live. I am very familiar with the importance of those stores in rural areas. I want to assure the Committee—and another Member here today has raised questions with me—that I want to assure the Committee that the proposed or the final rule will reflect reality and will not inadvertently cost us access to those needed stores in rural or even urban areas of the country.

The CHAIRMAN. Okay. Ground beef and sliced beef, one or two? Skim milk and whole milk, one or two?

Mr. CONCANNON. If left to me on the ground—I am not sure about the milk one, but certainly on the beef one I would count those as two items.

The CHAIRMAN. As two different varieties, okay.

Mr. CONCANNON. Yes.

The CHAIRMAN. What about the volume of items available? I am told they have to have like six pieces of whatever, and obviously in convenience stores, shelf space is at a premium. What is the proposed rule?

Mr. CONCANNON. We are going to look at that very carefully. There is a requirement that, again, I know the estimated cost independently assessing this estimated that it would cost stores currently just meeting the minimum to add about \$140 in stocking costs, but we want to make sure that it is——

The CHAIRMAN. Is that per day, per week?

Mr. CONCANNON. No, no, that would be the initial stocking to meet it, and then to the extent that that item sells out, it would be replaced. But if you are selling it, you would be replacing an item that you made a profit on.

The CHAIRMAN. So what is the rule with respect to the volume, do you have to have six cans of tomato soup?

Mr. CONCANNON. There are individual items, and I am not an expert on the actual derivation of the individual items in it.

The CHAIRMAN. Okay.

Mr. CONCANNON. I did sit and listen to industry folks and ensured them we are very committed to listening carefully.

The CHAIRMAN. Okay. Are you all responsible for the rule, are either of your organizations responsible for the proposed rule?

Ms. ROWE. Within the Food and Nutrition Service's administration, yes.

The CHAIRMAN. All right. I need you to have your microphone on. Chicken noodle soup has multiple ingredients. How would that fall into the guidelines?

Ms. ROWE. Well, right now I can honestly say that as we are hearing this information from the various retailers, we are looking very carefully to make sure that as we look at products that have noodles and chicken in that product, whether that should be counted as a single product or different. But it is so new, sir, that it is important to us that just as we are having this discussion with you today and with other Members and others that we hear what the impact of these rules will be.

The CHAIRMAN. Okay. Two real quick ones. Did you have a retailer on the team that wrote the rules? Did anybody on your team have retail experience? And the other question is, 2 years to put the rule—

Ms. ROWE. No.

The CHAIRMAN. Ma'am?

Ms. ROWE. No, we did not—I am sorry, sir. We did not have—

The CHAIRMAN. So no one on your team had actually ever worked at a grocery store or anything like that?

Ms. ROWE. No, sir.

The CHAIRMAN. Okay. So 2 years in the making, 60 days, you don't have to answer this right this second, but I would appreciate you considering an extended comment period to maybe clear another 60 days, because this is a big deal, and what I am hearing from you is proposed. You are flexible. You want to hear from everybody and so the idea of giving folks plenty of time to make that happen, we would much appreciate it.

Ms. ROWE. Yes, sir.

And with that, I will recognize Mr. McGovern, for 5 minutes.

Mr. MCGOVERN. Thank you very much. I want to thank all three of you for being here, and I want to thank you for the work that you do. I appreciate it. Mr. Concannon, you raised the issue about block granting of SNAP, and I just want to say for the record, I appreciate you not tiptoeing around the issue, because I am very, very concerned about this.

As you know, the Republicans passed their budget in the Budget Committee yesterday, and in my opinion, it contains some of the most severe budget cuts in modern history to assistance that would help Americans of limited means. But it also goes one step further. It calls for the block granting of SNAP, which is something that has been a regular in a lot of Republican budgets.

I am deeply worried about this because I am worried that this is the direction that the majority in this Congress want to move in, and that would be a huge, huge mistake. People complain that there were a lot of people enrolled in the SNAP program during this economic crisis that we are now getting out of. Well, that is the way it is supposed to work, right? If we were at an all-time high in job numbers in this country, and everything was just perfect, we wouldn't expect very many people that would need to rely on SNAP. It is when there is an economic downturn that we do, and thank God the program is there.

Now I am worried about block grants. I am worried about more work requirements, when, in fact, we know this group of able-bodied adults without dependents, a number of them are going to lose their SNAP benefits because they can't find a job and they are in states where they can't get involved in a worker training program. And, this budget that is being proposed would cut worker training programs.

So I would welcome the opportunity for you to maybe expand a little bit about why block grants are a bad idea, and why states have a lot of flexibility, and what are we going to do about this able-bodied adult without dependents population. Many of them, by the way, are veterans who have served our country and have fallen

on hard times, and they are going to lose their food benefits, which to me is outrageous.

Mr. CONCANNON. Thank you very much for the question.

As some Members of the Committee are aware, I was a State Health and Human Services Director in three states over a 30 year period, so I am very familiar with the history of block grants, not just in the Food Stamp Program. Happily, it hasn't occurred yet. But in other arenas, one of the principle areas I look at is in the TANF, or the Cash Assistance Program. Here we have been through the deepest recession in 100 years, and TANF was missing in action during that time. Frankly, that is part of the reason why we have had growth in the SNAP program, because we were the only game in town. We were the only source of support for many families. We have a very high percentage of SNAP households now who have no other source of support, even though by Congress's definition, it is supposed to be supplemental, not the only source of support. I would also point out, we have the highest percentage of people receiving the SNAP benefit right now who are working, who are in the workforce in the history of the program, but it is reflective of the fact that they are not getting enough hours and they are not paid enough on an hourly basis.

Mr. MCGOVERN. Right.

Mr. CONCANNON. So as you note in your question, SNAP, by design, is intended to be responsive. We are in the process of receiving a request from Louisiana, for example, where they have had terrible flooding, for disaster SNAP assistance. That is another feature of the program, when we have tornados, floods, earthquakes. The snowstorms we have even had in some parts of the U.S. The program is responsive. Block grants don't provide that option to states, and consequently, people get squeezed out and not responded to. It is a very bad idea from the point of view of effectiveness. It doesn't save money in terms of administration. SNAP is one of the least expensive programs administered state or state and county across the U.S. So it is a bad idea on that front.

ABAWDs, you make a very important case. That is why in my testimony I took the occasion to remark on the fact that even though this Congress and previous Congress sets aside funds from Employment & Training to states, based on their SNAP rules, we have had states who allow that to lapse, who aren't interested in using it as a way of providing training and skills to their underemployed, and they can target those ABAWD folks if they so choose. But it is a matter of just we are too busy or we are not focused on them.

I had a conversation with a governor yesterday in the southern part of the United States. When I pointed out to him that in previous years, his state had lapsed funds that could have been used to provide training, training for long distance truck drivers, training for people in the food service industry, training for people in healthcare, because in many parts of the U.S. and towns, hospital systems are the largest employers in those towns.

You need to have the full complement. I think SNAP really works well. It is very efficient. It is not perfect, but it is very efficient, and as noted, it brings people out of poverty as well.

Mr. MCGOVERN. Thank you. Thank you.

The CHAIRMAN. The gentleman's time has expired. One thing, Mr. Concannon, the reason why those funds lapse, is that because the state failed to match that money?

Mr. CONCANNON. No, it was not. Thank you, Mr. Chairman. No, there are two parts to the Employment & Training funds. States receive collectively across the U.S. about \$94 million a year in 100 percent Federal funds.

The CHAIRMAN. Okay.

Mr. CONCANNON. It goes to the state agency. That is the money that was being lapsed.

The CHAIRMAN. Okay, I just wanted to make sure. All right, thank you. With that, Mr. Scott, 5 minutes.

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

You suggested that SNAP lifts people out of poverty. I would suggest that maybe a more accurate description would be that it reduces the impact of poverty on their lives.

But one of my primary concerns is that if we look at low-income people, not just in America, but around the globe, it is the rising cost of food that hurts low-income people more than anybody else, and yet, we see continued moves by the government, mostly in other agencies besides yours, that are raising the costs of producing crops in the United States. If you look at the attacks, if you will, on new seeds that allow us to have improved yields, which means that we have more food available to help people, if you look at the attacks on fertilizer, on pesticides, and the other things that are coming from certain groups and certain agencies inside the United States today, my question would be for you, as these attacks continue to come on production of agriculture, what do you think the impact of the average household's grocery bill is going to be?

Mr. CONCANNON. Well, I am not an expert in terms of forecasting that, but I am very mindful of the fact that the current situation in the U.S., we have the least expensive food in the world, and that is a product of the production practices and the ability of American agriculture to produce these foods. I am very mindful of that when I travel around the country.

Mr. AUSTIN SCOTT of Georgia. And that is accurate, but those production practices today are under attack, in many cases, by some of the same people that on one day wear the hat for we should be doing more for people to alleviate hunger, and the next day they turn around and they wear another hat trying to take technology out of seed production and take fertilizers and pesticides off the market. And there is a real impact to that.

Mr. CONCANNON. I know the area in which our mission area here is directly engaged in has been promoting; for example, I spent time last week out on the West Coast visiting schools. This is National Nutrition Month. And we have been promoting something broadly referred to as Farm to School efforts across the country, ways of better engaging school systems to understand that food just isn't magically produced. Somebody has to grow it. Somebody has to raise it, and that to the extent that we can promote access to agriculture for students when they are in the school years, they will have a better understanding of where food comes from and the importance of looking after the soil, looking at promoting good growing practices, and that is one aspect of—

Mr. AUSTIN SCOTT of Georgia. And this is where we just have a fundamental difference of opinion, in that I trust the people at the Tift County school system, which my son is in, which my mother taught in for years, which I am very proud that my sister was just designated as teacher of the year in, we don't need somebody from Washington, D.C. telling us what to feed the students in the school system. We, as the parents, the local school board, the local teachers and the cafeteria, we can handle that without being told from Washington what to do.

My primary concern for agriculture as a whole is when we see the EPA, for example, taking products off the market that we need to maintain the current agricultural production standards that we have in the United States, the end result of that is that we produce less food per acre, and the end result of that on the consumer is higher food prices. Most of these problems don't come from the USDA. We have, certainly, what I would describe respectful differences of agreement. I do believe it should be block granted to the states. I do think that we have a responsibility to go after the fraud. Whether real or not, the perception of the fraud is a problem for the program because the American citizens have lost faith in Washington being able to stop the abuses of the program. And so when we see those abuses, we need to take action on them sooner rather than later.

And with that, Mr. Chairman, I will yield the remainder of my time.

The CHAIRMAN. The gentleman yields back. Ms. Graham, for 5 minutes.

Ms. GRAHAM. Thank you, Mr. Chairman, and if I could just take a moment to congratulate your sister, Congressman Scott. That is quite an achievement. Congratulations.

And thank you all very much for being here today. I represent the most rural district in all of the State of Florida. We have a lot of challenges that we face with high poverty in those rural areas as well. So I commend your goal of healthy eating. I myself would like to eat healthier. So I commend the goal.

However, the unique challenges that our rural, high poverty areas face, what do you foresee in terms of ways to overcome that in the goal of healthy eating?

Mr. CONCANNON. I appreciate the question. I was in Florida just the week before last, central Florida, and in Orlando, and Orlando, is one of the busiest, most visited places in the world, apparently. But I was in two areas, one of relatively wealthy schools, another deeply impoverished student population. We were there to applaud and also promote additional access to Farm to School, to local purchasing of fruits and vegetables. California and Florida, one might say, they both have such diverse agricultural production capacity, yet it is important to make sure that schools are doing more local purchasing and that students are educated and socialized into eating these locally grown foods.

So fruits and vegetables are part of our focus during our visit there as well, but we are also urging, for example, to your question about rural poverty. We are wanting to make sure that schools are availing themselves of the school meals program, not just breakfast, but also the fresh fruits and vegetables program, and the

emergency suppers. I witnessed that at one of the high schools when I was in the Orlando area. Available where we have very high percentages of poor children, late in the afternoon, these were students that had been part of the band or part of basketball practice that their last meal may have been at 11 o'clock in the morning. But we're also promoting one of our biggest challenges, summer feeding. And the President's budget that was heard over in the Budget Committee earlier this year, it proposes to provide additional resources that would be targeted to rural areas for the summer feeding program, to electronic benefits. That is another area that, again, we are very mindful of, of oftentimes rural areas have structural barriers that aren't there for urban poor people, and that we are very keen on connecting schools. Schools are among the best sources of connecting. Backpack programs, for example, on the weekends, many schools are doing that now and they know that these may be the strongest source of healthy foods for those students over the course of the weekend.

So states like Florida, the Education Department folks were with me, but the Agriculture Department in Florida actually oversees school meals, and they are very committed to it. They do a really great job from our point of view as a state agency in endorsing and engaging these schools for meals.

Ms. GRAHAM. Yes, I appreciate that, and Commissioner Putnam is a friend, so I will relay that to him. Thank you so much.

As a follow up, I have also heard that there have been some grants in rural communities. Could I recommend Florida's second Congressional district for one of those grants? I think we would certainly be able to benefit from that.

And I guess my follow up would be: how are these grants functioning, and what is the goal of the grant program in the rural communities in our state?

Mr. CONCANNON. Do you want to comment?

Ms. ROWE. Well, the purpose of the grants are to help us to understand, first of all, the causes, what is creating, what is contributing to hunger and food insecurity among children and families who live in rural areas. What strategies seem to be working? What best practices may be happening in one rural area that can be migrated to another rural area? We are also planning to bring together many of the rural communities who are demonstrating new ways of approaching and addressing hunger in their communities to talk about and to share. We need to begin to also think about how do we address the silo effect that happens in many of the programs. We have something that we are working with as part of the Rural Child Poverty Task Force, called the Two Generation Program that allows us to work in rural communities, recognizing that in some situations it is two generations that you need to work with. We are working to be more holistic with families in addressing some of the issues and needs that they have. That includes Employment & Training, as well as the education and access issue.

So there is a lot going on, both at the Federal level and at the state and local level. Rural child poverty is a major focus, and it certainly has been in our summer feeding program a major focus for the work that we are doing, and we are finding new and innovative ways to connect children to sites and to introduce to parents

opportunities on ways in which they can better meet the needs of their children.

Ms. GRAHAM. Thank you. I know I am way out of time, but I appreciate your responses and again, I would appreciate working with you.

Florida was just designated as StrikeForce state, and I appreciate that and hope we can work together in ways to better serve our rural communities.

Ms. ROWE. Yes.

Ms. GRAHAM. Thank you, and I yield back the time I no longer have, Mr. Chairman.

The CHAIRMAN. The gentlelady's time has expired. I now recognize the greenest tie in the room, Mr. Gibson, for 5 minutes.

Mr. GIBSON. Thanks, Mr. Chairman, and thank you for your leadership in pulling these hearings together. I find them very helpful, and likewise, I want to express my gratitude to the panelists. Thank you for your leadership.

I am going to be focusing my remarks on how well we are doing in terms of eating healthy, but before I do that, I just want to say how important your programs are to my people. I represent largely rural areas in upstate New York, and I have seen firsthand—I have gone to these programs and the afterschool programs that are very robust in many ways, learning, assistance, physical fitness, but then also a nutrition component that is so critically important, and the summer feeding program, which quite candidly, I am not sure where our district would be without that. So I want to express my gratitude for that, and also the backpack programs. And you see my farmers really get heavily involved in this space, and I am proud of their work as well.

Really what I want to do is to follow up on Congresswoman Graham's question, and maybe dig a little bit deeper and ask with the grants, what are we learning about best practices? Do you have a website where you actually post some of this stuff so my district can pull that down? And then the other part of the question is with regard to the farmers' markets where we are certainly endeavoring to eat more healthy.

In the farm bill I sponsored an amendment that had handheld devices to help take the SNAP benefits. How well is that going, and from an implementation standpoint, let me just pass it over here and then we can maybe have a dialogue.

Mr. CONCANNON. Let me start with that last question on farmers' markets. We are now up to just about 6,500 farmers' markets across the country. One of the best ones in the whole country, I have seen a number of them, but was in New York State when I was there in the Rochester area, a long-standing farmers' market that had tremendous choices, but very affordable, generally locally grown from that central part of New York State.

We are promoting that. We are expanding that further. We meet with the Farmers' Market Coalition. As I mentioned in my written testimony, incentives, financial incentives with many farmers' markets, I saw one in California last week, are also resulting and have been proven to result in more local purchases, fruits and vegetables, dairy products, by households attending those markets. And our underlying goal in that is two-fold. One, to nudge people in the

direction of eating healthier, but also to put those dollars back in the local community.

And in New York State, I saw some examples of mobile farmers' markets, reconverted small, midsize school buses that are purchasing from local farmers in that region of New York what I refer to sometimes as imperfect fruits and vegetables, a carrot that may not be quite shaped right or a beet or what have you, but they are perfectly healthy and they are not quite ready for prime time at Wegman's or a food store maybe. But they are very healthy and available for families. And I saw people streaming out of high rise buildings to avail themselves of that. I have mentioned that as an example as I have traveled the country that it is a way of also cutting down on food being replowed into the ground. It helps the growers, but it helps the consumers as well.

So we are promoting that, spreading those kinds of efforts as we work with food pantries, food banks across the country in part of our broad effort with growers and farmers.

Now on the school side, we are absolutely committed to healthier eating, and that is working, by the way. Ninety-seven percent of schools across the United States, I was in schools last week in California, the week before in Florida, earlier this week in Virginia—my colleagues here have been out visiting schools as well—because that reinforces for us, when we see it firsthand. And 31 million kids now are having lunch at school, almost 15 million having breakfast at school. I know the program is working. So yes, there are a few naysayers out there, but they are not the majority by any means. The majority of professional pediatricians, dieticians, people are deeply committed to the core standards of getting healthier food to American children.

So I am confident that this is going to pay off in reduction of future healthcare costs by kids having been brought up to eat healthier instead of depending upon calorie-dense, less nutritious foods.

Mr. GIBSON. Well, I thank you very much for that detailed response, and indeed, our state, we use the financial incentives as well to complement the Federal program.

And last, we are not wasting a single apple. We actually put them in distilleries, too, and so you have to drink that, but we are happy to sell it to you if you want.

So with that, my time has expired.

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

Mr. AGUILAR. I don't want to take away from Mr. Gibson's time talking about distilleries, but Secretary Concannon, I appreciate seeing you here. Good to see you again. I was with you on the West Coast when you referenced your trips, Farm to School Programs. We visited Provision 2 schools as well. You made me eat some imperfect vegetables as well that called attention to the program.

You mentioned the Farm to School program, and if you can just elaborate on some of the pieces within that program that you think we may be able to build off of. If you could give us a minute on that?

Mr. CONCANNON. Thank you very much.

We recently updated the survey of schools across the country. There are roughly 100,000 public schools in the U.S., and some 43 percent of those schools now are actively engaged in some aspect of Farm to School, either purchasing locally, and now the most recent numbers are \$800 million in schools are being purchased from local growers, dairies, farmers. So that is a good thing. Those are dollars going back in the local economy.

But even more importantly from our point of view, the fact that those are locally grown, kids tend to then be willing to try them, to eat them, and say well, we grow them here. It is a familiar product or it is made familiar to them. So one aspect of Farm to School is purchasing locally. We have simplified our regulations. We have made it easier for schools to do so. But the other aspect of it is on encouraging schools to have gardens. Not industrial size gardens, but they can be raised beds. They can be a couple of acres. I have seen variations on that across the country. But it seems to engage kids, and the schools incorporate them into their science programs, into their earth science programs so that kids come to know that food just doesn't come from a Safeway. Somebody has to produce it. Somebody has to grow it, and it has that beneficial impact on students as well.

So that practice is growing across the country. It is a very low-cost practice ultimately, but it is one that educators have really embraced.

Mr. AGUILAR. Thank you, and we visited with some farmers in the region as well who are providing products to the school district, and they had great recommendations about the program. And the young people that we met with, one of the concerns we heard from school district officials was they had signed up for 2 days of the program and they really could have used all 5. They didn't know that they would be willing to use that capacity, so they were going to modify that in the next school year, which is an encouraging sign.

So thank you again for coming out to Upland and Fontana, California. We greatly appreciate it, and if there are ways we can continue to partner on these issues, we are all ears. And thank you for your work. I appreciate it.

Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back. Thanks, Pete. Mrs. Walorski, for 5 minutes.

Mrs. WALORSKI. Thank you, Mr. Chairman, and thank you all for being here today.

Mr. Concannon, I just want to go back to that issue of the retail stores and the convenience stores.

Mr. CONCANNON. Yes.

Mrs. WALORSKI. So my concern is twofold in this 15 percent threshold area of this rule. Because I heard you say yes, you are going to address it, yes, you are on it, and we talked about it prior to this hearing as well. But the minute I hear the word *reality*, that we are going to do this in reality, not out here someplace else with a lot of unintended consequences. I cringe when I hear the word *reality* in Washington, and so I am already sending in a letter basically asking for what the Chairman did, an extension period by which people can report back in, and then second, on this issue of

cooked or heated onsite, before or after purchase, this 15 percent issue, where did the 15 percent come? Was that just an arbitrary number that somebody thought sounded good, or what is tied in with this 15 percent?

Mr. CONCANNON. Well first of all, let me say to the question about extending the commentary period. We are actively considering that, so I have heard that from the Chairman and heard that from the floor—

Mrs. WALORSKI. Can we just ask you to confirm that today, to put all of these stores at ease?

Mr. CONCANNON. I can't confirm it today, but there is news coming very imminently, but I don't want to get ahead of the process here.

Mrs. WALORSKI. Okay.

Mr. CONCANNON. We are actively considering that.

Now on the 15 percent side, it is an unfortunate way in which that rule or proposed rule was constructed, because the intent was really to get at not so much stores like a Casey's out in the central part of the country—

Mrs. WALORSKI. In my district, right.

Mr. CONCANNON.—where they may sell a lot of pizzas or they may sell a lot of donuts or other things that that would not in any way make them ineligible as a SNAP recipient. The effort here was to try to get at stores that are using it as an occasion to really, for example, sell products that—

Mrs. WALORSKI. Are we talking about that Minnesota pizza place where you can pay, like, some extra money and they heat it up and you walk out the door and have heated food?

Mr. CONCANNON. Exactly.

Mrs. WALORSKI. Okay.

Mr. CONCANNON. That is the problem with it, yes.

Mrs. WALORSKI. Right, and the problem I have with that is a little microcosm issue in a gigantic country like this with literally thousands and thousands of these retailers being held to account by somebody in a state that they have nothing to do with.

My second question about this is though this issue of under the same roof or in the same area. If I have a convenience store, first of all, two things can happen to them. They can go right now and start making all these accommodations for all of these hoops that you want them to jump through, and they can still get disqualified and not be able to retain SNAP for some other little innocuous provision in here that maybe they didn't see.

But if they are in a strip mall and a lot of convenience stores and gas stations in the Midwest are certainly accompanied now by strip malls and places around them, and they happen to be connected to a Subway restaurant, and they are going to get penalized under this provision, where did that come from?

Mr. CONCANNON. Well, they are not going to, I am not quite sure where your question is coming from on strip malls—

Mrs. WALORSKI. No, there is—

Mr. CONCANNON. If somebody has—

Mrs. WALORSKI. No, let me read it. So your agency proposes to consider two separate entities selling food which operate under the same roof to be a single entity for purposes of eligibility determina-

tions. If a retailer fulfills all of their eligibilities such as depth of stock, why it is relevant that the retailer operates under the same roof as the other entity which is ineligible for SNAP with regard to the compliant retailer's eligibility to participate in SNAP, how does such provision promote SNAP's objectives? Gas stations in the Midwest have Subway's and McDonald's under their roofs, and they are still selling this food. How would these people survive that entire clause?

Mr. CONCANNON. It is the same ownership, I am advised, is the issue at times that—

Mrs. WALORSKI. Why does the USDA care who owns these places? This is America.

Mr. CONCANNON. We are concerned that people may be violating—

Mrs. WALORSKI. May be making a profit? May be providing food to rural areas? This isn't corporate this is small business.

Mr. CONCANNON. No, we are very committed. We have 195,000 small stores in this program, so it is some—

Mrs. WALORSKI. And how many of those 195,000 stores are going to be impacted by these rules? How many? Potentially all of them.

Mr. CONCANNON. No, not all of them, but there is a significant number of—

Mrs. WALORSKI. What would the percentage be, because then we have to take that percentage and translate it into the jobs of the people that are working there in these rural areas where there are virtually no jobs.

Mr. CONCANNON. About 13 percent of the SNAP benefits in the U.S. are redeemed at convenience stores.

Mrs. WALORSKI. Are you looking at either rolling that back or letting us know what *reality* means as to why USDA is looking at ownership?

Mr. CONCANNON. When I use the term *reality*, what I said was we are listening very carefully to the comment period. We are inviting comments. We want to hear from people. I underlined in my written testimony and oral testimony it was proposed because we recognize that there is going to need to be accommodation in the proposed final rule.

We don't want it to have an inadvertent effect on losing capacity or losing access across the country, or even making chains or a number of either independent or chain stores ineligible for the program.

Mrs. WALORSKI. I appreciate it.

Thanks, Mr. Chairman.

The CHAIRMAN. The gentlelady's time has expired. Ms. Lujan Grisham, 5 minutes.

Ms. LUJAN GRISHAM. Thank you, Mr. Chairman.

Mr. Concannon, in your written testimony and even without it, we would be clear about what your priorities are and your requirements are, given the area that you serve within USDA, but you mentioned specifically for the hearing today that making healthful school meals accessible to low-income families is a priority for your agency, for many of the reasons that have been discussed as you have been answering questions.

But I see maybe a potential huge pitfall in this effort, given your agency's commitment to this priority. But, I am skeptical about it, after hearing comments and frankly speaking directly with Secretary Vilsack, suggesting that we should increase the school meal verification rate up to ten percent. Now this significant increase, I believe, will result in eligible low-income children being, quite frankly, kicked off the lunch program. And as you know, the Senate's Child Nutrition Reauthorization bill adopts Secretary Vilsack's recommended ten percent verification rate, and while the Senate bill exempts schools that are participating in the Community Eligibility Provision, and strengthens direct certification, and I am sure the intent there was to provide those balances—but these provisions are not enough to ensure that kids are not being denied meals that they are entitled to receive.

So let's talk about some New Mexico examples, which you and I have talked about before, and you are not seeing a dramatic increase in making sure that hunger is being productively addressed among children in our state, as you know.

So here are the examples. Several schools are enrolled in Title II. And when they do the reimbursement math, there is an economic disincentive to switch to community eligibility schools, and given, if you have seen our current state budget climate, no one is moving or shifting from a budget that they can rely on at a high level, even if it produces better results for the kids that they are serving, to go to budget at a lower level. Related to direct certification, New Mexico's direct certification, as I am sure you are aware, and if you are not, this is a good time to make sure that you are, is so bad that most students are forced to use paper applications. So increasing the verification rate will disproportionately impact Hispanic children, and poor states like New Mexico, which is extremely concerning, since New Mexico already ranks fourth in child hunger, and has the highest rate of child poverty in the country.

So did you consult with Secretary Vilsack? Is this your recommendation or did he get this recommendation someplace else?

Mr. CONCANNON. No, we were part of that recommendation, and that—

Ms. LUJAN GRISHAM. Can you tell me how you came to that conclusion that that was a good recommendation, given the information I just gave you about New Mexico?

Mr. CONCANNON. Yes. Yes, we came to that conclusion based on the fact that as much as we love the school meals program, as it is so urgently needed by children across the country, including in New Mexico, one of the largest sources of improper payments in the school meals program is to pay for those paper applications you referred to.

Ms. LUJAN GRISHAM. And yet, you know that that is occurring. I am over here, sir.

Mr. CONCANNON. My office is very concerned about billions of dollars—

Ms. LUJAN GRISHAM. I am here.

Mr. CONCANNON.—being spent for households that could otherwise share in the cost of that.

Ms. LUJAN GRISHAM. But these kids—let me—

Mr. CONCANNON. That was the compromise in the Senate bill.

Ms. LUJAN GRISHAM. I am reclaiming my time from the witness.

These kids can't help any of those certification or verification problems. They are not responsible for the waste and issues that you addressed. So given that, what protections are you proposing for the very children you are telling me that you are trying to protect in my home state.

Mr. CONCANNON. There are a number of provisions in that Senate bill, and by the way, I certainly hope that the House will—

Ms. LUJAN GRISHAM. Please list them for me.

Mr. CONCANNON.—actively consider the bill—

Ms. LUJAN GRISHAM. And sir, I am here.

Mr. CONCANNON.—because it was negotiated with all the parties and it includes not only provisions for direct certification, community eligibility. There are ways in which that ten percent percentage can be reduced, and that is the commitment we have to work with states and school systems—

Ms. LUJAN GRISHAM. Well, Mr. Concannon, I want to see those directly, and I would also expect, quite frankly, given that broad statement about what you are doing, that I want to see what you are doing for New Mexico and all the other states in the current situation where child hunger is significant. I want those assurances from you that these schools are going to get onsite support, and so are these families to ensure that no family, given this standard, is going to be kicked off the child nutrition program and be ineligible for that food service in the education environment.

Thank you. I yield back.

The CHAIRMAN. The gentlelady's time has expired. Mr. Trent Kelly, 5 minutes.

Mr. KELLY. Mr. Secretary, I thank the witnesses for being here.

I want to go back. I think sometimes we fail to look at how things affect rural communities, and we don't have public transit in Mississippi, or if we do, it is very, very costly and the people who need it the most can afford it the least, so it is not available to them. It is available for different purposes. The same thing when you are talking about some of these things sharing the same roof, going back to Mrs. Walorski's comment. We have truck stops which may have a Subway in them or may have a McDonald's in them. The same ownership. To certain people, that is the only option they have where I am from. We have country stores. We still have those in Mississippi in quite a few locations where they may sell a certain brand of pizza or something inside of that. I think you have to take into account and make sure, that may be the only option that the people who need it the most have. It may be the only thing within traveling distance.

So I just ask, to make sure that you look and don't take away the only option that some people have to look at what might happen or how someone could abuse something. Look at it a little more specifically, and I just ask that you pay attention to the comments, because there are unintended consequences to the rule which you need to be careful and listen to the comments and make sure that we don't have second and third order effects that were not intended.

Mr. CONCANNON. I certainly appreciate that. Oftentimes, as you may know, the Federal rulemaking process, there is a commentary period and then it may be tweaked somewhat. I think in the case of this proposed rule, there may be more than tweaking needed to make sure that it is responsive to communities like you cite.

Mr. KELLY. And recently, we have heard of EBT cards with exceptionally large balances, some in excess of \$10,000. Now this doesn't necessarily mean something fraudulent or something bad is going on; however, it does raise the question of what circumstances have led to such large balances or such large account balances. Can you discuss the process a state would generally go through if they found accounts with large balances? Is there some sort of threshold once met that a state agency or administrating authority would be required to investigate, and do they have to report that back to FNS?

Mr. CONCANNON. Thank you very much for that question.

We recently looked at that right across the country, and states have an option right now on this very issue. If there is no activity on the card, in other words, no transaction that takes place for at least 6 months, the state may not remove it entirely, but remove it from the account and wait for the household to make contact with the state before they can use any of that benefit.

In other cases I have seen, for example, the State of Ohio will regularly look for balances and then calls households. The survey that I saw, one, these large EBT accounts have not been associated with fraud or trafficking, so I want to assure you that it is not a source of fraudulent behavior. What they tend to reflect are folks who are very frugal, people who may be working now part-time or work getting some income, and they tend to try to sit on this as a protection against later losing a job or finding themselves in more dire circumstances.

So currently, we haven't seen it as, again, a source of fraud. We know that states have the ability now for at the end of 6 months to, in effect, remove it. There is a proposal, is there not, now for—

Ms. ROWE. Yes, we are moving forward to implement the proposal that was in the 2008 Farm Bill that would help us and help states to manage this issue. We also know that states can expunge an account for inactivity, so if there is no activity, the account can be expunged. In many cases, what states will do is when they identify high balances, they will contact the participant. They will try and understand why. They are everything from, as the Under Secretary said, being frugal to someone has mental health issues and they have an alternative payor, so some of their challenges need to be addressed as the state goes forward.

Mr. KELLY. Thank you, and I thank the witnesses.

Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back. Ms. Kuster, for 5 minutes.

Ms. KUSTER. Thank you, Mr. Chairman. Thank you for being with us today.

This Committee has had, we are up to 12 hearings, on trying to analyze every aspect of the SNAP program, but rarely do I hear a lot of conversation on Capitol Hill about the benefits, the dem-

onstrated success of this program. So I just wanted to use my time, if I could, in three particular areas. One, if you could tell us of testimony or scientific evidence-based long-term benefits of SNAP, particularly as to the health and well-being of children and seniors, if there are any health benefits that you can explain to us. The second area of inquiry is my understanding is that the SNAP caseload is decreasing, and to what you might attribute that, and then the third area of inquiry is despite the success of all these programs, I do continue to have a concern, particularly for children in my area. It is a rural community. Weekends and summer programs, because I am concerned that we still have children that may not have access to food, and it will have a long-term impact on health that will be detrimental to them individually and expensive to our taxpayers.

Mr. CONCANNON. Thank you very much.

Let me start with the core target of the SNAP program is to reduce food insecurity, and it does that very effectively. It not only removes food insecurity for, in many, many households, but also moves people up from the deepest food insecurity. So it mitigates. It doesn't solve the problem, but it mitigates some of the impacts of that.

We also have data that shows that it removes or moves up out of poverty some 4.7 million people each year, and there are recent studies that have been done that suggest that considerably underestimates the impact on moving people out of poverty.

Ms. KUSTER. Could I ask you to stop for just 1 second? Mr. Chairman, could I ask unanimous consent that these studies be entered into the record with this hearing?

The CHAIRMAN. Without objection.

Ms. KUSTER. Thank you.

Mr. CONCANNON. So in addition to the impact on poverty, there are studies that have shown that the program as well has an impact, as you noted, on children, but recent studies show that adults who grew up in households in which the Food Stamp Program was provided to them, that they have better health as adults. So there are some longstanding benefits to it, in addition to the here and now, so to speak, in the lives of these households.

To your questions about children, as you know, unfortunately, as often say, the time of year in which a child in the United States is most likely to go hungry is the summertime when school is out. So the Summer Food Service Program, last year we had almost 50,000 locations across the U.S. and Audrey Rowe here and her staff, we have been searching from one end of the country to the other to engage more typically not-for-profit, often religious, faith-based organizations to sponsor these summer sites. Even with all of that—

Ms. KUSTER. Do you happen to have a number of the total number of children served—

Mr. CONCANNON. The challenge is still that, for example, during the school year, 21 million children receive meals free and reduced in school. The total number of children served in the summer was just under four million.

Ms. KUSTER. Oh, wow.

Mr. CONCANNON. So there is a tremendous gap still.

Ms. KUSTER. That is a big gap.

Mr. CONCANNON. That is why the President, frankly, in the 2017 budget proposal proposes to expand the electronic benefit, because in rural areas, as we just heard from Congressman Kelly, they don't have those bus systems. They don't have transportation.

Ms. KUSTER. Sure.

Mr. CONCANNON. In the summertime, especially. So the piloted states across the country that have had that electronic benefit transfer, that has been demonstrated, researched, to have an even greater impact on reducing food insecurity.

So it works. It is very portable. It is not dependent upon getting students to a particular site. But also, the budget proposal that we entered several weeks ago also increases the funding for non-congregate site, because right now, the Summer Food Service Program is based on a congregate site model. We would continue with that, but in other areas, for example, in very hot climates, it may be difficult to expect that children are going to stay out in a park when it is 100° or even higher. So that is one of the options as well.

Ms. KUSTER. My time is up. I have to cut you off, but I just appreciate and hope that our Committee will help to share the success of this program with the taxpayers so they will understand the benefits. So thank you.

The CHAIRMAN. The gentlelady's time has expired. Mr. Yoho, 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman, I appreciate it. Thank you for being here.

I have several questions. One is the block grant. I see a nanny state growing as Mr. Scott brought up. People know how to feed themselves for the most part, but when I see the schools in my state—I come from Florida—they can't cook in their cafeterias because it has become so onerous for them to meet the Federal standards and the food they don't like, so they close down their kitchens and they are bringing that food in and contracting that. That is what I see in my district. Yes, sir, it is.

Mr. CONCANNON. Well—

Mr. YOHO. And I have been told over and over again they have closed their kitchens down because of those regulations, and the kids don't like the food.

Saying that, I want to move on as you brought up ABAWD, and in what we have seen with people—with the work requirement, they have gone off the rolls have decreased, and you were in the State of Maine, correct?

Mr. CONCANNON. I was the Director of Maine for a number of years.

Mr. YOHO. All right. We had an individual in here that was running that program. With the ABAWD program, they saw an 85 percent decrease in the people on food stamps or on the SNAP program. In my State of Florida, we just checked on this a week and a half ago. They implemented the ABAWD program starting January 1, and by the end of February of this year, there was less than seven percent of the people have re-signed up for that program because they put in the mandatory work requirements, 20 hours a week, and looking for a job or getting educated, work source or things like that, qualified for that 20 hours a week. And so we saw

a huge reduction. Granted, it has only been a 2 month window, and I am sure by the end of the year you are going to see 30 or 40 percent that have reapplied, but the bottom line is that would translate to 60 percent got off with those minimum work requirements.

And you were saying and I know my colleague, Mr. McGovern, was saying that is not the case. Do you have a different opinion on that?

Mr. CONCANNON. Different opinion on what has happened in Florida?

Mr. YOHO. Well, the ABAWD program. Just putting the minimum work requirements in there. We have a pilot program right now for ten states. We know, really, the results of able bodied work requirements, and it is kind of silly not to put that across the board, especially the way our country is in the economic times that we have.

Mr. CONCANNON. Well actually, I think that maybe I appreciate the question because there may be a lack of understanding. Historically, there is that requirement for every 36 months of every individual ABAWDs who are on the program, there is a work requirement. It has been. That was suspended during the downturn in the economy—

Mr. YOHO. Right, 2009, 2011.

Mr. CONCANNON.—and the majority of states, but a number of states, because their economy has gotten better, have reintroduced that requirement. And we work very closely with states. In my written testimony and in response to a question earlier, my concern has been some states have failed to take advantage of the opportunities to help some of these folks either get the training or connect them to jobs. That is an option that we provide under the SNAP Employment and Training Program to states.

Mr. YOHO. Yes, we wanted to make that work requirement to reinstitute it after it was waived in 2009 and 2011, with all 50 states and it got voted down and we could allow it for ten states, but we know the results are people will go back to work if they have that little impetus. And I know there are people out there that are working that do require SNAP, and that is a great thing.

Another question I have is the large EBT balances. I have a report here in front of me where there has been an exceptionally large balance, some in excess of \$10,000, and we have seen that in our states. I have seen people come in and I have reports of people going in and buying \$1,100 wedding cakes on EBT cards because there is a balance that is building up. If that is so, shouldn't there be a trigger that prevents somebody from getting that much of a balance on their EBT cards, because if they are accumulating a balance, what it translates to me and the people in line behind them is they really don't need the money to accumulate like that. What are your feelings on that?

Mr. CONCANNON. Well first of all, let me say this.

Mr. YOHO. On putting in a trigger.

Mr. CONCANNON. First of all, it is very, very rare that it happens, and second, when we have looked at it, the farm bill changed the timing for what is referred to as high balance. So when states have high balances, the states can say look, if there is no activity on that account for 6 months, the states can remove access to those funds

from the consumer, and then if they try to have access to it, the state says you have to come in and tell us what is going on here.

As I mentioned to an earlier question, we have not had examples of fraud or trafficking associated with these high balances. They tend to be parents with dependent children. They tend to be frugal households who are worried about being in even worse circumstances in the future, and they tend to build up that benefit.

Mr. YOHO. I appreciate your time. I am out, and I yield back. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. Newhouse, 5 minutes.

Mr. NEWHOUSE. Thank you, Mr. Chairman, and thank you for being here this afternoon.

I had a question about the *Dietary Guidelines*, and perhaps Ms. Tagtow might be the most appropriate, but I will leave it up to you guys.

The final *Guidelines* released by USDA and HHS sometimes seem to have significant discrepancies from the recommendations that were released by the advisory committee, which was probably appropriate, given that in some instances they were made outside the scope of their committees' expertise. But also some of the recommendations seem to operate off of a limited range of end volume of peer-reviewed scientific data.

So Ms. Tagtow, now that the dust has somewhat settled, can you tell me what you think are the strengths and weaknesses of the current advisory committee process, or are there any changes or tweaks that you would recommend to the Committee today to ensure that it is more accurately reflects the *Dietary Guidelines* and responsibilities?

Ms. TAGTOW. Sure. Congressman Newhouse, thank you very much for the question.

As you know, the *Dietary Guidelines* are developed based on a variety of information that is provided to USDA and HHS. A Dietary Guideline Advisory Committee, an independent body of experts that rigorously evaluates the current body of nutrition science is one of those best practices that is employed. As an independent body outlined by FACA regulation, they provided a report to us about a little over a year ago of their recommendations back to USDA and HHS. As far as making adjustments within the processes right now, the Members of this Committee are mindful of the riders that appeared in the Fiscal Year 2016 appropriations bill, one of those riders asking USDA to have the Institute of Medicine closely examine the process of developing the *Dietary Guidelines*. We have engaged with the Institute of Medicine and the National Academies of Medicine, and are in the process of launching this new study. We anxiously await their recommendations, including recommendations on the next processes in developing the *2020 Dietary Guidelines*.

Mr. NEWHOUSE. So from your perspective, you don't see anything that would be helpful in improving the process at this point?

Ms. TAGTOW. Well, there are many aspects of developing the *Dietary Guidelines*, one being the formation of this committee and receiving recommendations from this committee. The Center for Nutrition Policy and Promotion is dedicated to ensuring that all of our

processes meet the highest scientific integrity, are rigorous, as well as transparent. And we do look forward to the recommendations from the IOM in order to retain the highest scientific integrity of these processes.

Mr. NEWHOUSE. Okay.

Ms. TAGTOW. Thank you.

Mr. NEWHOUSE. Mr. Under Secretary, the issue of elderly and disabled SNAP accessibility: For many individuals who may be in that category, preparing food can be sometimes difficult. Oftentimes, there are prepared foods that could be healthier to eat than some other easy cook microwave meals, perhaps. Could you tell me if FNS has done any research into ways to increase access to more nutritious prepared foods for SNAP beneficiaries such as these that may have a harder time preparing meals?

Mr. CONCANNON. I can't comment specifically on the prepared food side. I thought your question might be going in another direction, let me first say that we currently serve about 42 percent of the seniors in the U.S., people 60 years of age and older, who are eligible for the program. They are still one of the largest categories of persons who are eligible for the program who don't receive it. And part of that is awareness of it, part of that is it may be a fairly modest benefit, but we are also working with states and a proposal that we have in the current budget this year for seniors who are on fixed incomes, who may be on Social Security or SSI, very limited, doesn't change. They are not currently in the workforce. We are proposing to extend the period of certification, because right now what happens with a number of seniors, they get a notice from a state agency once a year saying you have to reapply for this. They may not understand the letter. They may set it aside. They get a lot of mail, and all of a sudden they lose their benefit and it is referred to as churn. It creates a problem for them. It creates a problem for the state agency. So we are working on that aspect of it, but to your question explicitly about prepared foods, I am unaware currently of any activity on our part.

Mr. NEWHOUSE. I appreciate that.

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

Mr. GOODLATTE. Mr. Chairman, thank you very much. I appreciate the witnesses. I don't have any questions, and I will defer to the gentleman from Illinois.

The CHAIRMAN. The gentleman yields back. The gentleman from Illinois is recognized for 5 minutes.

Mr. DAVIS. Thank you to my friend and colleague from Virginia, Mr. Goodlatte, and thank you to the witnesses for being here today. It is an interesting discussion.

I want to echo some of the comments that my colleague, Mrs. Walorski from Indiana mentioned about concerns regarding the rule impacting some of the convenience stores that have restaurants attached to them that are all throughout my rural district in central and southwestern Illinois.

Based on the language that she read, she asked my questions so I am going to refer back to the language that she read. It could impact many of the outlets that we currently have throughout much of middle America, much of my district, and there are obvious con-

cerns. I am very thankful that you are open to considering an additional comment period. That is only good, though, if those comments are taken into consideration when the final rule is issued. We have a lot of hungry people in rural America. I appreciate your comments. I am a big supporter of the summer feeding program. But hungry people in rural America aren't really looking at the *Federal Register* to make comments. So that is why we have you here today, to address some of those concerns for the constituents that we represent.

You mentioned something earlier about only 13 percent of the SNAP recipients utilize eligible convenience stores to use benefits, right?

Mr. CONCANNON. No, what I said was 13 percent of the benefits are used in these convenience stores.

Mr. DAVIS. Okay, same—

Mr. CONCANNON. Not 13 percent of the population. The 13 percent of value.

Mr. DAVIS. Potato, potato. I think I meant the same thing. Okay, 13 percent of value?

Mr. CONCANNON. Yes.

Mr. DAVIS. Okay. What is the percentage of value used in urban areas *versus* rural areas?

Mr. CONCANNON. We actually have that, but I don't know it off the top of my head, but we will be happy to provide it.

Mr. DAVIS. It is substantially higher in urban areas, just a guess?

Mr. CONCANNON. I can tell you that it is more than 90 percent of households shop at least at a supermarket once a month, and more than 82 percent of benefits are redeemed at supermarkets.

Mr. DAVIS. More than 82—

Mr. CONCANNON. Standard supermarkets tend to be in more urban or suburban areas—

Mr. DAVIS. Right.

Mr. CONCANNON. That is part of it, but we could—I know even in rural areas here, 94 percent of rural households redeem some benefits at supermarkets or super centers. But we can give you the specifics.

Mr. DAVIS. That would be great. My concern is exactly Mr. Kelly's concern. My colleague from Mississippi and I both have areas in towns that we represent that the convenience store that may be attached to a restaurant, hence my earlier concerns, may be the only place that those hungry kids can go use that EBT card you were talking about, wanting to increase their eligibility to use even more, right?

So you talk about the EBT usage. If the new rule excludes the only store and the only opportunity they have to go get food to use that EBT card, don't you understand our concern that there might be a tremendous effect on rural kids and rural families the most?

Mr. CONCANNON. Clearly I would have a major concern.

Mr. DAVIS. Thank you.

Mr. CONCANNON. Because that is not the intent of the rule, but as I emphasized earlier with Members, it is proposed. We are committed, as many ways as I can say it, to both hearing and weighing and considering the comments.

So we urge folks to weigh in on that comment period.

Mr. DAVIS. I truly appreciate that, and you know what, the USDA has been more than willing to work with my office and with us on numerous issues to find that flexibility that we need.

But forgive us, some of your sister agencies have not been nearly as willing to work with us. So forgive us for not trusting that all of these issues would be addressed because this is a proposed rule. We understand that, but many of your colleagues sit at that same witness table with proposed rules and don't take our comments into consideration and don't take our constituents' comments into consideration.

I am going to end with the school nutrition issue. Thank you for your discussion on school nutrition. I have a lot of rural schools that I represent that are having some problems implementing some of the standards. I commend the USDA for working with them. You mentioned you visited school districts like Mr. Aguilar's. I have invited and have asked for somebody from USDA to come out and visit some schools in my district that are having problems, and I would express that invitation again.

Mr. CONCANNON. I think our deputy went out to your—

Mr. DAVIS. He went and we did a round table. I would like, if he is out in the area, to come out and visit one of our schools itself and see what type of equipment they have, because you are doing some good work working with different groups to provide technical assistance, and I appreciate that. I want to help spread the word on how we can make that better, so the invitation still stands.

My time has expired. Thank you.

The CHAIRMAN. The gentleman's time has expired. Mr. Bradford, for 5 minutes. I am sorry, Ashford. Brad, sorry about that. Brad, I have screwed it up all the way around. I skipped you and then I messed your name up. Sorry about that, buddy.

Mr. ASHFORD. Brad is good enough. Thank you, Mr. Chairman. This is an intriguing topic, and you have raised so many issues that I am interested in.

Mr. Under Secretary, the idea of sort of farm to market kind of strategies and you have done a lot of work in that area, and it is growing and it is good, and many more individuals are able to take advantage of that. How do you see, looking, envisioning out a little bit with a state like ours, Nebraska, heavy ag, obviously, but with a large urban area in Omaha with high poverty, what would your vision be in the next 5 years of how you would see those sorts of interactions improving and getting more robust? How can we provide that sort of farm interface in our urban areas to get healthier foods and to access healthier foods? I know you do a lot of it now, but what would be your vision or goal into the future?

Mr. CONCANNON. Well, we have set, when we came into office, we had just under 800 farmers' markets nationally authorized for SNAP. Now we are at 6,400. We have a goal. We have one of Ms. Rowe's staff who is committed to me to exceed 7,000 this year. We are seeing more and more of those markets connecting up to like medical centers, like Omaha, the Omaha area. Big medical centers are the ways to incent households to make sure they are availing themselves of those fruits and vegetables.

Our efforts with schools are paying off in the form of more expenditures. Earlier today I mentioned schools are now purchasing in excess of \$800 million a year in locally grown foods. We think that is a good thing from the point of view of putting the dollars back in those communities, but it is typically when we go out to visit schools, we see kids that are eating locally grown foods that are purposely more familiar to them.

So I see us expanding. If you were to look out 5 years from now, I would say we will see a lot more schools with gardens. They are not industrial size, not enough to feed the whole school, but enough to use it as an education device both from the science associated with it, but also as a way of touching kids, engaging them in ways that they are going to eat healthier. So first, on more purchasing locally, more school gardens, along that line. But also on the farmers' market side, more increases that way.

Back in the year 2000, to give you an idea what is going on sort of generally in society, there were only about 2,000 farmers' markets of record across the U.S. Now there are more than 8,000 of them. So it is growing in terms of popularity with the general population. We want to make sure that low-income households are availing themselves of that as well. And our SNAP education, our nutrition education program promotes that as well, access to healthier foods.

Mr. ASHFORD. I think it is great work. I ran the Omaha Housing Authority, which is a major urban housing authority. My vision then—it wasn't a vision. I thought it would be a good idea to create that sort of environment within the housing authority, and we did some of it. And I guess what I would like to see is some sort of project availability, working together with housing authorities to provide some funding to help integrate those families with agriculture. They are 5 miles away from major agricultural area of the country and I see that interface as being critical, because there are thousands of kids and thousands of families that are directly impacted by this issue who would love to be engaged and it would give something for these people to do, these families to do, and help with self-sufficiency and all the things we have tried to do in housing.

Last, I am very encouraged by what you are doing. I think it is an immense success, an immense success what this Administration has done since you have come into office. But I wish we could do more and more of that interagency cooperation, with housing, for example, and food, SNAP. So thank you very much.

Mr. CONCANNON. Thank you.

Mr. ASHFORD. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. Lucas, 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman.

One of the great joys and privileges of being an old guy on the back row of this Committee is that I have lived through four farm bills, and have great appreciation for not only the good that all sections of the various agricultural Acts can do, but also appreciate the challenges of putting together these comprehensive bills and persuading a majority of the body, and the other body, and whoever happens to be at the White House at the time, to sign the

final document. And those accountability issues are very, very important. I think everyone on this Committee wants to make sure that we have the capacity to produce food. The crop insurance programs I have researched, all sort of things, but also the nutrition titles, making sure that none of our fellow citizens are left truly in want. And that is just a fundamental statement about this great country.

A couple of my colleagues addressed the question of the rather large balances that occasionally appear on some of the EBT cards. I can understand the circumstances where that is viewed as a savings account or reserve fund, all that sort of thing. But those are the kinds of issues that generate a lot of excitement in the popular press. They get us a lot of interesting bylines in various stories, so it is important we address those kind of things.

But my focus more here for a moment is let's talk, at one of the hearings earlier on this subject the Committee had, there were discussions about the ability of states to share data among themselves and between programs. Could you expand for a moment on what the Department allows and what the nature of the restrictions are? Just give us a little background on what states can or cannot do.

Mr. CONCANNON. Yes, thank you very much for the question. Let me say that the broad subject area that you are referencing is what we often refer to now as data analytics where we go looking into the SNAP electronic data. For example, that is how we identify bad actors in the store side, but we have also had a pilot project down in the Southeast part of the United States, Florida, Alabama, Mississippi—I forget the fourth state—where we waived the opportunity for those states to share a whole bunch of data in order to eliminate the possibility of dual enrollment, in other words, my enrolling in Florida, and may be enrolling in a neighboring state. And we are analyzing that. We just have the results of that four-state pilot effort. We are encouraged by it. Didn't find a large percentage of people dual-enrolled, but it did find people who were dually enrolled, and so it is a relatively low cost way of identifying dual enrollment that we encourage.

I know when I met with State Commissioners, I have encouraged states like up in the Northeast to do data sharing, even on a batch basis, not even real time, but do data sharing with neighboring states to identify people who may have enrolled in a subsequent state.

Mr. LUCAS. Are there any situations, Under Secretary, where you are aware of where the Department has told states that they cannot share data, that you are aware of?

Mr. CONCANNON. Any request that I am aware of that have come to us to say we would like to share this, we are very open to that. In fact, I have been out talking to them saying I encourage you to do more, but I don't think in some parts of the country there is enough that is done.

Mr. LUCAS. Last question. Like many of us on this Committee who have worked on these issues for a long time, when you interact with the retailers who are in a situation where they can do a really good analysis of how the benefits are used, these monthly trends on how the cards are charged and the people who are standing in line somewhere at 1 minute until midnight and the card becomes

charged and they utilize it. I know there has been discussion about perhaps instead of once a month, twice a month, those kind of things. Could you discuss that for a moment?

Mr. CONCANNON. Thank you very much on that. A number of states actually right now have developed what I call kind of a rolling out process where over the first 10 days of the month, instead of issuing all the cards on May 1, they roll them out over a 10 or 12 day period. That is an option states have that is being done. And we have actually even weighed in another place, it is in the discussion stages at this point, but the possibility of splitting that benefit into being issued the early part of the month, the middle part of the month. The goal being, in that regard, to see if it results in the consumer being able to purchase and have access to healthier foods.

Mr. LUCAS. Even out the availability of the resources. And I would just simply conclude my observations by the struggles in funding all Federal programs and nutrition included are only going to be more challenging in continuing to a higher level of accountability, we can assure the world, the simpler your job and mine will be, sir.

Thank you, Mr. Under Secretary. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields. Mr. Thompson, for 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Mr. Under Secretary, thank you to you and your staff for being here and the work that you do each and every day.

Earlier this week, you published the proposed rule to finalize implementation of Section 4018 of the farm bill. Now that section prohibits activities designed to persuade individuals to sign up for SNAP benefits. Such activities include TV, radio, or billboard advertisement, agreements with foreign governments, and worker compensations based on the number of applications collected.

How have you been communicating this policy to states and organizations that partner with the states to conduct outreach activities for SNAP?

Mr. CONCANNON. Thank you very much for the question.

Actually, the proposed rule that was just promulgated is a result of the farm bill, and actually when the farm bill was passed, as soon as it was passed, we communicated with states very clearly in guidance and said the following activities, you need to be strict in your adherence to the following activities. You can't use resources to persuade people to take the benefit, to urge people to take the benefit. The standard should be for folks who may be eligible, the standard should be you want them to be able to make an informed decision. These are the pluses of the program. This is the resource you might be eligible for, but you are not to say well, you really should do it.

Mr. THOMPSON. Right.

Mr. CONCANNON. We made that very clear. And this proposed rule simply formalizes that.

Mr. THOMPSON. Yes, and just to clarify, USDA does not allow entities that receive Federal funds to put pressure, persuade individuals enrolled in SNAP?

Mr. CONCANNON. Correct.

Mr. THOMPSON. Correct.

Mr. CONCANNON. Exactly.

Mr. THOMPSON. And I appreciate your oversight on that policy. When do you anticipate the proposed rule to be finalized?

Mr. CONCANNON. Well, one has to allow public comment, *et cetera*, but I would expect that it would be finalized before the end of this calendar year.

Mr. THOMPSON. Very good. I appreciate that, and I pay attention to this. I think Members of this Committee pay attention to this. I did see a “Dear Colleague” letter today that somehow some of my colleagues were uninformed, and ignorance is bliss. That came from Washington, D.C., I guess, so I hope they will be informed that the Agriculture Committee is providing this leadership and the USDA is implementing this.

Now would entities still be allowed to provide educational material about the programs and provide assistance to seniors, once they choose to subscribe, but may need additional assistance in filling out an application?

Mr. CONCANNON. Yes indeed, they would. And this is often done through food banks or religious organizations that may operate food pantries, Lutheran Services, Catholic Charities. But this proposed rule really reflects the direction, clear and unambiguous direction we received from the farm bill in 2014.

Mr. THOMPSON. And we appreciate you fulfilling the intent of this Committee and of Congress.

You raised another question from me. How many states have resumed the SNAP E&T requirements? Any idea? You mentioned that some had, and if you don’t have that number, if you could look and—

Mr. CONCANNON. We can provide it to you, because we are very mindful of it that a number of states—

Mr. THOMPSON. Then why would they—the question is—which is great, I would love to have that in the future here whenever you get it available. Why would they suspend those? Now I understand that the employment market was difficult, but there is a training component of that and in times of high unemployment, training becomes more important. So for a state to suspend the training side of that, to me, that is like banning the use of water in the middle of a fire.

Mr. CONCANNON. No, they would not. I should be clear, many of the states weren’t taking advantage of the training, but they were not prohibited from it. They simply paid less attention to it.

Mr. THOMPSON. Any analysis of why they did that? Because if they have citizens within the state, there are constituents too who are unemployed, may be waking up in poverty, waking up in crisis. They don’t need a program. They need a pathway and training is to greater opportunity, upward mobility.

Mr. CONCANNON. Right. We fully share that opinion with you. The Committee, in the farm bill, authorized ten pilot projects around the country, and they are underway right now.

But even beyond that, I often champion what I call the core program, the importance of giving opportunities to SNAP recipients right across the country.

Mr. THOMPSON. Yes, I mean, I disagree with my really good friend from Florida who looks at folks like they don't want to get a job, and there are some folks out there like that, don't get me wrong. But, most people who woke up this morning in poverty are looking for a pathway and with the right skills, the right qualifications, there is greater opportunity out there.

Mr. CONCANNON. Yes.

Mr. THOMPSON. Thank you.

The CHAIRMAN. The gentleman's time has expired. Mr. LaMalfa, for 5 minutes.

Mr. LAMALFA. Thank you. Thanks to Mr. Concannon and your panelists for being here today.

There is just a little bit on the buy American provision I want to talk to you about today.

Mr. CONCANNON. Yes.

Mr. LAMALFA. Which basically requires schools to participate in the National School Lunch Program, or that are in the program and the school breakfast program to purchase domestically grown and processed foods to the maximum extent practicable. You may have heard there was an incident in northern California in Sacramento in their unified school district where they have been purchasing large amounts of canned products, peaches, pears, applesauce, from China, okay? This is an area that includes a large volume of peaches that are grown locally and not a bad representation of pears in that Sacramento area, and some apples as well.

So there doesn't seem to be any transparency requirements regarding the schools' purchases, trying to get it cheaper from those other places or what have you. And the only reason it really came to attention because it ended up in a newspaper article. So sir, what can be done to increase accountability standards for this provision so that taxpayer dollars are being used to purchase high quality, locally American grown products instead of stuff from China?

Mr. CONCANNON. Thank you very much for the question. We are very clear, unambiguous, uncompromising in terms of our expectation that schools purchase USA produced goods. In rare circumstances, for example, Alaska may at times have trouble accessing U.S. produced food items, just as an example. That particular case up in Sacramento was not a knowing request of the school district. That was the food supplier, the regional food supplier that provided those canned goods that were produced outside the country, and that was deeply troubling to us. Our regional office spoke immediately with the state who in turn spoke to the schools. We do management evaluations. That is required by the Healthy, Hunger-Free Kids Act of all school systems every 3 years. And part of that management evaluation, schools must demonstrate that they are purchasing U.S. produced foods. So if we see foods that come from elsewhere in a school, they are not to be using funds that come from the National School Lunch Program to purchase those.

Mr. LAMALFA. So where would the buck stop on this thing? With the supplier to the schools, or ultimately to the schools for knowing where their stuff is coming from?

Mr. CONCANNON. Well if the school, again, this was inadvertent, from my understanding, from the school's point. This is not what

they requested. This is their supplier that incorporated it into a request they had for certain products. So what our response is—

Mr. LAMALFA. Maybe the price—

Mr. CONCANNON. Our customer is the schools, not the supplier.

Mr. LAMALFA. Maybe the price would reflect the too good to be true pricing scheme, perhaps. Would that be it, if it was—

Mr. CONCANNON. I don't know if it was the pricing or just a substitution on the part of the supplier when they, themselves, maybe felt well maybe it isn't that important whether this can of mandarin oranges or whatever it was, this product—

Mr. LAMALFA. We are talking peaches here again, which there are thousands of acres grown within miles, and pears.

Mr. CONCANNON. Sure.

Mr. LAMALFA. But so how do we ensure that this doesn't slip between misunderstanding or supplier *versus* a school situation? Because bottom line, they were able to buy more cheaper product.

Mr. CONCANNON. We don't want that to happen absolutely at all, ever. So part of the enforcement for that comes from the state, in this case, the California Department of Education, and then we in turn do management audits of those state agencies who are required then to do management evaluations of every school system in the State of California at least once every 3 years. And if they see examples like this of failure to meet the requirements, they can do those management evaluations even more frequently, and there are financial penalties if schools don't adhere to the state requirements.

Mr. LAMALFA. Okay. Well all right. I want to know that there are protocols to guarantee this in the future, because our growers are, again, growing a high quality product in a more costly atmosphere to do business with, and our kids would want those higher quality products.

Mr. CONCANNON. I am very proud of what California is doing. I was there last week. Many school systems now in California have adopted something called California Thursdays where a total meal is provided with foods that are grown or produced in the state. I think that is a wonderful set of strategies that can be imitated in other parts of the country.

Mr. LAMALFA. Very nice. Thank you, Mr. Chairman. I will yield back.

The CHAIRMAN. The gentleman yields back. Mr. Rouzer, for 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman. Mr. Under Secretary, I appreciate you being here today and your willingness to have this discourse with us.

I want to go back to the SNAP retailer eligibility issue. All of us, as Members of Congress, we have a lot of convenience stores, obviously, in our districts and I represent a more rural area in southeastern North Carolina. I am familiar with the term food desert, and the consequences of that. And it strikes me that our convenience stores, they play a critical part for these folks that are very-low-income. And I think about the time when gas prices were sky high. I remember filling up at a gas station at a convenience store and there was a young lady there. I noticed she didn't fill her tank completely up, and it occurred to me after talking with her a little

bit, this was a lady working two and three jobs, and she quite frankly didn't have the money to fill her tank completely up. So you take people like that, and there are a lot of single moms out there that rely on these convenience stores for these food items. And given that is the case, I am not sure I understand the rationale behind the proposed changes as it relates to access to these stores.

Can you talk a little bit more about that?

Mr. CONCANNON. Yes.

Mr. ROUZER. I know that you have already addressed it somewhat, but it is a very important topic.

Mr. CONCANNON. The origin of the proposed rule goes back to the Farm Bill of 2014, and it directed us the underlying reason to expand the food choices is to give additional healthy food choices to low-income households, period. That is the underlying rule.

The rule as proposed may be more complicated than it should be, and it certainly isn't intended to result in thousands, if not even hundreds of stores no longer being eligible for the program. So that was the first cut at approaching that directive, but we have heard very clearly from Members today, but we have also heard from folks who have taken advantage of the opportunity to weigh in to say look, here is what we think could be workable or here is what isn't workable for us.

Mr. ROUZER. I want to follow up, too, on a couple of the comments that you had made before the House Appropriations Subcommittee, and I believe this was on February the 24th. You had mentioned that there are more small stores in the SNAP program than "we really need." Is that how you still feel? Is that really the position of the Department?

Mr. CONCANNON. That is certainly my position. I don't know if I can speak for the Department. There are 195,000 stores, and my comment in that regard was prompted by the fact that trafficking fraudulent exchange of benefits happens in the majority of cases in these small stores. Never happens in supermarkets, never happens in larger stores. It happens in smaller stores. And we see in some of those areas where there are concentrations of those small stores, and so as a way of either earning more profit or earning more revenue, they are willing to traffick, and I am very opposed to that. I have heard from other Members here. I don't have any tolerance at all for fraudulent use of the benefit.

Mr. ROUZER. Well following up on that a little bit, during consideration of the 2014 Farm Bill, I was not here at the time, but Congress rejected using crude store size as a requirement to get at the fraud issue. Instead, the 2014 Farm Bill included language directing the Department to write rules setting technology standards to actually prevent fraud. Why aren't we focusing on that, given that specifically was addressed with the 2014 Farm Bill?

Mr. CONCANNON. Well, we actually are pursuing increased use of technology, both the requirement universally for stores of any size to use electronic processing for the benefit, but in trafficking, the way it occurs, I can have an EBT card and if you and I conspire, you are the store owner or I am the store owner, you can say here is my card and I will give you 50¢ on the dollar for the value of that. That unfortunately happens, and I mentioned in my testi-

mony, we took out more stores in the past year for trafficking than any year in the history of the program, and of the 2,900 stores we sanctioned last year, 1,600 of them were these small convenience stores. So that is what I was referring to in that comment.

Mr. ROUZER. Well good enforcement is always the best deterrent.

Thank you, Mr. Chairman. My time has expired.

The CHAIRMAN. The gentleman's time has expired. Mr. Scott?

Mr. AUSTIN SCOTT of Georgia. Can I ask a follow up on that real quick?

The CHAIRMAN. Sure. Austin, we are way over, so real quick.

Mr. AUSTIN SCOTT of Georgia. Right. If you have common ownership of stores, in other words, if you catch fraud at two or three stores, that type of fraud at two or three stores and you know that that same person owns three or four more stores, are you able to carry that action forward to the other stores that they own?

Mr. CONCANNON. That is a great question, but unfortunately, I believe currently we are able to take out the stores in which we found trafficking. If we find evidence that they have communicated that to their other store managers, we have the opportunity to take all stores out, but we can't just routinely say two of your stores were trafficking. We are taking all ten of them out. I don't believe we have that—

Mr. AUSTIN SCOTT of Georgia. Mr. Chairman, I might suggest that might be a good piece of legislation for us to look for. If that attitude is there at three of five stores that somebody owns, I would be willing to bet that it is there at the other two, too.

The CHAIRMAN. I don't disagree. The tone from the top needs to make sure that the owners of those stores know the risks associated. It is no different than a store owner allowing somebody to sell beer to an underage consumer. So this would follow the exact same category.

I can't thank you guys enough. We are way over time from what you agreed to, and I appreciate that. You are the faces of a large cadre of good, decent men and women who get up every single day, go to work, try to administer the programs under their care, and we appreciate that. We may disagree from time to time on policy, but it has been my experience that you guys want to do a good job. You want to do what is best for the folks that you have a heart for, and I can't thank you enough for that.

If you all wouldn't mind slipping off quickly to 1302, if any of our Members want to talk specifically with you while we get our other panel in here, we will stand in recess for about 5 minutes.

Thank you.

[Recess.]

The CHAIRMAN. All right, let's start back up. I appreciate the witness' patience. We are a little past when you were supposed to start, but thank you for hanging with us.

It is now my pleasure to introduce Mr. Alfred Almanza, who is Deputy Under Secretary for Food Safety here in Washington, D.C. And Mr. Almanza is accompanied today by Mr. Phil Derfler, who is the Deputy Administrator for the Food Safety and Inspection Service.

Secretary Almanza, the floor is yours for 5 minutes.

STATEMENT OF ALFRED V. ALMANZA, DEPUTY UNDER SECRETARY, FOOD SAFETY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY PHILIP S. DERFLER, DEPUTY ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE, USDA

Mr. ALMANZA. Mr. Chairman, Ranking Member Peterson, and Members of the Committee—

The CHAIRMAN. Is your microphone on?

Mr. ALMANZA. I am the Deputy Under Secretary for Food Safety at the United States Department of Agriculture, and I would like to thank you for the opportunity to come before you today to discuss our food safety mission.

To start, I would like to extend the invitation to any of you to accompany me on a plant tour. A tour of an FSIS-regulated establishment is the best way to see what our inspectors on the line are doing on a daily basis to protect public health.

Each year, one in six Americans is affected by foodborne illness. The highest priority of our agency is to prevent as many of those illnesses as we possibly can. The meat on your plate is thoroughly inspected by the dedicated men and women of FSIS to ensure that you don't get sick. While we are modernizing the way we do things, carcass by carcass inspection remains the cornerstone of our work. Our system of inspection is the most reliable in the world, and I take great pride in the work that our inspectors perform each day. I began my own career nearly 40 years ago as a line inspector in Dalhart, Texas.

Today, billions of pounds of meat, poultry, and egg products are produced, transported, and sold every year. A system of this magnitude requires constant vigilance to prevent the possibility of foodborne illness. FSIS is required to have inspectors present across the country in every plant that processes meat, poultry, and egg products. The agency employs approximately 9,000 people, and 80 percent of them work in establishments. During Fiscal Year 2015, FSIS personnel inspected almost 150 million head of livestock, nine billion poultry carcasses, and over 3 billion pounds of processed egg products. In addition, FSIS conducted nearly seven million food safety and defense procedures last year.

With Congress's support, we have begun to modernize how we do inspection. Our modernization efforts will lead to fewer illnesses for meat, poultry, and egg products. We recently updated the 60 year old poultry safety system by implementing a final rule that requires plants to do testing at two points in the slaughter line to verify process control. The rule requires plants to treat *Salmonella* and *Campylobacter* as hazards that are reasonably likely to occur. Finally, it makes the new poultry inspection system available to all plants throughout the country.

Last month, we finalized the first ever pathogen reduction standards for chicken parts: 80 percent of chicken that Americans consume is in the form of parts. These new standards, along with our new standards for comminuted poultry, could help prevent an estimated 50,000 foodborne illnesses.

As we move forward, our focus on our modernization has us looking at ways to modernize pork and beef slaughter. One of the most significant changes I have seen in my time with FSIS has been the

shift from paper to our new Public Health Information System, or PHIS, which allows the agency to collect inspection data in one central location. We aim to amplify our use of data to identify trends, connect the dots, and make meaningful improvements in public health. We are also laying the groundwork for continued modernization in the years ahead as we develop a new 5 year strategic plan building on this theme of modernization as we are strengthening our use of science. We are seeking to expand our use of whole genome sequencing technology which will provide FSIS with a much better understanding of what it means when we find pathogens in the products we test. With whole genome sequencing and improvements in analytics, we will be able to respond more quickly and more effectively to foodborne illness outbreaks, should they occur.

As a public health agency committed to achieving excellence, FSIS continuously tracks performance, modernizes methodology, and applies science-based approaches to the work that we do. I know firsthand the hard work that the dedicated men and women do each day to ensure that we have the safest food supply in the world. Because of this work, millions of Americans enjoy safe and wholesome meals each day.

Thank you for your continued support.

[The prepared statement of Mr. Almanza follows:]

PREPARED STATEMENT OF ALFRED V. ALMANZA, DEPUTY UNDER SECRETARY, FOOD SAFETY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Introduction

Mr. Chairman, Ranking Member Peterson, and Members of the Committee, my name is Al Almanza, Deputy Under Secretary for Food Safety at the U.S. Department of Agriculture (USDA). Thank you for the opportunity again to come before you today to discuss the Food Safety and Inspection Service. I appreciate this chance to highlight our mission and our people.

Who We Are

FSIS is the public health agency in the U.S. Department of Agriculture responsible for ensuring that the nation's commercial supply of meat, poultry, and processed egg products, whether domestic or imported, is safe, wholesome, and correctly labeled and packaged. FSIS inspection personnel inspect each and every livestock and poultry carcass before it can enter commerce. No meat or poultry product can enter commerce unless we can find that it is not adulterated and apply our mark of inspection. In addition, FSIS reviews and approves the labels of meat, poultry, and processed egg products and ensures that they are truthful, not misleading, and contain key information. We also take action should misbranded or economically adulterated products enter commerce.

After publication in 1906 of Upton Sinclair's *The Jungle*, which described in detail the unsanitary working conditions in a Chicago meatpacking house, Congress passed legislation providing for the inspection of meat. Ultimately, this legislation became the Federal Meat Inspection Act (FMIA). In addition, Congress passed the Poultry Products Inspection Act (PPIA), the Humane Methods of Slaughter Act (HMSA), and the Egg Products Inspection Act, all of which the Food Safety and Inspection Service (FSIS) enforces.

What We Do

Our employees work in approximately 6,389 federally inspected establishments, three FSIS laboratories, 122 ports-of-entry, and 150,000 in-commerce facilities nationwide. During FY 2015, FSIS Inspection program personnel ensured that public health requirements were met in establishments that slaughter or process approximately 145 million head of livestock and nine billion poultry carcasses. In addition, inspection program personnel also conducted nearly seven million food safety and food defense procedures to verify whether systems at all federally inspected facilities maintained food defense procedures to protect against intentional contamination.

The Agency also is responsible for ensuring that imports of meat, poultry, and egg products are safe and wholesome. FSIS does this through a three part process. First, FSIS determines whether the statutes, regulations, and other documents of any country that wishes to export product to the U.S. establish a food safety system that is equivalent to that of the U.S. Countries provide this information to FSIS by using the Self-Reporting Tool (SRT). Should FSIS find on the basis of its review of the documents that the country's system appears to be equivalent, FSIS will send auditors to the country to assess its system in action. On the basis of the results of the audit and the other information that FSIS has collected, the Agency decides whether the country is equivalent.

FSIS evaluates an exporting country's food safety system on an ongoing basis. It inspects all eligible products from that country at U.S. points-of-entry. Each year, FSIS reviews any changes in the foreign country's food safety system that the country identifies through resubmission of the SRT. In addition, FSIS also conducts in-country audits of the system. The audits will be guided, at least in part, based on the findings of the SRT reviews and the point of entry inspections. Based on these reviews, the Agency decides whether the country is maintaining equivalence.

Modernization

A key theme for FSIS is modernization. Inspection changed from a sight, smell, and touch approach to a more science-based method when FSIS implemented its Hazard Analysis and Critical Control Points (HACCP) regulations between January 1997 and January 2000. Our inspection activities include sampling ready-to-eat meat and poultry products for *Listeria monocytogenes* testing, sampling raw product for *Salmonella* and *Campylobacter* testing, and sampling raw beef product for testing certain strains of pathogenic *E. coli* (including *E. coli* O157:H7).

In FY 2015, FSIS laid the groundwork for fully enforcing all HACCP validation requirements—those related to necessary in-plant data as well as those related to scientific support. The Agency informed plants that they would need to analyze their validation methods to ensure that the scientific support matches their in-plant processes, and that they needed to have at least 90 days' worth of data to show that their plants met the critical operational parameters in their processes. The new validation verification procedures, which we have implemented in large plants and will implement in small and very small plants next month, will help to ensure that establishments' HACCP plans work as intended to address food safety hazards. To assist with this process, FSIS has provided plants with training, webinars, and the FSIS Compliance Guideline HACCP Systems Validation, a document designed to help small and very small meat and poultry plants meet the validation requirements.

We have made other changes in how we do inspection. In FY 2015, FSIS adopted a new methodology for conducting Food Safety Assessments (FSAs). Under this methodology, an Enforcement, Investigations, and Analysis officer conducts a Public Health Risk Evaluation (PHRE) before deciding whether a Food Safety Assessment is warranted. Under this new methodology, a FSA takes 5 to 7 days instead of approximately 35 days. This new methodology allowed us to save an estimated \$1.18M and 26,600 hours within 3 months of its implementation. The new FSA methodology allows FSIS to more efficiently use its resources by targeting higher risk establishments.

One key investment that we have been able to make thanks to Congressional support is in the Public Health Information System (PHIS). PHIS captures data in automated and useful formats. The availability of this data provides for more timely and efficient analysis of food safety inspection-related trends that drive our ability to take actions that enhance our ability to protect the public health. In addition, PHIS is allowing us to make better use of the Public Health Regulations (PHRs) to focus the inspection activities of our in-plant personnel. With PHIS, we now collect data about the regulations that inspectors are verifying when they perform inspection. Before, we only knew regulation data when inspection tasks found non-compliance. Now that we have more complete data, we can better assess non-compliance rates of individual regulations. That has allowed us to identify regulations for which non-compliance is linked to adverse public health outcomes. We instruct our inspectors to conduct special focused activities, such as PHREs and FSAs when we spot a pattern of non-compliance with these PHRs.

FSIS coordinates closely with other Federal public health agencies such as the Food and Drug Administration (FDA) and the Centers for Disease Control and Prevention (CDC). Our collaboration with our partner agencies makes FSIS more effective and improves our responses, particularly during recalls and outbreaks. In 2011, we created the Interagency Food Safety Analytics Collaboration (IFSAC) which brings together senior leaders and technical experts on foodborne illness source at-

tribution from these agencies. In FY 2015, one of IFSAC's major successes was developing harmonized attribution estimates for *Salmonella*, *E. coli* O157, *Listeria monocytogenes*, and *Campylobacter* for major food categories and hosting a public meeting with over 300 participants to share those findings. These improved estimates of foodborne illness source attribution have informed efforts to prioritize food safety initiatives, interventions, and policies for reducing foodborne illnesses.

One way that the Agency is modernizing food safety is by improving the way we inspect. In 2015, we began implementation of the final rule on modernization of poultry slaughter inspection. The implementation of this final rule requires that all poultry slaughter establishments take measures to prevent contamination, rather than addressing contamination after it occurs. Poultry facilities are required to perform their own microbiological testing in their production process to show that they are controlling enteric pathogens (e.g., *Salmonella* and *Campylobacter*).

The Agency established the voluntary New Poultry Inspection System (NPIS), in which poultry slaughter establishments sort their own product for quality defects before presenting it to FSIS inspectors for food safety inspections. As of March 1, 2016, 51 plants have indicated that they are interested in operating under or have transitioned to the NPIS. The system allows for FSIS inspectors to focus less on routine quality assurance tasks that have little relationship to preventing pathogens like *Salmonella* and instead to focus on strategies that are proven to strengthen food safety. Our food safety inspectors are now better equipped to verify that establishments maintain effective HACCP systems, which is a more effective and efficient way to use our inspection resources. We are considering a similar approach for hog inspection. We have collected a lot of data in these hog plants, and we are now in the process of analyzing that data to determine what our approach should be.

One of our greatest accomplishments has been the new food safety pathogen reduction performance standards for chicken parts and comminuted poultry that are designed to dramatically reduce *Salmonella* and *Campylobacter* illnesses contracted from chicken and turkey products, as well as to reduce the presence of these pathogens in raw chicken breasts, legs, and wings. The performance standards are a major step in the FSIS' *Salmonella* Action Plan, which the Agency developed in 2013. FSIS's science-based risk assessment estimates that implementation of these standards could achieve a 30 percent reduction in illnesses from *Salmonella* and 19 percent from *Campylobacter*, an average of 50,000 averted illnesses annually. FSIS chose this aggressive goal for addressing *Salmonella* because it will help achieve the Healthy People 2020 national goal of reducing human illness by 25 percent.

Other FY 2015–FY 2016 Accomplishments

Additional FY 2015 and early FY 2016 accomplishments for FSIS include the establishment of an exploratory sampling program for raw pork products and continuous sampling of chicken parts; publication of several compliance guidelines to help industry address pathogens in their product, including "Sanitary Dressing and Antimicrobial Implementation at Veal Slaughter Establishments: Identified Issues and Best Practices" and "FSIS Compliance Guidelines for Controlling *Salmonella* and *Campylobacter* in Raw Poultry;" issued a best practices guideline for retailers to help them to protect public health by decreasing the potential for *Listeria monocytogenes* contamination; published a rule that will become effective in May 2016, that will require that labels declare that raw beef product has been mechanically tenderized and will require validated cooking instructions on labels of mechanically tenderized beef products going to household consumers, hotels, restaurants, or similar institutions; completed work on the FSIS *Salmonella* Action Plan; and continued collaboration with the Agricultural Research Service (ARS) for identification of additional analyses for consideration and implementation in the multi-residue method for testing.

As mandated by the Congress, FSIS is responsible for the regulation of Siluriformes fish products. We published the final rule in December 2015, with March 1, 2016 as the effective date of the new inspection system. We began inspecting in slaughter plants on March 1. We established an 18 month transition period before FSIS begins fully enforcing all requirements in the new regulations, in order to allow regulated Siluriformes industry time to meet our food safety regulations on the first day of full implementation, September 1, 2017. During the transitional period, we will inspect processing-only plants and re-inspect imported product on a limited basis.

So far, we have held public educational outreach meetings in Washington, D.C. and Stoneville, MS for industry, farmers, foreign countries, and other affiliates to learn about the program and to ask questions. Our personnel have traveled to several foreign countries to provide information. We also held a meeting in Newark, NJ for importers. We also plan to hold importer meetings in Los Angeles, CA and

Houston, TX. In addition, we have provided mandatory training for inspectors and will hold additional meetings in our ten district offices.

Consumer and Stakeholder Outreach

To keep the public safe, we conduct outreach and educational awareness efforts to small and very small plants and to the millions of Americans who consume our products every single day.

With more than 90 percent of the 6,389 FSIS inspected plants considered small or very small operations, FSIS has a Small Plant Help Desk that serves to assist plant owners and operators with questions. Many of these questions involve technical expertise, information, and providing advice on FSIS regulations and policies. During FY 2015, the Small Plant Help Desk received and responded to 2,031 inquiries in person, over the phone, and via email. In addition, FSIS publishes Compliance Guides and hosts webinars that help small plants comply with new or modified FSIS regulations.

Moreover, just as FSIS is focusing on modernizing our inspection techniques, we also are modernizing the way we communicate with our consumers. For 30 years, the USDA's Meat and Poultry Hotline has enabled consumers to ask questions or report incidents of foodborne illness. The Hotline receives more than 80,000 calls each year and helps prevent foodborne illness by answering questions about the safe storage, handling, and preparation of meat, poultry, and processed egg products.

The Food Safety Education Staff (FSES) has had many successes in consumer food safety outreach throughout FY 2016. Some of these initiatives include: partnering with the Ad Council, partnerships for reaching at-risk groups, Hispanic outreach, social media, and our new smartphone application, the Foodkeeper App, which has been downloaded nearly 100,000 times.

To remain transparent to the public, we hold monthly public meetings with consumer and industry stakeholders on upcoming policy developments. We also distribute a weekly newsletter with policy updates, export requirements, testing results, and personnel changes, called the "Constituent Update." In addition, FSIS has two advisory committees, the National Advisory Committee on Meat and Poultry Inspection (NACMPI) and the National Committee on Microbiological Criteria for Foods (NACMCF). These committees are made up of state, consumer, and industry representatives who work to advise the Secretary of Agriculture on food safety policies that will contribute to USDA's regulatory policy development.

Strategic Planning for Accountability

Every 5 years, FSIS adopts a new Strategic Plan that sets out the Agency's goals and initiatives and is the foundation for both the long range and day-to-day operations of the Agency. A main driver of the Strategic Plan is the desire for the Agency to continue to be an ever more trusted and successful public health agency—an Agency that adapts to the changing nature of food safety risks. Outlined in the Agency's current strategic plan are three themes and eight goals within those themes. The themes are "Prevent Foodborne Illness," "Understand and Influence the Farm-to-Table Continuum," and "Empower People and Strengthen Infrastructure."

Each year, FSIS also develops an Annual Performance Plan (APP) that sets out three or four key results that each of the Agency's ten offices intends to accomplish to advance the Strategic Plan. The APP provides the American public and FSIS employees with a clear list of Agency priorities and a detailed roadmap of the steps we intend to take to achieve our goals. It provides an operational plan that we are following in order to steer the Agency as we work to prevent foodborne illness and protect public health. It is traceable and transparent, so that we are accountable to the Congress and the American public. At the end of each year, we publish a report that sets out how well we did in achieving key results.

FSIS has begun development of its 2017–2021 Strategic Plan. This work will continue through FY 2016. FSIS held both public and stakeholder meetings, including meetings with FDA and CDC, to gather input on key focus areas, issues, and trends in food safety that the Agency should consider in developing the Plan. This critical input from industry, consumers, consumer advocacy groups, and Federal collaborators has helped shape the Agency's development of desired outcomes, specific strategic objectives, and meaningful targets and measures to assess results.

Conclusion

These are some of the ways we are holding ourselves accountable for achieving positive results and outcomes on food safety issues. We continuously track performance, modernize, and apply science in developing our approach to the food safety problems we face. I began my career at FSIS as a line inspector, and I know firsthand the hard work that the dedicated men and women who make up FSIS's inspection force perform every day to ensure that we have the safest food supply in the

world. It is because of this work that millions of Americans can sit down at the table and enjoy safe, wholesome meals each day. Thank you for your support for our vital work as a public health agency.

The CHAIRMAN. We thank you, Deputy Under Secretary. I recognize myself for 5 minutes.

I appreciate you being here. Speaking of the new poultry inspection system, can you talk to us a little bit further about what your data is showing for increased line speeds and how the request to increase line speeds is working? And then also any evidence you have so far about worker safety with respect to these higher line speeds. Has DOL shared with you specific data in reference to that program, and can that data then be shared with the industry itself if there are things that need to be done to protect workers?

So can you flesh out a little bit more on the poultry inspection system?

Mr. ALMANZA. The new poultry inspection system has been implemented in 35 plants. We have had 56 that have opted in, so we are still bringing plants in quarterly. Which we are seeing probably a greater interest as the year goes on in the new poultry inspection system. It is too early to really have any what I would say supportable data to recognize any difference in the line speeds between the 20 that we have running at 175 birds per minute *versus* the new ones that are only allowed to run at 140, but that is something that we are going to continue to look at. Right now it would just be a guess as to what the differences would be, but again, the worker safety issue is something that we take seriously, but it is outside of our responsibility as a regulator.

The CHAIRMAN. Has Labor shared with you the kinds of data that needs to be collected in order for them to be able to evaluate impacts of higher speeds?

Mr. ALMANZA. We have been working with OSHA on this issue, but no, they have not given us any data that demonstrates—

The CHAIRMAN. Okay, data that—specific points of issue that they want to collect on. I know the data would be the incidents that have happened, knife cuts or whatever that they want to collect, but they are not telling you yet what you need to collect in order for them to evaluate higher line speed safety?

Mr. ALMANZA. So one of the things that we have agreed to do in those establishments is we have safety committees that meet in these establishments that look at just accidents in general, and so if we see trends, we will advise the Department of Labor of what we are seeing.

The CHAIRMAN. Okay. I know certainly on the line speed, but there is no food safety concerns, red flags yet of any kind?

Mr. ALMANZA. No, sir. I mean, we haven't had any food safety concerns with the ones that are running 175 for the last 14 years either.

The CHAIRMAN. I got you. All right. With that, I will now recognize Mr. Newhouse, 5 minutes.

Mr. NEWHOUSE. Thank you, Mr. Chairman, and thank you both for being here this afternoon. I appreciate your willingness to sit before the Committee and answer a few questions, and I appreciate your work on a daily basis as well, you and everybody that works with you.

On the issue of food safety and research, given the more stringent pathogen reduction standards that have been adopted by FSIS, can you tell me what the agency has seen to date in terms of reduction in overall levels of foodborne illnesses? It would be a very appropriate recap or report, if you have seen any improvements or changes.

Mr. ALMANZA. Right now, it is still early, a bit early to tell, sir, but the thing that we are seeing is a fewer number of positives in the testing that we are doing, which ultimately, we hope that that data demonstrates that there are fewer illnesses associated with the products that we are testing.

Mr. NEWHOUSE. Hopefully that is true.

As you know, many potential foodborne pathogens, such as *Salmonella*, are naturally occurring. Has FSIS requested any research to be conducted by either USDA or any other research agencies on foodborne pathogens and how to better reduce their presence, and could research be done on better food preparation methods to reduce the presence of these organisms?

Mr. ALMANZA. So we continue to work with ARS within USDA and there are research grants, and they do a really good job at working both independently to try to gather the data on *Salmonella*, and also work with us on effective methods for our testing. But the industry themselves also have developed a large number of interventions that help either reduce or eliminate *Salmonella* in the products that they produce.

Mr. NEWHOUSE. I appreciate again you being here this afternoon, and Mr. Chairman, thank you, and I will yield back the balance of my time.

Mr. ALMANZA. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. Yoho, 5 minutes. Sorry about that. A little quick. Mr. Ashford has returned. Mr. Ashford, 5 minutes. No questions? No questions?

Mr. ASHFORD. No.

The CHAIRMAN. All right, the gentleman yields back. Mr. Yoho, 5 minutes.

Mr. YOHO. Thank you, sir.

Under Secretary Almanza, I appreciate your being here, and I appreciate the work you guys do, and I do feel our food in this country is the safest anywhere in the world. And I just came back from a CODEL over in Latin America, and there was a country that didn't want our food in there because they didn't feel it was safe and didn't meet the standards, and I thought it was kind of comical. It was on the phytosanitary, and I can't think of anybody that does that better than us.

Saying that, could you please walk me through the role your agency has on the trade front, and are all countries eligible to bring meat and poultry products into the U.S., and could you share the process a country must do to gain safety equivalence, and the follow up that your agency performs after access to our market? And I have a follow up question after that.

Mr. ALMANZA. Okay, sure. So countries that are wishing to become eligible to export to the United States meat, poultry, or egg products, they usually make a formal request by a letter to us, and then the letters must come from the foreign government or their

central competent authority for the inspection of meat, poultry, and egg products. Then what we do is we look at the meat, poultry, and egg products that are exported from another nation to make sure that they meet all the safety standards that are applied to food produced domestically in the United States. And then we make a determination of equivalence by evaluating whether the foreign food regulatory systems attain the appropriate level of protection provided by our own domestic system. Then we also evaluate their food regulatory systems for equivalence through document reviews, onsite audits, and port of entry reinspection of products at the time that when we import those products.

Mr. YOHO. So we feel good once it gets here that it has gone through the proper channels, and that brings up my second question.

I have concerns about egg product being imported from the Netherlands to the U.S. Some have raised the concern that the inspection process used by the Netherlands may not be a full and continuous inspection. If the inspection is not full and continuous, does such a process comply with Federal law?

Mr. ALMANZA. Okay, so that is one of the things that we look at when we go over and audit their food safety system. They don't necessarily have to be exactly like ours, but they have to be equivalent to ours. And by that, I mean that they have to have Federal inspection, same as we have here, through the entire process of production.

Mr. YOHO. Is our process here on the eggs, is that a continuous process?

Mr. ALMANZA. For processed eggs, yes, sir.

Mr. YOHO. Okay, so if it is continuous here but not over there, is that equivalent, and what is the difference between equivalent there *versus* here?

Mr. ALMANZA. Yes, I will have to—

Mr. YOHO. The extrapolation process.

Mr. ALMANZA. I would have to look at the Netherlands specifically, but I can provide that to you.

Mr. YOHO. If you could, that would be great if you would submit that. And if not, because the concern is if it does not comply with the Federal law, as I believe it won't, does that mean the FSIS would consider the product lacking proper inspection to be ineligible for the import into the U.S. and/or adulterated product?

And so those are the things I am getting from my producers that we want to make sure, and Congressman King, it was a question he had also that we want to make sure that if we are making that requirement of our producers, that products coming in have to meet that same requirement or it puts us at a disadvantage.

Mr. ALMANZA. Yes, sir. No, I totally agree with you. But my understanding is it is continuous, but I will provide to you the findings of our audit so that you can—

Mr. YOHO. I appreciate it, and I remember speaking to you before when we both started off in a packinghouse.

Thank you. I yield back.

Mr. ALMANZA. Yes, sir. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. Rouzer, 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman. Deputy Under Secretary, quick question for you here. In January the agency released new *Salmonella* performance standards that poultry producers will have to meet. What training and support is the agency providing to assist industry in achieving those very aggressive reductions? And then quick follow up to that, if you will, how is this being addressed in the small plants that operate under the inspection exemption?

Mr. ALMANZA. So one of the things that we do specifically to issues like this, that are going to have an impact on the industry, is we issue guidance documents. So it gives them a road map of what our expectations are through the process, and it applies to all establishments that are producing under, for example, the new performance standards.

We don't see that it is going to have any greater impact on the small plants than it does on the larger plants, just because of performance standards, and how they are set out. We believe it won't have any greater impact on them.

Mr. ROUZER. Another question for you, and this is a softball for you. This is a very critically important agency, in terms of confidence among our trading partners, our good, safe, affordable food supplies. Very critical not only to all of us here in the United States, but it is also very critical in terms of exports. What is your greatest challenge, and how can we, as a Committee, be helpful to you?

Mr. ALMANZA. Well, you are right, that is a softball question. I will tell you this, I mean, we have had great support from Congress in our budget in the things that you all allow us to do. The thing that I look at, we have between 33 to 35 countries that are eligible to export to the United States. That is a high bar. That is not a whole lot of countries that are eligible to export meat, poultry, or processed eggs to us. And so we just have to stay vigilant, maintaining the standards that we have, and make sure that we are able to audit the countries that do export to us meat, poultry, and processed egg products, and make sure that their equivalency standards are maintained. But, to me, that is what we should pay attention to.

Mr. ROUZER. Thank you, Mr. Chairman. I yield back my time.

The CHAIRMAN. The gentleman yields back. Mr. Lucas, 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman. Mr. Secretary, as the final catfish inspection regulation is being implemented, can you provide an update on the status of the economic compliance, and the process of determining the equivalency of countries wishing to export to the United States?

Mr. ALMANZA. Yes, sir. That is proving to be a bit of a challenge for us. There are currently five countries that have expressed an interest in exporting to the United States. Right off the top of my head, I believe it is China, Myanmar, Vietnam, and I will get you the other two. Nonetheless, there are only five. And so that is taking up quite a bit of my time, going to these countries and explaining to them what our equivalency process is, because that is something that, as I said earlier, we take very seriously in what our expectations will be for them to meet our standards.

I do believe that they are taking us seriously in the countries that I have been to so far, which I have been to Myanmar, Beijing, China, and to Vietnam, and had meetings with their government officials to get them to understand what our equivalency process is. Domestically, it is providing—we are looking at working with the states, trying to find all the producers of catfish products, both slaughter plants, and that seems kind of odd, a slaughter of a catfish, but nonetheless, you have places that they may fillet catfish 2 or 3 days a week, or they may do it 5 days a week. And so in trying to identify all those, we are just in the process of getting to all of those locations, and making sure that they understand what our expectations are going to be as we start to regulate them.

Mr. LUCAS. So it sounds like you are making progress in moving forward and accomplishing the goals, and it is just a matter of time before a regime will be in place, and the standards will apply. Fair assessment, Under Secretary?

Mr. ALMANZA. Yes, sir.

Mr. LUCAS. Very good. I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. Kelly, 5 minutes.

Mr. KELLY. Mr. Chairman, I yield back. He just asked my question about catfish. Although I would just like to say that is very important to my catfish producers in Mississippi, that we have an inspection process that is taken care of in other countries like it is here. And the longer we wait to do that, the more at risk you put our catfish producers, who are doing the things here, but it needs to be an equal playing field. Otherwise, when they go out of business, it is too late to say, well, they are complying now, but you are out of business. So just make sure there is a sense of urgency there. And I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back. Mr. Thompson, 5 minutes. Yes, that would be Glenn Thompson from Pennsylvania.

Mr. THOMPSON. Okay, Mr. Chairman. Thank you.

The CHAIRMAN. Thank you, Glenn Thompson.

Mr. THOMPSON. I guess I am the only Thompson here, all right. Well, Secretary, thank you very much. I appreciate you being here. I appreciate your work. And I apologize if I am kind of re-plowing a field. I don't think I am, though. What role do consumers play in ensuring food safety?

Mr. ALMANZA. Well, as consumers, you have to be vigilant of cross-contamination in your kitchen, handling of raw products *versus* cooked products. A surefire way, at the end, is to make sure you cook your meat, poultry products thoroughly to eliminate any possibility of foodborne illness.

Mr. THOMPSON. Obviously, being a Member of the Agriculture Committee, I spend a lot of time with everyone in the food chain, so my producers in particular, who have felt really overwhelmed with the amount of pages of regulations for food safety, and none of them, obviously, will deny the importance of food safety.

One creative thing that came up, does the Department work in any way in partnership with our extension services that we have through our land-grant universities to me, that is just a tremendous resource. Extension has always done all kinds of very important things on the ground, and certainly in all 67 counties in Pennsylvania. But there seems to be, today, just coping with all of the

minutiae of regulations when it comes to food safety, which, again, and food safety is important, any formal relationship there with the agriculture extension services?

Mr. ALMANZA. Yes, sir, we do. We do a lot of work with agricultural extension services, with a lot of colleges and universities as well, because sometimes they have information that is relevant to our mission that they are able to get out in other ways that we are not able to get. So yes, we do work with them.

Mr. THOMPSON. Okay, great. And I am hearing more and more, as I talk with our extension folks, about how they are trying to find people with that specific expertise to put on the ground to help producers to be successful. Because if they are not able to produce it, and to be compliant, we are not going to have access to affordable, high quality, and safe food. So I appreciate your efforts, and I appreciate the efforts of our land-grant universities, and our extension services.

Given the more stringent pathogen reduction standards adopted by FSIS, what has the agency seen to date in terms of the reduction of overall levels of foodborne illness?

Mr. ALMANZA. As I said, with the new standards, and the performance standards, it is still a little early in the game, but it is designed to achieve a 30 percent reduction in illnesses from *Salmonella*, and about 19 percent reduction in *Campylobacter*. Again, it is a little bit early in the game, but what we are seeing is a lesser number of positives in the testing that we are doing, and so hopefully that data will result in fewer illnesses after we have had time to accumulate enough data to see what the results are.

Mr. THOMPSON. Yes. In some of my meetings with different stakeholders in the agricultural industry, actually, this was producers, a large group of producers, kind of concerned about the national security threats that may be out there. Potential food security threats from a terrorism perspective, in terms of trying to cause harm on the American people, and the American economy as well. And so I assume that is something that is out there that you all at least talk about, and kind of measure risk, and—

Mr. ALMANZA. Yes, sir. We do more than talk about it. We have tabletop exercises with other agencies, with CDC, with FDA, to make sure that we are all on the same page in dealing with those types of threats to the public of the United States.

Mr. THOMPSON. Well, thanks for what you do. Mr. Chairman, I yield back.

Mr. ALMANZA. Yes, sir.

The CHAIRMAN. The gentleman yields back. Mrs. Hartzler, 5 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman. Thank you, Mr. Secretary. I was just wondering, how many employees are in your division?

Mr. ALMANZA. About 9,000.

Mrs. HARTZLER. All right. How many are based here in D.C. versus out in the field?

Mr. ALMANZA. Here in D.C., I would say somewhere in the neighborhood of 380.

Mrs. HARTZLER. Okay. And if you have already done this, let me know. I have a phone call, sorry about that. But how is your agen-

cy organized? Do you have field offices? And kind of explain how it is organized.

Mr. ALMANZA. No, that hasn't been asked before, but—

Mrs. HARTZLER. Okay.

Mr. ALMANZA.—I am very familiar with how we are structured. So we have headquarters, and then we have ten district offices from the East Coast to West Coast. And I can certainly provide you the locations for that for the record, if you would like me to do that. And then we also have three labs, one in Athens, Georgia, one in St. Louis, and one in Alameda, California that we are in the process of moving, but it is still in California. And then we also have some offices for our investigative and enforcement type of jobs that we do, but most of those are co-located with our current district offices in the same places.

And then from there we just have our inspection personnel that work in the—

Mrs. HARTZLER. Plants?

Mr. ALMANZA.—in the plants. Yes, ma'am.

Mrs. HARTZLER. Yes, very good. What is the overall budget for your agency?

Mr. ALMANZA. It is a little over a billion dollars.

Mrs. HARTZLER. Okay. If you had a pie graph, what would be the most expensive, give me the top three areas of what you do that are large expenditures.

Mr. ALMANZA. Our payroll is—

Mrs. HARTZLER. Personnel would be first?

Mr. ALMANZA. Close to—

Mrs. HARTZLER. What, 50 percent?

Mr. ALMANZA. No, it is closer to 80 percent.

Mrs. HARTZLER. Okay. You need to cut salaries. No, just kidding. No, go ahead. Then what is next, after personnel?

Mr. ALMANZA. Excuse me? I didn't—

Mrs. HARTZLER. So personnel is 80 percent, and then what would be next? I am just—

Mr. ALMANZA. State programs is next, and then our internal travel would be the third.

Mrs. HARTZLER. Okay. What are the top food pathogens that you are facing right now? If you are the top five.

Mr. ALMANZA. Top five would obviously be *E. coli*, 0157:H7, and *Listeria monocytogenes*, and then *Salmonella*. *Campylobacter*—

Mrs. HARTZLER. Okay. So you have this scare with Chipotle, which is my daughter's favorite restaurant, but this was concerning, have you found out anything? Tell me how your agency deals with that.

Mr. ALMANZA. Yes. Unfortunately, with Chipotle, we weren't ever able to determine that any of the products that we regulate were responsible for that. But when we have an outbreak like that, typically we are tipped off by CDC, or the state, that they are seeing some type of illnesses that are associated with the products that are being produced in a specific restaurant, or an area.

And so what happens is, as we start getting enough data, we will start an investigation, an internal investigation, and start looking at the possible products that may be affected, and then trying to figure out the traceback to the specific producer. And then looking

at possible venues of the introduction of the product that were causing the illnesses.

Mrs. HARTZLER. Now, it seems like there has been an uptick in charges of where actual vegetables are coming down with some of these things, potentially from runoff. Can you tell me about that? I was surprised when that happened, rather than there is an animal facility nearby. Can waste be transmitted through a plant, like spinach?

Mr. ALMANZA. Well, it certainly can. I, unfortunately, only regulate meat, poultry, and processed eggs, but I can tell you that there was an outbreak that was caused by, like, feral hogs walking through spinach, and then causing some foodborne illnesses from those types of cross-contamination vehicles, livestock and things of that nature.

Mrs. HARTZLER. Well, you have a tough job, but a very, very important job, so we appreciate what you do. Thank you very much. I yield back.

The CHAIRMAN. The gentlelady yields back. Mr. Moolenaar, 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman. Just following up on this discussion about Chipotle, can you describe for me the process when you have *E. coli* problems, and where does it start? Where are the processes where it could be identified? What should families be thinking about when they go into a restaurant? Those kinds of things.

Mr. ALMANZA. What do I think about when I go into a restaurant?

Mr. MOOLENAAR. Yes.

Mr. ALMANZA. Well, I have been doing this for close to 40 years, so I would say I probably pay very close attention to what the people are doing behind the counter. Just, for example, if they are using gloves, if they are touching money, and then they are touching the products that you are eating. And then just looking. I look at the practices that the employees are engaging in. If they are back there cooking, are they handling raw product while they are handling cooked product? That is, for me, that is just an easy, maybe I shouldn't be eating here if that is what they are doing.

Now, what I would say is, for us, as a regulator, we would love to be able to track somebody that is making somebody sick as quickly as possible, and we do that as quickly as possible. But sometimes what gets lost in the mix is we don't know that products are making people ill until there is an incubation period, and then people start going to the hospital, and then they are reported to CDC, and then CDC starts tracking that. And as they start tracking the multiple illnesses, well, then they start to track it, and we are tracking that with them as well. FDA is notified as well, because most of the time it is not just a meat product, or it is not a vegetable. And so they keep us all in the same loop until it starts trending one way or another, and doctors and hospitals are doing these checklists with the patients.

And so once we are in tune with that, what we do is we will go and interview patients. Sometimes the states have done that before we get there, but they give us that information to be able to tell us in what direction we need to go in. And, unfortunately, some-

times we are just not able to have conclusive evidence with a case patient in a hospital, and running the PFG pattern for that illness to the product that is assumed to have caused the illness.

Mr. MOOLENAAR. And are there best practices in the field, or in transportation, that prevent these kinds of things that are common knowledge for people involved in the business? Or is that something where it just varies depending on the country-of-origin, what are your thoughts on that?

Mr. ALMANZA. Well, one of the things that is going to make it easier for us is this new requirement they are going to have for grinding logs. And it has nothing to do with grinding trees. We are going to have these establishments, what they are going to do is they are going to have to track everybody that supplies them, and the times and the dates that they are using their specific product to grind hamburger meat, ground beef. And so that will make it easier for us, when we go and do an investigation, to make sure that they have accurate records that demonstrate to us, okay, they were grinding product from Establishment X on a certain date, and then we can traceback from the patient to when that product that was ground there was consumed. So, we think that that is going to make a significant improvement to our ability to use our investigators to get that type of information.

Mr. MOOLENAAR. Yes. Okay. So that would handle the grinding aspect. Are there other areas that need to be addressed as well?

Mr. ALMANZA. The other situation that we are dealing with on the other thing is the mechanically tenderized products as well, that we are going to have labeling that is going to be required for those type of products. Mechanically tenderized products, basically, are products that are tenderized with needles and/or some type of blade tenderization. We believe that the risk is a little bit higher because any contamination you may have on the surface gets driven in, into the muscle, and so therefore, cooking those products thoroughly, the consumers will be able to have a label that tells them these products have been tenderized, and make sure you cook them to 140° internal temperature for a minimum of 3 minutes.

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

The CHAIRMAN. The gentleman's time has expired. Now for a second round. Mr. Yoho, did you want to ask something else?

Mr. YOHO. Yes, sir, Mr. Chairman. Again, I appreciate you being here. Let me ask you about the small custom meat packers. We have had some concerns with some of the small meat packers that they are doing it custom for people that raise their own animals, or slaughter—not slaughter, but, shot a deer or something like that, and they bring it in. They forego the inspection process because it is their own meat. What if they were to sell that meat, or donate it to a food bank? Does that violate that, and are they held accountable for that?

Mr. ALMANZA. So for beef, or for cattle, if they bring in their own—

Mr. YOHO. Like a club steer that somebody raises for a fair.

Mr. ALMANZA. If they bring that in for custom slaughter, basically, it has to be consumed by them, by the family that owns it. And it cannot be sold.

Mr. YOHO. What about if they donate it to a food pantry, like ground beef, or something like that? That would violate that and they are not supposed to do that?

Mr. ALMANZA. Yes, sir.

Mr. YOHO. All right. I just wanted that for clarification, so we can pass that on. The other thing is, on CSAs, the Community Supported Shared Agricultural Operations, they are starting to pop up more and more. And I have heard of some that are selling their produce at farmers' markets, or they are selling them to restaurants. Do they fall under the Food Safety Inspection Act if they are doing that *versus* me contracting with you to grow carrots and vegetables like that? Does that disqualify them in that process not to be inspected, or follow the FSIS protocols?

Mr. ALMANZA. So we work with FDA in the food inspection process. We don't have any involvement with the vegetables, and things of that nature. But the FSIA, obviously, will have an impact on what you are—

Mr. YOHO. Well, how about if they are growing organic eggs and selling those at a farmers' market? Does that fall under the inspection process, or are they in violation if they don't?

Mr. ALMANZA. Not ours, sir. We only do processed eggs, which are powdered eggs, liquid eggs, things—

Mr. YOHO. Okay. And then, on the catfish, I remember when we were discussing the farm bill here, back in 2014. It was my first year here. The question came up with catfish from Asia, the Asian markets, and how few were inspected for antibiotic residues. It was, like, .01 percent, which is virtually none, but yet there was meat showing up that had chloramphenicol, and nitrofurans in it, and other type of substances that, number one, is carcinogenic. The other one is detrimental to the bone marrow. How much of that is being tested, and how reliable is that? As far as if you have 1,000 pounds of catfish fillets, how much of that is being inspected and sampled?

Mr. ALMANZA. Yes. So we just started sampling the beginning of March, which is what started our regulatory authority over imported catfish. It is a little bit early to tell right now, but we believe that, as we start testing, and have more testing of the products that are coming in from the countries that are exporting to us, we should be able to have more data for you. I would say in a few months.

Mr. YOHO. Okay. What I would like to see, the percentage that you are testing on those fillets coming in, is that comparable to what is being tested here? Or is 100 percent of the catfish here being tested?

Mr. ALMANZA. It is 100 percent of the catfish that is being produced here is not being tested. We don't have the capacity to test 100 percent.

Mr. YOHO. Okay. All right. Mr. Chairman, I yield back, and thank you for the second round. Thank you.

The CHAIRMAN. Does anyone else on the Committee have another question? Well, since we have a couple of minutes, Al, would you walk us through a primer on how a country who currently is not exporting to the United States would go about the process of getting the equivalency standard, or whatever? You talked a little bit

about that, but walk the Committee through how a new country would be admitted.

Mr. ALMANZA. Sure. So, like, what typically happens is countries will see an opportunity, in fact, right now, like I say, we have 32 countries that are currently eligible to export to the United States. We also have 24 countries that are pending an initial equivalence determination. So what happens is these countries, or their central competent authority, which is basically their FSIS for another country, will write a letter to us and say, we are interested in an equivalency standard for our country. And we request them to fill out what we call an SRT, a Self-Reporting Tool, which is basically somewhere between 130, 140 questions that basically outline what it is that they do to meet our equivalency standards in the United States.

What we do from that is we glean the information from the SRT, looking at their central competent authority, and how they regulate down. In other words, how do we know that the inspectors in the field are doing the expectations of their central competent authority, and their organizational structure? We look at that. We also look at their methodologies for testing for *E. coli* 0157:H7, if they are going to export beef productions. If they are going to export poultry products, they are testing for *Salmonella* and *Campylobacter*.

And so it is pretty extensive, and so we go back and forth with them until they satisfy basically what our audit team will be looking at when we send them over there. And normally an audit team can be over there, depending on the number of plants that they put forward that will be exported to the United States, we can be over there anywhere from 2 weeks to a month, sometimes a little bit longer than that. And what we do while we are over there is we go into the establishments, look at their establishments, make sure that what they have identified in their self-reporting tool reflects what they have reported to us. And then we ask the inspectors, and the veterinarians that work in the plants, different questions about how they report deficiencies, and things of that nature, basically just looking for what it is that they do that makes them believe that their standards are equivalent to ours.

The CHAIRMAN. And then, on an ongoing basis, do you have surprise or follow-up annual, biannual, every 3 years, some sort of system to go back and make sure they are still doing what they told us they would do to begin with?

Mr. ALMANZA. Yes, sir. Usually the first year that they get approved, we will go back, for the first 3 years, annually, but we will always be reviewing either the self-reporting tool, and the data that they are putting in there. We review that all the time, but at least—

The CHAIRMAN. So they file that self-reporting thing annually?

Mr. ALMANZA. No, they have to keep it updated.

The CHAIRMAN. Okay. So there is a system if they were to make a change to their process, they have a duty to tell you they have changed it?

Mr. ALMANZA. Yes, sir.

The CHAIRMAN. Okay. And then, without telling who, have you ever turned anybody down?

Mr. ALMANZA. Have we?

The CHAIRMAN. Turned a country down.

Mr. ALMANZA. What we have done is not approve them, and they keep in the system to keep trying to get equivalency.

The CHAIRMAN. Okay. Anybody else? Well, as I told the previous panel, you guys are the two pretty faces of the organizations you represent. Might have brought better faces. No, I am just kidding. I am confident that your team goes to work every day, good people, decent people, trying to do the exact best job they can to prevent illnesses, and do all the things that they are charged with doing. And so thank you for their efforts, on behalf of the Committee, and thank you both for getting ready to go.

Mr. Derfler, it looked like you were ready to answer something over there, but thank you for coming in this afternoon as well. And we will be in recess for 10 minutes while we swap out panels.

Mr. ALMANZA. Thank you, sir.

The CHAIRMAN. Thank you gentlemen. I appreciate that.

[Recess.]

The CHAIRMAN. All right. I welcome our third panel for the afternoon. We have with us this afternoon the Under Secretary for Rural Development, Ms. Mitch. Did I—Mitch?

Ms. MENSAH. Mensah.

The CHAIRMAN. Mensah.

Ms. MENSAH. Yes.

The CHAIRMAN. There you go. Sorry about that. Joining her today is Brandon McBride, Administrator of Rural Utilities Service, Mr. Tony Hernandez, Rural Housing Service, and Mr. Sam Ridders, who is Administrator for Rural Business—Cooperative Service. Under Secretary Mensah, 5 minutes.

**STATEMENT OF HON. LISA MENSAH, UNDER SECRETARY,
RURAL DEVELOPMENT, U.S. DEPARTMENT OF
AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY
BRANDON McBRIDE, ADMINISTRATOR, RURAL UTILITIES
SERVICE, USDA; TONY HERNANDEZ, ADMINISTRATOR,
RURAL HOUSING SERVICE, USDA; SAMUEL H. RIKKERS,
ACTING ADMINISTRATOR, RURAL BUSINESS—
COOPERATIVE SERVICE, USDA**

Ms. MENSAH. Thank you, Chairman Conaway, and Ranking Member—

The CHAIRMAN. I will need you to use your microphone.

Ms. MENSAH. There it is. Thank you, Chairman Conaway, Ranking Member Peterson, and Members of the Committee. Thank you for the opportunity to be here this afternoon, and to discuss the Department of Agriculture's Rural Development mission area. And as you have already introduced, I am accompanied this morning by Rural Development Administrators Brandon McBride, Sam Ridders, and Tony Hernandez.

Rural Development, or RD, as we are known in our communities, we manage a loan portfolio of more than \$212 billion. We are organized into three agencies, Rural Utilities Service, Rural Business and Cooperative Service, and Rural Housing and Community Facilities. Our fundamental mission is to increase economic opportunity, and improve the quality of life for all rural citizens. Our in-

vestments support rural residents looking for affordable and safe housing, municipalities seeking water infrastructure in community facilities, and small rural businesses, co-ops, and ag producers who are looking to expand to new markets.

RD investment capital spurs economic development, and the jobs that come with it. I appreciate the authorities and the resources that are provided to us by Congress to allow us to continue our work on behalf of rural America. Since becoming Under Secretary, I have visited many projects to see how rural America benefits from our investments. I have also met many of our dedicated field staff, who engage directly with local lenders and community partners to solve problems and explore options for economic development.

RD continues to make investments in water, in electric, and broadband because they continue to be necessary for rural America to be competitive. Last summer, RD announced a loan and grant to the City of Baird, Texas to replace its wastewater treatment plant. This was just one of 39 projects in Texas, totaling over \$161 million to build and improve water and wastewater infrastructure in rural communities across Texas last year. RD dollars have also assisted with families affected by the drought. Recently I had the pleasure of traveling with Representative Costa, where we visited with a Madeira, California family that had received a loan to drill a new well.

RD contributes to economic growth. Since 2009 we created or saved more than 450,000 jobs, and helped 112,000 rural small businesses. There is tremendous opportunity to spur economic development in rural communities through renewable technologies. In Redwood Falls, Minnesota, farming implements dealer Welch Equipment received a Rural Energy for America Program, or REAP, grant to install a solar array that will provide nearly 88 percent of operational energy for that rural small business, saving them nearly \$11,000 in annual energy costs. In Kerkhoven, Minnesota a local producer received a REAP grant for renewable energy at their pasture-raised livestock farm. This farm uses drug-free feed, and small family-owned processors, to raise and process its livestock in order to provide products from the pasture to the plate at local restaurants. Since 2009 RD has helped more than a million rural families to buy, repair, or refinance a home. In Fiscal Year 2015, we did not leave \$1 unspent in our program to provide direct mortgages to low- and very-low-income Americans. We understand the unique needs of rural residents, and we remain committed to serving them.

Additionally, RD works with communities to improve the quality of life for rural residents. One example of this collaboration was in Georgia, where a Community Facilities grant provided equipment to help school districts in five rural counties promote STEM education. And this kind of investment linked universities to rural K-12 public schools to enhance opportunities for rural students. RD plays a key role in USDA's place-based efforts to ensure that our loan and grant programs are available and accessible, even in persistently poor areas. Our proactive approach identified and assisted areas of greatest needs in rural America, and I am committed to

providing increased opportunities to allow everyone to share in the prosperity of a growing economy.

I want to end today on our people. Every day nearly 5,000 Rural Development professionals work to grow businesses, provide affordable rural housing, maintain and upgrade infrastructure and investments, and our staff live, and work, and raise their families in the communities they serve. They are smart, they are dedicated, and resourceful. And because Congress has supported this field-based delivery system, we have staff in every state, singularly focused on making rural communities stronger and more vibrant. Yet in recent years fewer personnel had to do more work, and we need to continue to invest in our people to ensure that they can provide quality services.

Congress has provided significant resources to make a real impact in rural places, and I assure you that we are not only careful, we are always working to stretch the dollars. So thank you for your continued interest, and I am looking forward to the opportunity to testify before the Committee, and happy to answer your questions.

[The prepared statement of Ms. Mensah follows:]

PREPARED STATEMENT OF HON. LISA MENSAH, UNDER SECRETARY, RURAL DEVELOPMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Conaway, Ranking Member Peterson, and Members of the Committee, thank you for the opportunity to discuss the programs, successes and challenges of the Department of Agriculture's Rural Development mission area. I am accompanied this afternoon by Mr. Brandon McBride, Mr. Sam Ridders, and Mr. Tony Hernandez, Administrators for Rural Development's Utilities, Business and Cooperative, and Housing Services, respectively.

Rural Development's fundamental mission is to increase economic opportunity and improve the quality of life for all rural citizens. Our investments contribute to rural growth and support the needs of the 46 million American citizens that provide the food, fiber, fuel, and durable goods the rest of the nation, and the world, depend upon.

Since 2009, Rural Development has provided grants and loans to help grow the economy, create jobs and provide housing and opportunity for home ownership. Rural Development has helped approximately 112,000 rural small businesses grow, creating or saving an estimated 450,000 jobs; invested in more than 6,600 critical community projects including hospitals, libraries, schools, and public safety facilities; supported more than 3,000 multi-family housing developments; and helped more than 1.1 million rural families buy, repair or refinance a home helping more than 141,000 rural Americans become homeowners in FY 2015 alone.

Rural Development has also invested a total of \$13.3 billion since FY 2009 in new or improved infrastructure in rural areas through 10,623 water projects. These improvements helped nearly 18 million rural residents gain access to clean drinking water and better waste-water disposal. Rural Development staff provided grants and loans for water and waste-water projects to help safeguard the health of approximately 15.7 million rural residents. Modernized electric service was delivered to more than 5.5 million subscribers and over 180,000 miles of electric lines were funded. We invested in new and improved broadband service to nearly 1.5 million rural residents, which expands access to state-of-the-art health care, educational and cultural resources, and provides the opportunity for local businesses to compete in the global economy; helped modernize rural electric infrastructure for about 5.5 million rural residents and businesses.

As this Committee well knows, the economic well-being of all Americans is inexorably tied to rural growth. We are proud to serve the needs of rural people and places to ensure that rural America continues to thrive and to drive the economy. I have had the benefit of visiting a number of projects throughout the country and am excited by the innovation and cutting edge technology in use and growing the rural economy.

Our dedicated field staff in nearly 400 offices live in the areas they serve closely collaborating with those communities to engage directly with local lenders and partners to solve problems and explore options for sustainable economic development.

Our work is designed to maximize taxpayer dollars, leveraging private-sector financing or providing a guarantee to private banks. Small businesses looking to expand into new markets and create jobs, municipalities seeking to lower energy and water costs and improve efficiency, and rural residents looking for safe, affordable housing are all well served by Rural Development.

We are able to conduct this important work strengthening rural America through the authorities provided to USDA by Congress and the work of this Committee. The 2014 Farm Bill renewed our authority to strengthen our efforts on our core programs for rural America. I want to thank the Members of the Committee for your continued commitment to the well-being of rural America and for your support of Rural Development investments in towns and communities across the country.

The Rural Utilities Service—Investing in Infrastructure for a Modern Rural America

The Rural Utilities Service (RUS) has an 80 year history of funding basic infrastructure, providing the critical financial support for electric infrastructure, clean, safe water and wastewater services, and finally, bridge the digital divide with broadband service to help healthy rural communities grow and prosper. During 2015, RUS has provided over 5.5 million rural consumers with improved electric service, over 2.8 million rural households, businesses and community institutions with better access to telecommunications services, and over 18 million rural residents with improved water and wastewater services.

For example, Rural Development provided over \$22 million to assist the communities of Cameron, Maysville, and Stewartville in northwest Missouri. Over the last 10 years these towns have struggled to provide their residents with water due to drought and aging water treatment facilities. These funds will be used to construct a 36 mile water line and related storage and pumping facilities. The system improvements will bring safe, clean, and abundant water to about 4,370 rural households and businesses.

Overcoming geographic and demographic challenges to offer access to robust broadband service is difficult and among the reasons that less than 40 percent of those living in rural communities have high speed Internet service. In 2015, RUS awarded \$280 million to improve telecommunications services—including broadband delivery, distance learning and telemedicine systems, expansion of rural 911 systems, and other telecommunications infrastructure—for 2.8 million rural customers. Since 2009, USDA has awarded \$6.7 billion for nearly 550 projects to improve telecommunications infrastructure in rural communities.

In September 2015 the White House released a report submitted by USDA and the Department of Commerce on ways to continue to bring broadband to unserved areas. Work continues on those next steps of getting robust broadband service available to all who live in rural areas. As part of those efforts, many RD programs can be an important resource in this effort.

Efforts such as the Community Connect grant program, provide broadband grants to better target last-mile funds to rural communities that are least likely to have broadband infrastructure needed for economic development. Rural Development also invests in Distance Learning and Telemedicine Programs (DLT) to provide innovative breakthroughs and increased medical care access for rural citizens.

Rural Business and Cooperative Services—A Force for Rural Jobs and Revitalization

USDA's Rural Business and Cooperative Service (RBS) continues to bring investments and jobs to rural areas that improve lives of rural Americans. In FY 2015, RBS helped more than 12,500 rural businesses through \$1.5 billion in loans, loan guarantees, and grants. Since 2009, USDA has helped over 112,000 rural businesses start or expand operations with nearly \$11 billion in investments.

The Rural Economic Development Loan and Grant Program has made over 600 awards totaling over \$365 million assisting nearly 1,100 businesses and helping create or save over 31,000 jobs since 2009. In FY 2015, RBS made under this program 38 loans, totaling \$38.6 million, and 33 grants, totaling approximately \$9.2 million. One example is a \$2 million loan to East Mississippi Electric Power Association to provide a loan to Winston Plywood & Veneer, LLC to purchase machinery and equipment needed for an \$85 million plywood and veneer manufacturing facility to be located in Winston County, Mississippi, a consistent poverty/StrikeForce county. The project is expected to create 300 new jobs.

The Rural Energy for America Program (REAP) has significantly contributed to doubling the number of farms using renewable energy production in the last 5 years. Since 2009, RBS renewable energy programs have made 11,649 awards to provide over \$720 million in funding to agricultural producers and rural small busi-

nesses to strengthen rural economies. REAP is bringing down energy costs for rural small businesses and agriculture producers and making them more competitive in the global marketplace.

In 2015, RBS awarded Wellons Farm, LLC, in Johnson County, North Carolina, a \$4.3 million REAP loan guarantee to provide financing to install a 6.5 megawatt photo-voltaic solar array on the farm. Once the system is up and running, the solar panel system will generate enough energy to power 1,000 average sized homes per year.

During FY 2015, RBS provided approximately \$59 million in Cooperative Program grants to support over 4,000 projects in business, agriculture and health care sectors. Since 2009, RBS has helped more than 15,000 farmers, ranchers and businesses through approximately \$224 million in funding.

Today, we are using lessons learned from our lengthy experience in rural America to help communities capitalize on emerging opportunities in the 21st Century economy. Consider our work in the rapidly expanding area of local and regional food systems. In FY 2015, RBS provided \$88 million to assist over 1,400 producers and businesses for local and regional food systems.

One example is Buffalo Creek Beef, LLC of Lexington, VA, which received a \$200,000 working capital Value-Added Producer Grant (VAPG) in FY 2015 to produce high-value beef utilizing a unique processing and finishing method that results in a hand-raised, all natural product. This family-owned operation concentrates on local markets and will use grant funds to diversify their product line to include a wider variety of raw and ready-to-eat products.

Rural Housing Services—Anchoring Communities with Homes and Essential Facilities

A special point of pride for Rural Development is our housing programs. The Rural Housing Service and Community Facilities (RHS and CF) make critical loans and grants to support rural residents and the communities in which they live. Congress has defined for us a tremendous set of housing and community development programs to ensure that rural families have access to safe, affordable homes and thriving communities.

Since 2009, Rural Development has helped more than 1.1 million rural families buy, refinance and maintain homes with \$137.5 billion in RHS investments. During FY 2015, our Rural Development housing programs provided \$19.5 billion to help more than 141,300 families with modest incomes buy, finance, or repair their homes. These programs mean that low and moderate income borrowers are now on the journey to homeownership, which will help build wealth and security for rural families. We offer one of the best home mortgages in the United States and boast a low default rate. Additionally, we left no dollar unused in our [section] 502 direct mortgage program and we plan to do this again in 2016. We understand how vital this core program is to rural America.

Another significant part of our housing program provides rental assistance to low-income people who live in USDA-financed multi-family housing. During FY 2015, RHS helped 10,840 families build or renovate about 450 multi-family housing rural apartment complexes through \$277.2 million in funding.

We have worked hard to address recent challenges of providing sustainable rental assistance to those who rely on this program, and I am optimistic that these efforts and the FY 2017 investment build a stronger program to better serve rural residents.

RHS continues to make tremendous gains to its systems and processes—and recently took on a decade of needed upgrades. As of this spring, our guaranteed Single Family Housing loan program is now paperless. Not only are we saving 37,500 reams of paper every year, we've lowered postage costs, saved printer ink, and are moving loan guarantees out the door more efficiently, making our programs easier for our customers to use.

USDA Rural Development, through its Community Facilities programs, has taken a leadership role in facilitating and strengthening public private partnerships to ensure that rural residents have the opportunity for a brighter future with good schools, quality health care and other critical community infrastructure needs. Since 2009, this program has improved the quality of life for rural residents by investing \$9.6 billion in more than 9,000 community infrastructure projects.

School districts in rural Clay, Colquitt, Quitman, Randolph, and Sumter counties are partnering with the Georgia Tech Research Institute (GTRI) to build STEM distance learning infrastructure for STEM education and outreach. USDA Rural Development provided a \$99,900 Community Facilities grant in 2015 to help purchase teleconferencing and online access equipment to facilitate STEM program outreach. Since 2013, USDA Rural Development has provided ten grants totaling almost

\$502,000 to educational institutions to support STEM education in rural Georgia and give local students a competitive edge in the job market.

Addressing the Challenge of Rural Poverty

Under Secretary Vilsack's leadership, there has been a push to transform rural America from a primarily agri-based economy to one that makes, creates and innovates. A focus on taking advantage of the emerging bioeconomy, including biomanufacturing and advanced biofuels, local and regional food systems, broadband, and telemedicine has not only supported the most productive agricultural sector in the world, but also assisted rural communities to be places where all businesses have prospered and created jobs. I am committed to continue this work of providing increased opportunities to allow everyone to share in the prosperity of the growing economy.

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

Across the country poverty rates are in decline. Still, in 2014, roughly 2.5 million children in rural areas were poor and approximately 1.2 million children lived in rural families with cash incomes below ½ of the poverty line. Rural and tribal communities face distinct challenges to combating rural poverty, including limited access to critical services, fewer job prospects, and in some places, relative lack of institutional capacity. The budget requests \$20 million in grants to rural communities to implement two-generation strategies that seek to intentionally align high-quality workforce development programs with high-quality child-focused programs. In addition, the budget requests \$5 million to support data systems alignment across several USDA and HHS programs to gain efficiencies and maximize impact of existing programs.

Throughout my travels to rural communities, it is clear that addressing the challenge of outmigration and giving our next generation of rural Americans opportunities to stay and use their skills to earn a living in their communities was extremely important to local community leaders, family members and businesses. I know this can be done.

Investing in the People to Make Rural Development Investments Possible

All that Rural Development does is possible because of the people who do this work. Every day, 5,000 Rural Development professionals work to help rural business, provide affordable rural housing, and maintain and upgrade infrastructure investments. Because Congress has supported our field based delivery structure, Rural Development has staff in every state to make and service the loans and grants that help our rural communities become stronger and more vibrant.

Over the course of my career, in both the philanthropic foundations and the private-sector financial industry, I have had the opportunity to work with great people. In my 14 months in this position, I could not be more impressed with the men and women of USDA Rural Development. They are smart, dedicated and resourceful. Fewer personnel have done more work. Our field based staff works, lives and raises their families in the communities they serve. They deserve our praise and support for the work they do.

This work modernizes rural America; it connects citizens to broadband; it builds a cleaner future through renewable power and energy efficiency; it reduces child poverty by investing in businesses; it helps manage the growing healthcare needs of an aging population; it builds rural places where young people want to stay, start families, build businesses and create futures.

I will focus on increasing investments in our people to continue to provide quality service in both our national office and in the field, where staff are part of our rural communities. There is a need for new employees to fill mission-critical skill short-

ages, particularly important since Rural Development's loan portfolio has grown to more than \$212 billion.

Congress has provided significant resources to make a real impact in rural places. Yet the opportunities and the challenges of rural America make it clear to all of us that taxpayer dollars will continue to deliver stronger economies in rural communities. There is something extraordinary about rural America's ability to survive and thrive. It is a place where values count and where stewardship is a meaningful obligation.

Thank you for your continued interest and support of Rural Development programs. Together, we can coordinate and leverage our resources to invest in our country's future and turn Rural Development's transactional work into transformational work.

I appreciate the opportunity to testify before this House Agriculture Committee. At this time, I am happy to answer your questions. Thank you.

The CHAIRMAN. Thank you, ma'am. I appreciate you and your team being here today. I will recognize myself for 5 minutes.

On your Community Facilities grants *versus* direct lending programs, you zeroed out again this year the loan guarantees *versus* fully funding the direct lending. Does that tell me, as a former banker, that there is less credit risk in a direct loan than there is in a guaranteed loan?

Ms. MENSAH. There is less—

The CHAIRMAN. And why is that?

Ms. MENSAH.—and we have a lower subsidy rate.

The CHAIRMAN. Why wouldn't the banks make those direct loans instead of the government?

Ms. MENSAH. Well, the subsidy rate is composed of many things, but right now it is a difference in how we charge for those loans. And this direct portfolio—you have given us such an authority that we feel we have huge ability to use that portfolio, and we are using it very, very well.

I want to bring on our Administrator too, Tony Hernandez, to just say a word about the differences in the guaranteed and the direct.

Mr. HERNANDEZ. Thank you very much. Mr. Chairman, the direct program is a very outstanding program. It is \$2.2 billion that handles both public facilities, which is health care, which is about 45 percent. But most every loan that we do with—is shared interest and shared lending, so we don't do the whole project. Somebody else is doing part of the lending.

The CHAIRMAN. Do you generate the loan, and they will participate with the local banker, or does the local banker come to you for the participations?

Mr. HERNANDEZ. Both. We generate the—loan, so we have a direct loan that we do, but usually there is other type of financing. Most of the time it is tax credits or some bonds that are coming into the financing as well. But we do direct lending.

The CHAIRMAN. Okay, you said you participate, but you don't participate directly. With the way that term is traditionally used in banking you don't participate with other banks?

Ms. MENSAH. We don't farm it out, and share—

Mr. HERNANDEZ. We do not farm it out.

Ms. MENSAH.—no.

Mr. HERNANDEZ. We have a guarantee program that we have zeroed out, but in the past we have used guaranteed lending.

The CHAIRMAN. Okay. I am still walking myself through this. The bad news is, I have had some experience in this area, so I am having a hard time understanding why direct loans are less credit risky than guaranteed loans. Why would you guarantee something to somebody else? In the guaranteed lending, does the person you guarantee, do they bear all of the risk?

Mr. HERNANDEZ. No. When we work with other lenders, lenders who want to do the short-term financing. We tend to do long-term financing, financing up to 40 years. So what we are trying to do is to reduce the cost to access the capital, work with other type of financing mechanisms, which is usually a bond or tax credits, do market tax credits, other ways that other financial institutions are participating. But we do a direct lending that makes the deal possible.

The CHAIRMAN. So I really shouldn't compare these portfolios because they really aren't comparable lending portfolios? The guarantee is for shorter-term—

Mr. HERNANDEZ. Shorter-term.

The CHAIRMAN.—and then your direct lending is for longer-term. What is the default rate on your direct lending?

Mr. HERNANDEZ. We are under two percent, sir.

The CHAIRMAN. And how much—two percent of \$2.5 billion?

Mr. HERNANDEZ. About two percent.

The CHAIRMAN. Is that annually?

Mr. HERNANDEZ. That is annually.

The CHAIRMAN. All right. How does that show up on approps?

Mr. HERNANDEZ. On our appropriations?

The CHAIRMAN. Yes.

Mr. HERNANDEZ. It is—

The CHAIRMAN. Well, I mean, how does that get scored so to speak?

Ms. MENSAH. Yes. You know, what, we should—

The CHAIRMAN. Excuse me a second. Mr. Rouzer, could you move one way or the other, buddy? There we go. Thank you.

Ms. MENSAH. This is a very big room.

The CHAIRMAN. You have Tony and I—

Mr. ROUZER. What is it with you and Rodney Davis?

The CHAIRMAN. Well, thank you, buddy.

Ms. MENSAH. I think what we should do is have a more precise discussion, or maybe we can give you a longer briefing. What I reflected was the negative subsidy rate, which is causing our direct program to be such a lower—it was incorrect of me to say that it has lower risk. I think the portfolios are comparable, but with a negative subsidy rate, which is driven by a variety of things. Loss experience is one of them, but it is not the only portion of that—

The CHAIRMAN. All right. Negative subsidy rate.

Ms. MENSAH. Yes, correct.

The CHAIRMAN. That would be income earned—

Ms. MENSAH. Negative rate.

The CHAIRMAN.—on the portfolio?

Ms. MENSAH. Excuse me?

The CHAIRMAN. I don't have a clue what that means, but is that income earned on the portfolio?

Ms. MENSAH. I know. As a former banker, this was the first time I have heard of this too, coming into this job. But the way we price our loans is really with this subsidy rate, and when it is negative like this, that is a combination of wonderful performance on the loans, and also the income we make on those loans.

The CHAIRMAN. Got it. So, real quick, \$10,000 loan, you are going to charge me six percent interest rate, 3 year amortization. What is a negative subsidy?

Ms. MENSAH. It just means that, for the government's books, we know that when we make that loan, we are actually going to make more money on it. We don't cost budget authority to make that loan. So when we are back on that loan—

The CHAIRMAN. All right. Is that the same thing as borrowing money at three percent, and I am loaning it to you at six?

Ms. MENSAH. I think that might be a way to say—I have to think about that. If you are borrowing at six—

The CHAIRMAN. No, I am lending at six. I am borrowing—

Ms. MENSAH. Lending at six and borrowing at three. Meaning there is a three percent spread?

The CHAIRMAN. Right. Is that the negative subsidy?

Ms. MENSAH. That is the—

The CHAIRMAN. I am not trying to be argumentative. I just don't—

Ms. MENSAH. No, I know. The best way I have learned the subsidy rate, and I have my budget team behind me, and I am happy to speak longer, it is really the cost for us to make the loan. And when it is negative, it means we can do so much more, which is why we have really leaned into this program, and have—

The CHAIRMAN. Okay. So if it is negative, you can do an infinite amount?

Ms. MENSAH. Well—

The CHAIRMAN. No, never mind. Thank you, we will get back with you on that.

Ms. MENSAH. No, it is a great program.

The CHAIRMAN. My vaunted team will explain the term.

Ms. MENSAH. Thank you. And I am happy to—

The CHAIRMAN. With that, I now recognize, Mr. Kelly, 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman, and thank you, Under Secretary and Administrators, for being here. My first question is to Mr. McBride, and it deals with rural broadband. Administrator McBride, I understand there is about \$10 million available in the Community Connect Grant Program with no backlog. There is about \$50 million available in the broadband loan program, but it currently has nine applications awaiting action, which total about \$80 million. The President's Fiscal Year 2017 budget proposed nearly quadrupling the Community Connect Grant Program from \$10.3 million to \$40 million, saying the program is oversubscribed, while proposing zero dollars for the Broadband Loan Program, saying in rural areas it is often difficult to make business case to support loan funding, and therefore granting assistance more appropriate.

When considering the various technologies that are interested in receiving our U.S. financing and Universal Service Fund support to provide mobile and fiber-based broadband in rural areas, how

should we balance the need for competition in providing solutions for the costs of rural deployment with the Communications Act standard of reasonably comparable networks in urban and rural areas?

Mr. McBRIDE. Thank you for the question, Congressman. Actually, all of our telecom programs tend to be oversubscribed. Last year, with the \$10 million we had in Community Connect, we were able to fund I believe five or six projects. We had more than 60 applications. With the budget request, considering the difficult budget environment that we know that we are in, we put the—we chose to direct the funding towards the Community Connect Program, which is targeted to communities that do not have service.

The farm bill loan program which you referenced, that we are processing applications right now, that is a great program, and we are proud of the work that it does there. But in this environment, we chose to recommend putting the resources that we do have towards unserved communities.

Mr. KELLY. And my next question is to Administrator Hernandez. And—Mr. Newhouse of Washington was here earlier, and I don't know if he is going to be back, so he asked me to ask you this question. It is on the Farm Housing Program. As you are aware, the Section 514 Loan Program provides financing to buy, build, improve, or repair housing for farm laborers. The range of eligible tenants was expanded in the 2008 Farm Bill, but legally admitted temporary laborers, such as H-2A workers, remain ineligible for Section 514. Obviously, for farmers, it would be helpful if they could focus more on farming, and less on housing tenant criteria for their farm workers. Can you tell me, do you believe the USDA currently has the authority to alter the terms of tenant eligibility, or do you think that would require legislative activity?

Mr. HERNANDEZ. Thank you for the question, Congressman Kelly. Congress has given us only statutory authority to provide housing for farm workers, but not H-2A residents. We cannot do that.

Mr. KELLY. And, Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back. Mr. Yoho, 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman. Secretary Mensah—is that right?

Ms. MENSAH. You got it.

Mr. YOHO. All right. You said your portfolio was \$2.2 billion, and you had a failure rate of less than two percent on the direct loans. What about the overall lending of the \$2.2 billion—

Ms. MENSAH. That two percent is an overall.

Mr. YOHO. That is the overall? And then—

Ms. MENSAH. That is an overall.

Mr. YOHO.—direct loans are comparable to two percent?

Ms. MENSAH. Yes.

Mr. YOHO. Or less than two percent? And I want to kind of clarify that negative subsidy, because I too am confused about that. Tell me if this is right. A negative subsidy implies the performance of the loan returns more than the expense or cost of the subsidies, therefore it is positive, right? The government is making money off—

Ms. MENSAH. The government is making—

Mr. YOHO. All right. That is good.

Ms. MENSAH. Yes. I am sorry.

Mr. YOHO. We have that cleared out.

Ms. MENSAH. Yes.

Mr. YOHO. Administer McBride, at the Ag Appropriations hearing on Tuesday, you said the demand for the Broadband Loan Program was double the program level. Why would you zero out this program, and nearly quadruple the Community Connect grant program instead?

Mr. MCBRIDE. Thank you for the question. Again, understanding the budget environment, and looking at what we wanted to propose for Fiscal Year 2017, we chose to recommend directing the funding that we thought might be available to communities that do not have service at this time, and Community Connect serves communities that do not have broadband service currently.

Mr. YOHO. Okay. Let us see. A follow-up question: In a loan situation, the government is paid back, with interest, correct? That is not the case with the grants. In this time of budgetary constraints, do the grants really do the most good, in your opinions?

Mr. MCBRIDE. I think that there is a lot of need for rural broadband expansion, so we were just looking at the various tools that we have. We are proud of all the programs that we are fortunate to administer, and, again, we were looking at targeting resources to communities that do not have service.

Mr. YOHO. And I appreciate the help you have given us, because we have sat in our office and gone over trying to get rural broadband out to an area that talked about wanting it more than they wanted to put the effort behind. But we will be back with you on that.

Mr. MCBRIDE. We are happy to help whenever they are ready.

Mr. YOHO. I know you are, and it was funny, because you heard people complaining about it. Then, when you sit at the table, they are like, well we really don't want it that bad.

Mr. HERNANDEZ, again, I wanted to ask you, the cost of administering the direct loans that you do *versus* the guaranteed loans, the guaranteed loans are going through another lending entity that you are guaranteeing that. And the question I asked before is, would it not be—or the cost of administering in the USDA—they would have to have their own banking system, collecting the funds, and doing all the accounting. And as most business entities, the cost of the labor is the most expensive part. We had a hearing today where 80 percent of a billion dollar budget went to the employees. In your situation, what is the cost of administering a loan for through the USDA for the U.S. Government?

Mr. HERNANDEZ. What is the cost for processing—this is a single—

Mr. YOHO. Well, just to run the direct loan program, as far as labor, how many people do you have, and expense of that. Because where I am going is, would it be better to have you guarantee the direct loans, and stand behind them as the USDA, and let a private entity do them, and be the bank—

Mr. HERNANDEZ. That is a great question, Congressman. As you and I were talking before, the reason we do the guaranteed loan is that lenders are willing to participate. We actually welcome and

encourage the private-sector to provide single family loans. For some of our customers, lenders will not lend to those folks, even though they are creditworthy, because they are more challenging customers. And so that is why, in the wisdom of Congress, you set up what we call our retail process, so we have offices in every state, so a citizen can come and get a loan that would not be approved by a private-sector lender.

Mr. YOHO. I realize that, and I appreciate the compliment of the wisdom of Congress. I appreciate that. But, again, if the government is going to stand behind a direct loan, could you not stand behind that in a private entity if it were to fail, that you are going to pick up that loan with the same guarantee, and move the overhead of the cost of that program of administering it in the USDA, and let the private-sector take it?

Mr. HERNANDEZ. That is a good question. We have worked with the private-sector, and they have told us they will not do certain loans. That is why we do about 140,000 loans that the private-sector does that we guarantee, and we only do about 7,000 loans that we do, so it is a very small amount. But lenders have told us they will not do those loans, and so this is a nice partnership between the government and the private-sector to increase home ownership jointly. And that is the role of government, to go places where the private-sector does not go, and that is what we are doing.

Mr. YOHO. I appreciate you clarifying that, bringing that out. Thank you. I yield back.

The CHAIRMAN. The gentleman yields back. Mr. Scott, 5 minutes.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. Ms. Mensah, first of all, thank you for coming to Tifton, and Worth County, and the other counties that we got to go to together in October. I appreciate the opportunity to speak with you. And, as I mentioned when you were there, one of the challenges we have in rural Georgia is that many times we only have one or two major employers, and many times they are family owned, or ag related, and certain tax issues that can have a tremendous impact on the whole community. Federal and state tax is an example, is one that I appreciate the opportunity to discuss with you, and the impact that that has in those areas where you have only one privately held business.

But one of the things that I would like to ask you about is the public-private partnerships, and how the USDA is supporting working in partnership with the private-sector regarding rural infrastructure, and projects that get back to kind of the basic necessities, whether it be water, sewer, or other infrastructure needs?

Ms. MENSAH. Thank you, Congressman Scott. I had a wonderful visit in Georgia. And what you have put your finger on is a key interest of this agency, of this Secretary, and of this President. We understand, as the Administrator just spoke to, that we can't do all the lending. All the infrastructure needs exceed even the powerful resources, and this powerful book of business, that I have the pleasure to lead. And so we have been very interested in expanding our portfolio with private partners. One way we do that is in our guarantee programs. Even sometimes when we are making a direct investment in our Community Facilities, as Administrator Her-

nandez spoke, private investors are the initial construction financier.

But as you speak to infrastructure, we know that the needs exceed our authorities, and even our specific ways we can work. You have authorized us in water, for instance, to work only in communities up to 10,000 people. And we know that there are other needs. So this Administration seeks to partner. We have had an initiative looking at ways we can increase the partnership. There was a conference where partners, such as CoBank, made a commitment to increase lending to co-lend with us where possible. So we have been proud of that work. We will continue to look for partnerships, and we thank you for the authorities to work that way.

Mr. AUSTIN SCOTT of Georgia. One of the concerns that I have is that the President's budget, whenever he submits it, it certainly appears, if you look at the numbers, that he seems to prefer the direct lending model to the guaranteed lending model. Certainly, it seems to me that the guaranteed lending model is more efficient, allows us to use our resources more efficiently. Is there a reason that we continue to see the press from the President, where does the bias for the direct *versus* the guaranteed lending come from, I guess is my question.

Ms. MENSAH. Well, I would say it is wonderful to have both tools, and during this Administration the expansion of the guaranteed program, particularly in our housing, has been tremendous. The current authority we are asking for, \$24 billion in guaranteed lending, it dominates our portfolio, but we do have a preference to be in both tools. And in part it is exactly as the Administrator spoke to, we can't reach the markets just with our guarantee, so there is a preference to hold on hard to our ability to directly lend. You won't see the kind of vibrant rural America if we step aside and only do it through a guarantee.

I think one thing that is missed often is the tenor of our loans. A 40 year exposure is rare in the marketplace, and we have that privilege. We make those choices well, and we have something else that, as banking has compressed, we have an ability to work close to our local partners, close to communities.

Mr. AUSTIN SCOTT of Georgia. Ma'am, I apologize, I am down to about 30 seconds—

Ms. MENSAH. Sorry.

Mr. AUSTIN SCOTT of Georgia.—but you mentioned the total volume of the loans. What is the Department doing to monitor those loans, and to make sure that they are in good standing, and ensure that the taxpayers don't take losses on them?

Ms. MENSAH. Yes. Every piece of our agency owns its own risk. We have extensive risk monitoring. We have extensive review of loans. And that is why I believe we keep a very low default rate overall in our portfolio. The taxpayer would be proud.

Mr. AUSTIN SCOTT of Georgia. Thank you, Mr. Chairman. I yield the 2 seconds back.

The CHAIRMAN. The gentleman yields back. Mr. Goodlatte.

Mr. GOODLATTE. Mr. Chairman, thank you very much. I appreciate this panel, and their contribution, but I don't have any questions.

The CHAIRMAN. The gentleman yields back. Mr. Thompson, 5 minutes.

Mr. THOMPSON. Madam Secretary, thank you. I am over here. Thank you—

Ms. MENSAH. Sorry.

Mr. THOMPSON. That is all right. Now, thank you so much for being here, for your leadership, and thank you for your staff. A few months back I hosted, for lack of a better name—it was a Rural Development town hall, and one of your very dedicated, and very competent, staff, Gary Reed, came in, and between the two of us we had invited in—and we had township supervisors, and we had people who work in health care, and when you have a cross-section of the rural communities within that part of the quarter of Pennsylvania I represent. Kind of one stop shopping for information.

Ms. MENSAH. Yes.

Mr. THOMPSON. And it was very, very helpful, and I would certainly commend that the—or suggest that to my colleagues. A lot of folks there who just didn't know what was available, and I thought it was also a very efficient way to get information out to them. And, in fact, it would—it all came about in the—in my introducing Mr. Reed, and sharing my perspective and experiences with Rural Development. I talked about how my staff had been working with a mental health provider. Significant need in all of America, but certainly in rural America as well, where our access issues are compounded by distance.

And in this particular organization, they were—this nonprofit was—wanted to—knew they needed to do something. But I will—honestly, they went to the website, and they looked at the application process, and—kind of scared them away. And, thankfully, we convinced them to sit down with the local Rural Development person. And after 60 minutes at the end of the—end of that meeting, they came away with a ribbon cutting date. Yes. It was—

Ms. MENSAH. Wonderful.

Mr. THOMPSON.—pretty impressive, and it was obvious to myself, my staff, at that point where we needed to work with you to get those connections made. A couple real quick questions. One is just under biofuels. Are any of the refineries that are funded through USDA energy programs producing advanced biofuels, I guess what I would call second generation biofuels, on a commercial scale, and what other products are they producing?

Ms. MENSAH. Thank you for your question, and I am going to pull in Administrator Rikkens on this. We are excited by the expanded authorities of the 2014 Farm Bill on advanced biofuels, and we are seeing some of our first applications, and our first—and are moving toward an expanded portfolio. But I will ask Sam Rikkens to say a few words about the current portfolio.

Mr. RIKKERS. Thank you, Congressman. Our current portfolio has—of the section 9003 program—let me just, at the very outset, thank this Committee for its investment in the 2014 Farm Bill in that program, but also in its direction to expand the program beyond just advanced biofuels. It is now expanded, as of last year, to the renewable chemicals and biobased product manufacturing facilities. And so we see great promise in that. We have seen incredible interest from new applicants. We have already started—these

are complex projects, but it will be better for the larger bioeconomy and rural communities.

With respect to your question about the biofuel—the advanced biofuel facilities that the program has already funded, we have two projects. INEOS is one, and Sapphire, which is another, which are producing advanced biofuels. And we look forward, with the new direction that Congress gave, that we have followed up on, for that to increase, going forward.

Mr. THOMPSON. Thank you. Mr. McBride, I just want to see—the Administration's Clean Power Plan that is currently been stayed by the courts, but I have significant concerns, should they go forward, looking at the portfolio that our electricity providers use, and relying on a diverse portfolio, and certainly a lot of fossil fuels for the base load. I really think it is a misguided rule, if it were to go into effect. How would this impact the electric loan portfolio, given the significant dependence on fossil fuels for the base load at this point?

Mr. MCBRIDE. If the Clean Power Plan does go forward, there is still some things to be worked out between the states and EPA, if it is implemented. With regard to your question about our loan portfolio, we have about \$7 billion tied to coal assets in our portfolio. We talk to our borrowers constantly, and believe that we have authority and the ability to work with them if they need to come into compliance with the Clean Power Plan.

Mr. THOMPSON. Well, let me just close here—I want to say, I have more confidence with those folks' ability to work with you than I do the EPA. Thank you.

The CHAIRMAN. The gentleman yields back. Mr. LaMalfa, 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman. First of all, to Under Secretary Mensah, we wanted to say thank you for your help in a rural loan program that helped a hospital up in northeastern California, Mayers Memorial, to secure a loan that was very, very important for them. Long time coming, and helped them get over the line, especially with California's very burdensome earthquake mandates that are still in place, even in areas where there are no earthquakes. So that was a Godsend for them, so we appreciate the help on making that—

Ms. MENSAH. Good.

Mr. LAMALFA.—getting that over the line for those folks up there. So thank you. Just following up a little more on the broadband, I am sorry I didn't get to hear the whole—for the whole Committee, with everything going on here today, but rural broadband, is very important for folks like Mayers, and telemedicine, and a lot of the other technology to keep rural America hooked up.

We want to make sure that the advanced broadband networks that are coming into place that can be—at an affordable price are accessible to rural areas, as well as urban. Again, the technology is leaps and bounds for, as I mentioned, telemedicine, others. USDA has done a lot to invest in this, and I appreciate that too. You mentioned in written testimony the different ways you are addressing it, since the last few years—\$6.7 billion in awards to im-

prove the technology in rural communities, and about \$280 million last year.

Now, you still have gaps where there are many rural residents who have zero broadband access, as opposed to, well, juxtaposing that there are other areas that have some that are being upgraded. So my question is, are our U.S. folks seeing their dollars on those areas who don't have any options at this moment, rather than working to speed up Internet, what might be seen as duplicative efforts on areas that are already oversubscribed? How are we working to fill in that zero gap, or upgrading areas that are oversubscribed?

Ms. MENSAH. Right. Congressman, you ask a very important question, and I can say assertively that we do prioritize unserved areas. One of the reasons why we asked for an increase in grant funds is to reach those areas in greatest need. When I was in California, the home of Silicon Valley, I was surprised to hear even in California we have big stretches without adequate high speed broadband, and those remain our priorities.

Congress provided us great direction in the farm bill to ensure that our resources go to unserved areas, and so we follow that language in the farm bill, and you will see we have to require that our applicants have 15 percent of the population that is unserved. So you will see that as our priority, and that remains our priority.

Mr. LAMALFA. Okay. And I know there can't be a one-size-fits-all due to the geography involved in everything, but I appreciate that pledge and effort to fill in all the gaps. What more can we do to ensure that the recipients of that would have all the necessary tools in order to realize the full capability? Is there more we can be doing in that area so that those that get that can actually take advantage of it too?

Ms. MENSAH. I think one of the things that makes RD special is the people that are on the ground. Congressman Thompson commended us for being able to work people-to-people, hand-in-hand. We have engineers, we have field staff, who can work right with the communities. And that is one way that we are advantaged as an agency, so it is one of the reasons I have such belief in our people. That is how we operate this program.

Mr. LAMALFA. Okay. Well, again, I appreciate your gracious efforts on this, and for being here today to help with these, and anything we can do in the future to make sure it is indeed a broad broadband.

Ms. MENSAH. We may have to borrow that line.

Mr. LAMALFA. Well—

Ms. MENSAH. Thank you.

Mr. LAMALFA. Okay. Well, thank you. Mr. Chairman, I will yield back.

The CHAIRMAN. The gentleman yields back. Mrs. Hartzler, 5 minutes.

Mrs. HARTZLER. Thank you, Mr. Chairman. I wanted to follow up on the same line of questioning as my colleague here, as we are all very supportive of rural broadband. Just a couple things I am not sure have been touched on yet, is that—my constituents have expressed support for the FCC standard for broadband, and my constituents believe they shouldn't settle for slower download/upload

speeds as compared to what is available in metropolitan areas. So how is the USDA working with the FCC to address broadband and rural communications issues?

Ms. MENSAH. Thank you, Congresswoman. That is a constant effort of ours, to harmonize efforts, but I will ask Administrator Rikkers to say a little more detail on the speed question that you—

Mrs. HARTZLER. Okay.

Ms. MENSAH.—that you posed. I am sorry, not Mr. Rikkers. I am going to make—he would be surprised. Mr. McBride.

Mrs. HARTZLER. Yes.

Mr. McBRIDE. Thank you for the question. With regard to the speed, in the 2014 Farm Bill Congress provided us with some direction to provide at least 4.1 speed. That is the minimum. Most of the applications that we received for the farm bill loan program exceed that. So most of the projects that we consider will have a higher speed. It may not be the 25.3 that the FCC has put forward, but it will be higher than the 4.1.

With regard to your other question, about working with the FCC, certainly we have communication with them. The bigger effort from this Administration has been the Broadband Opportunity Council, which was a directive from President Obama for all of the agencies to look at their current authorities and resources to see how we could partner together to leverage each other's programs and resources to expand access.

Mrs. HARTZLER. Great. Representative LaMalfa mentioned telemedicine, and I wanted to follow up on that too, because that is very exciting in my district as well. I have 24 counties, and visit—try to visit every hospital, and many of them are seeing the potential of that, as well as—I was at my VA in Columbia earlier, and we were—last week, and we were also talking about that, so it is of growing interest. But broadband is the linchpin, being able to do that. So how is the USDA working with the health care industry to advance telemedicine?

Ms. MENSAH. Well, I am so proud of our current budget, which really expands our distance learning and telemedicine grants. And those are grants, so it is rare, precious dollars that are used by rural communities to expand equipment, and that becomes one of our huge programs. We have great demand in that program. So you have seen us ask for more support in that arena. I saw my first demonstration of that. It is powerful. When rural communities can be served by a provider not only for things like an ear exam, but also for things like mental health, that you can see mental health provision through this vehicle. So we are proud to be in this.

Mrs. HARTZLER. Yes.

Ms. MENSAH. It is our job to bring the grants to the local health care clinics.

Mrs. HARTZLER. Yes, absolutely. One of my hospitals is doing stroke detection.

Ms. MENSAH. Yes.

Mrs. HARTZLER. That is amazing they can do that. And then some of my VAs are doing, actually, PTSD counseling—

Ms. MENSAH. Exactly. From—

Mrs. HARTZLER.—over it, and talked about how successful that is. So it is amazing, and it has a lot of potential, so I am glad to hear that.

I wanted to follow up on your earlier comments too about the REAP Grants, and the renewable solar. I believe we were talking about an example up in Minnesota or something. Can you explain, how does that work? So if you are a business, I think that was the farm equipment business, but a business who wants to use this, how does that work?

Ms. MENSAH. Great. Well, we have two programs, both a REAP loan, and a REAP grant program.

Mrs. HARTZLER. Okay.

Ms. MENSAH. The REAP grant program is smaller, very competitive. REAP loans, we have a large program, and we just implemented that in the 2014 Farm Bill. But I spoke to a REAP grant, we find almost all of these businesses locally, with our local staff. So, once again, they are able to compete for this.

I will bring Administrator Rikkens in to say a little bit about the competition for REAP grants, and how we identify businesses locally.

Mr. RIKKERS. Congresswoman Hartzler, the REAP grants, it is, in many ways, government at its best. They are only 25 percent of a project cost, and so if the government is coming in with that seed money of 25 percent, the business comes up with the other 75 percent. And so it is really acting as an incentive for a business to make those investments in renewable energy systems, or energy efficiency and prudence. And at the end of the day, what that energy savings does is cuts against that business's bottom line. That business has a larger profit, and, through that, has more money to expand their business, and hire more people.

So we have seen an incredible oversubscription in the grants. We had \$80 million available in 2015 because 2 years were together. And in that year we had \$50 million, nearly 1,000 eligible applications, that were good applications we couldn't fund because we ran out of money. And this year we are back down to \$40 million in grants, and it is so very competitive, but making a really big impact in rural America.

Mrs. HARTZLER. Mr. Chairman, could you indulge me for 2 more minutes, follow up? Thank you. So there was a local business who was in—featured in the paper, and they installed solar panels on the top, but they were talking about how—basically it didn't cost them anything, with tax credits and stuff. So can you bring in the whole picture, not just your Department? What else is available so that a local business could have—basically cost free?

Mr. RIKKERS. Sure. States will have different tax credits. In those states there might be other grant programs through Department of Energy, or other parts in the government. I was in the State of Oregon about 2 weeks ago—and what is interesting is it is difficult for us to go out to every little small mom and pop business. There was a vendor, a local electric company, that had a small solar division, and they are the ones that reached out and connected us with a small little hardware store in Arlington, Oregon. And it is in a town that you wouldn't think, "Gosh, I need to put solar panels on my roof." But they got a small grant, it was

at just under \$20,000, and they invested some of their own money, and now have—are going to cut significant energy costs. But, again, it is not always directly through us, but by working through some of the vendors that are seeing the synergies they can have by the opportunities that our grants offer.

Mrs. HARTZLER. I should probably make a little editorial comment. Yes, it is great for the businesses that are able to apply. My only concern, as a watchdog for the taxpayer, is how come some businesses are able to get this almost free, at taxpayer expense? So they are not only getting the solar panels free, but then their energy costs are almost nothing, and the business next door doesn't able—isn't able to access that. So something about that kind of concerns me, but, anyway, thank you. I yield back.

The CHAIRMAN. The gentlelady yields back. I have a couple of follow-ups. While we are on that subject, Mr. Rikkers, you said a \$20,000 grant, so the company came up with \$60,000.

Mr. RIKKERS. The—

The CHAIRMAN. Okay.

Mr. RIKKERS. The REAP grant will only cover 25 percent of a project cost.

The CHAIRMAN. Okay. So the amount of it coming out of other taxpayers'—

Mr. RIKKERS. Typically it is—

The CHAIRMAN.—Federal taxpayers'—

Mr. RIKKERS.—there are those cases where there certainly are some tax credits in certain states, but oftentimes there is such an incentive by that business to even put in their own investment, because they are seeing that money paid back within years—within just a handful of years because of the energy savings they are reaping through the program.

The CHAIRMAN. Got you. Mr. Hernandez, do we make direct rural home mortgage loans?

Mr. HERNANDEZ. We do, sir. We have a single family direct program.

The CHAIRMAN. All right. Are you subject to the same onerous processes that our community bankers are subject to that is driving them out of that business, that the CFPB has put in place? Do you have to do the same documentation, the same vetting, everything?

Mr. HERNANDEZ. We follow all of the regulations that are passed by Congress, and—

The CHAIRMAN. No, those weren't passed by Congress. These are rules from the CFPB.

Mr. HERNANDEZ. Okay.

The CHAIRMAN. They are driving community banks out of that business. Do you have to do everything they do?

Mr. HERNANDEZ. On our guarantee program, the lenders do the lending. On the direct, we do the same type of process.

The CHAIRMAN. Okay. How much have your costs gone up?

Mr. HERNANDEZ. Actually, I don't think our costs have gone up, sir, and actually, our processes are getting better all the time. And that is why we are doing more loans.

The CHAIRMAN. Okay, Tony. You are saying that you are better than every community banker out there?

Mr. HERNANDEZ. No, I am not saying that, sir. I am saying—

The CHAIRMAN. Well, every one of those guys are telling me it is costing them a lot more in compliance costs to book home mortgage loans that they keep on their books. It is costing them more money, and yet you just told me that it costs you less money to paper a loan today than it did before the CFPB was created?

Mr. HERNANDEZ. Chairman, the cost for us doing business is less because we are using government funds.

The CHAIRMAN. We know. Put your business hat on, Tony.

Mr. HERNANDEZ. Okay.

The CHAIRMAN. All right. You spend money for a loan officer, and a documents person, and all those things. Those are your costs. Even though the taxpayer may be paying those, you are incurring those costs. So none of that has changed? You are using the exact same number of compliance officers that you did before?

Mr. HERNANDEZ. No, we don't have as many compliance officers as the private-sector.

The CHAIRMAN. And why is that?

Mr. HERNANDEZ. That is because Congress doesn't fund us to have as many compliance officers.

The CHAIRMAN. Then how could you make more loans? Or how could you—

Mr. HERNANDEZ. No, we don't make more loans, sir. We did 146,000 loans last year. The private-sector does many, many—

The CHAIRMAN. I know that, but I have community bankers all over west Texas telling me they can't compete for home mortgages. Not with you necessarily, but they can't compete, given the new onerous rules. And you are telling me something that is really inconsistent with that. I am not trying to be argumentative.

Mr. HERNANDEZ. No.

The CHAIRMAN. Just trying to understand how you could do something that folks who do it for a living, and try to make money at—

Mr. HERNANDEZ. Well, let me find out more from your Texas experience, but our experience, the lenders love our guaranteed program.

The CHAIRMAN. No, I am talking about your direct loans. Don't switch topics on me. That is—

Mr. HERNANDEZ. No, I am to the guaranteed loan, which is—the lenders were used. So your community bankers use our guaranteed product.

The CHAIRMAN. I know, but your direct loans—I am asking about your direct loans.

Mr. HERNANDEZ. Yes, our direct loans.

The CHAIRMAN. You are not finding the new rules from the CFPB particularly onerous?

Mr. HERNANDEZ. I will do some checking to make sure if we have that Mr. Chairman.

The CHAIRMAN. All right. Has your demand for direct loans gone up as a result of community bankers in small communities getting out of that business? Is your demand up?

Mr. HERNANDEZ. The demand we have for direct is very high. We only have—

The CHAIRMAN. Is it up over the last 3 years, since Dodd-Frank kicked in, and the CFPB's putting them out of business?

Mr. HERNANDEZ. No, I don't think it is affected our demand that way at all, sir. Actually, the demand for our housing programs is growing all the time.

The CHAIRMAN. All right. Tony, I want you to think about that. It doesn't ring accurate with me, I am not trying to be argumentative, but given that almost every single community banker I represent has complained about the increased costs, and the compliance folks that have to be in fact, they have gotten out of this business altogether because they can't loan money at an interest rate that fades the cost of putting the loan on the books.

Mr. HERNANDEZ. Well, let me do some checking for you.

The CHAIRMAN. Okay.

Mr. HERNANDEZ. Let me get some research done, and get back to you on that information.

The CHAIRMAN. All right. That would be great. Mr. McBride, you mentioned, a while ago, that if your power plants come into compliance with the Clean Power Plan, you would be under any kind of an obligation to loan them money to upgrade their facilities beyond what they could pay back?

Mr. MCBRIDE. We would consider whatever project and loan application that they submitted. But, as far as an obligation—

The CHAIRMAN. Could you take more risks with them to try to get into compliance with those rules than, say, a standard lender would?

Mr. MCBRIDE. We will have to make sure that the loan that we make to them can be repaid.

The CHAIRMAN. Okay. And then, Mr. Rikkers—are you broadband? Who is broadband?

Mr. MCBRIDE. That is me.

The CHAIRMAN. Sorry about that. My recollection is, out of the stimulus bill, there was \$300 million hardwired to map the United States to tell us where broadband is and isn't. My recollection is that all of that \$8 billion of broadband money had to be committed before that study was done. The question, though, I am assuming the study got done. How do you use that study, in terms of deciding where that should go and shouldn't go? Is it a tool that you use, or just a book on a shelf?

Mr. MCBRIDE. The study was done by the FCC. And, actually, in the 2014 Farm Bill, as a part of our farm bill loan program, Congress directed us to share information that we had with our loan applications with the FCC to make sure that the maps were as up to date as possible. With regard—

The CHAIRMAN. But you don't take their map—

Mr. MCBRIDE. I am sorry?

The CHAIRMAN. I understand that you are helping them fill in their map, but their map doesn't drive what you do?

Mr. MCBRIDE. Well, certainly we are aware of their map, but we consider the applications that are sent in to us.

The CHAIRMAN. Okay.

Mr. MCBRIDE. And with regard to existing service providers, we also post those applications online, so people can see if there is an existing service provider in that territory.

The CHAIRMAN. Okay. I guess the bottom line was do we get any value of the \$300 million that we spent on that map?

Mr. MCBRIDE. Yes. The mapping is helpful. Yes, sir.

The CHAIRMAN. But it is only after the fact that you consult the map, after you have already made your loan, and you tell the FCC about it, right?

Mr. MCBRIDE. Well, we can check when we get an application, and it helps us to see what is available—

The CHAIRMAN. Right. I hope the answer is that—

Mr. MCBRIDE. Yes.

The CHAIRMAN. At least bluff me into thinking that you look at the \$300 million of money that was spent. Ms. Mensah, you and your team are terrific. You have a question? All right.

Mr. MCBRIDE. Yes, sir.

Ms. MENSAH. Mr. Yoho.

Mr. YOHO. You almost were out of here.

Ms. MENSAH. That is okay. We are happy to be here. We are happy—

Mr. YOHO. Just real quickly, Mr. Hernandez, I wanted to follow up on that. Are you saying, on the direct loan portion that the USDA does, they have to be in—compliant with Dodd-Frank, just like a regular bank?

Mr. HERNANDEZ. We have to follow the mortgage industry guidelines. So the compliance—

Mr. YOHO. I know that the department that funds, or works with the GSEs, like Farm Credit, that agency has their own set of guidelines that is separate from Dodd-Frank. And I assume you would be like that entity, right?

Mr. HERNANDEZ. We are, but the industry creates standard forms and documents that we all tend to use, so there is some uniformity in the mortgage industry. So we use similar types of forms—

Mr. YOHO. On the regulatory side?

Mr. HERNANDEZ. On the regulatory side. But, the advantage of the compliance is that it actually helps improve the performance of our loans. So our performance for the loans on direct are very low. In fact, it is about two—

Mr. YOHO. Well, that is what I wanted to talk to all of you.

The CHAIRMAN. Would the gentleman yield for a second while we are on that subject? Tony—

Mr. YOHO. Yes, sir.

The CHAIRMAN.—what I asked you was not the industry standards. I was asking you about the rules put forth by CFPB.

Mr. HERNANDEZ. Right.

The CHAIRMAN. I don't care about the industry, the stuff they developed themselves. I am concerned about the requirements to follow all those rules that the CFPB put out referencing home mortgage lending.

Mr. HERNANDEZ. Let me do more research for you, sir, and I will come back and tell you exactly what we do so you have a better understanding. I would appreciate that, thank you.

The CHAIRMAN. All right.

Mr. YOHO. You guys, the USDA, we are all proud of the work you guys do. It is a—the USDA has over 100,000 employees, and if you compare it to a farmer ratio, it is, I read, anywhere from one USDA employee to 17 farmers, or 30 farmers. It is a huge agency, and you

guys know the state of the economy. You know the state of our country right now.

We are arguing—we are discussing—I don't want to say arguing. We are discussing a budget for this country, and there is a gap of \$30 billion. And, Under Secretary Mensah, you were saying that you have a two percent failure rate, which is great. I would love to have that in my veterinary practice when we had that, as far as uncollectables. But I have dealt with other agencies, like OPIC, and MCC, and other agencies that claim to have a 0.1 percent failure rate.

And if we look at a two percent failure rate on \$212 billion, it is \$4.2 billion. Given the financial situation that we are facing today, with Social Security, Medicare, Medicaid, and the mandatory spending consuming 68 percent of our income that the government brings in, can I implore you guys to go to one percent? That would save \$2 billion. And, again, we are discussing, and trying to come to terms over \$30 billion. And I know you guys do a great job, but I am going to implore all of you to do what we can to save more money so that we can get our financial house in order. Because, if not, 6 years from now these won't be discussions we are having in this House about what we are doing, and the good job we are doing, and we want to continue that. And I yield back, and I thank the Chairman for indulging me.

The CHAIRMAN. I thank the gentleman. Ms. Mensah, thank you and your team. My takeaway is that you are really aggressive at trying to prosper rural America, and I can't thank you enough for that.

Ms. MENSAH. That is exactly our mission.

The CHAIRMAN. We may have some differences from here to there, but I just really sense a real heart for rural America coming from you and your team. And that is commendable. I got at you a little bit on some stuff, but please don't interpret that as—

Ms. MENSAH. That is okay. We are serious about it too. I—

The CHAIRMAN.—because that is all I represent is rural America. I have three big towns, and the rest of my district is rural. And if we don't have a strong production agriculture industry, we don't have a strong rural America, and *vice versa*. So thank you for what you do. We appreciate it. Obviously we try to make sure that the private-sector can compete, or deliver the services first. But, if they don't, then that is where you guys step in, under the farm bill. I appreciate the aggressiveness with which I sense you get after your job to help prosper rural America, so thank you very much. With that, we are adjourned until in the morning. Thanks, everybody.

Ms. MENSAH. Thank you.

[Whereupon, at 4:41 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED QUESTIONS

Response from Hon. Kevin W. Concannon, Under Secretary, Food, Nutrition and Consumer Services, U.S. Department of Agriculture

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 1. On February 17, the U.S. Department of Agriculture's Food and Nutrition Service (FNS) published a Proposed Rule altering eligibility requirements for retailers participating in SNAP.

Members of this Committee communicated extensively with FNS during negotiations for the 2014 Farm Bill. At no point during those discussions did FNS indicate that it was interested in altering the definition of "staple foods" by removing multiple ingredient items or expanding the accessory food category.

Why has FNS chosen to take this approach in its Proposed Rule? Why did FNS not seek Congressional input on this approach during the 2014 Farm Bill negotiations?

Answer. The USDA, Food and Nutrition Service (FNS) is committed to improving access to nutritious foods for low-income Americans and supporting healthy lifestyle choices by SNAP participants. This proposed rule is intended to ensure that the over 260,000 outlets that accept SNAP benefits offer a variety of products to support healthy choices for SNAP participants.

The provisions in the proposed rule related to staple foods are well within the bounds of FNS authority set out in existing statute, which directs FNS to authorize retail food stores that further the purposes of the Program, and are consistent with statutory definitions. FNS chose to revise these definitions because we know that a small portion of SNAP retailers are meeting the current retailer standards with the barest of food choices for SNAP participants. Note that from a legal perspective, standards that are set in regulation can be revised through a rulemaking process.

FNS has been fully transparent in its desire and intent to ensure that SNAP participants have access to retailers who are offering a basic supply of healthy foods, rather than meeting current eligibility criteria with chips, cookies and other snack foods that today can meet the "staple foods" definition, and retailers that are really restaurants that have been able to thwart Congressional intent to exclude most restaurants from SNAP by selling food cold and heating it after the sale. FNS sought public input on these proposed provisions in advance of this rulemaking and is carefully reviewing comments received on the proposal in order to craft requirements that ensure SNAP participants have access to healthy food choices, legitimate retailers have workable rules, and healthy food choices remain available to SNAP participants who live in areas with limited retailer options.

Our interest in seeking broad stakeholder input began with the Request for Information (RFI) published in the *Federal Register* on August 20, 2013, titled, "Request for Information: Supplemental Nutrition Assistance Program (SNAP) Enhancing Retail Food Store Eligibility" at 78 FR 51136. The RFI, which included 14 specific questions, focused on ways to enhance the definitions of retail food store and staple foods, as well as overall retailer eligibility requirements to participate in SNAP, in order to improve access to healthy foods and ensure that only retailers that effectuate the purposes of SNAP are authorized to accept benefits. In addition to the RFI, five listening sessions were held across the country to garner feedback from interested parties. FNS received a total of 211 comments from a diverse set of stakeholders, including trade associations, individual retailers, academics, policy advocates, professional associations, government entities, and the general public. Stakeholder input was considered in drafting the February 17, 2016, proposed rule. A copy of the comment summary can be viewed at: <http://www.fns.usda.gov/rfi-retailer-enhancement> [Attachment 1].

As explained in the preamble to FNS' proposed rule published at 81 FR 8015, FNS is using authorities in Sections 3 and 9 of the Food and Nutrition Act of 2008 to propose the discretionary regulatory changes, which are based on stakeholder feedback and are proposed to encourage the participation of firms that further the purposes of the Program by offering a healthy variety of foods in sufficient quantity to satisfy the needs of SNAP households.

Finally, the rule is proposed and provided for public comment. Based on inquiries and requests, FNS extended the public comment period in order to ensure stakeholders had ample opportunity to weigh in so that FNS may fully understand the implications of any provisions in the rule on authorized or applicant retailers, SNAP participants, and other interested parties.

Question 2. Do you intend for small format retailers, like convenience stores, to continue to play a role in SNAP? Do you think they will continue to be able to par-

ticipate if your proposed rule is finalized? Have you conducted an analysis exploring how many current retailers would exit the program and the impact this could have on access for beneficiaries?

Answer. As explained in the RFI and the preamble to the proposed rule, FNS' objectives are to improve the availability of healthful foods without compromising access to food for SNAP participants, or unnecessarily burdening the retailers that redeem SNAP benefits. FNS intends for any store that makes a business decision to meet the SNAP eligibility criteria, including reasonable requirements to offer a variety of healthy foods, to continue to play a role in SNAP. A comprehensive regulatory flexibility analysis (RFA) was completed specifically to consider the impact of this proposed rule on small entities. As the Regulatory Flexibility Analysis to the proposed rule noted, we estimate that most small grocery stores, convenience stores and combination stores can meet the new standards with modest additions or changes to the foods that they stock. We are reviewing the comments submitted to ensure that the final rule will expand access to healthy foods for participants while ensuring access to retailers who participate in SNAP.

The comprehensive RFA is posted as a supporting document alongside the proposed rule at: <https://www.regulations.gov/#!documentDetail;D=FNS-2016-0018-0007> [Attachment 2].

Question 3. Many convenience stores are run by companies that maintain both a convenience store and franchise restaurants at the same location. Often times the same company owns and operates both establishments. As currently drafted, the Proposed Rule appears to exclude these businesses from the SNAP program even if they otherwise comply with eligibility requirements. Was this FNS's intent? If so, why does FNS feel that these stores do not further the purpose of the SNAP program?

Answer. To be eligible to accept SNAP benefits, under Section 3(o)(1) of the Act, a retailer must "sell food for home preparation and consumption" as well as meet other criteria in the Act and SNAP regulations. Section 3(k)(1) of the Act defines "food" to include "any food or food product for home consumption except . . . hot foods or hot food products ready for immediate consumption . . ." Congress did not intend for restaurants to participate in SNAP, except under limited circumstances to serve the elderly, disabled, and homeless, as set forth in Section 3(k) of the Act and as referenced in Section 7(f)(2) of the Act. This proposed rulemaking is intended to ensure that SNAP retailer policy is aligned with this statutory intent.

As explained in the proposed rule, over the years, a growing number of firms operating *primarily as restaurants* have become authorized to participate in the Program as retail food stores. Nothing in the current regulations specifically prohibits items sold for SNAP benefits that are cold at the point-of-sale from being heated or cooked in the store after purchase. Further, current rules allow foods to be classified as staple or non-staple by their first ingredient; therefore some pizza restaurants, for example, have been deemed eligible with pizza as a qualifying staple food based on the primary ingredient (bread). After selling a cold pizza to SNAP customers, these firms subsequently heat the pizza and then have ultimately sold hot food from their pizza-restaurant location.

Our goal in the proposed rule was to ensure that SNAP retailers were selling food for home consumption and offering a variety of healthy food choices. We specifically asked for comment on whether the proposed standard that at least 85 percent of an entity's total food sales be for items that are not cooked or heated on-site before or after purchase. We received a variety of comments in response to this aspect of the proposed rule. These include: concerns about establishments that sell a significant amount of healthy food for home consumption in addition to food that is eaten on the premises; concerns that food that is bought and then heated on the premises may be more expensive than food that is made at home for home consumption, which means that SNAP benefits don't go as far; and concerns that foods that can be heated on premises may assist SNAP recipients without kitchens.

We are carefully reviewing all of these comments along with the statutory requirements for SNAP participation and will carefully consider how the rule, as currently drafted, would affect this type of retailer model as the Agency moves forward in the rulemaking process.

Question 4. The Proposed Rule contains a provision that would allow stores that are unable to meet the depth of stock requirements to file for an exemption if losing SNAP eligibility would harm food access in the surrounding area.

What will the process look like for this waiver process?

Answer. FNS has proposed that it would determine whether *SNAP participant* hardship exists by considering factors such as whether there are other SNAP-authorized stores serving the area and transportation options to other SNAP author-

ized retailer locations. In the proposed rule, FNS sought comments from the public regarding refining the language in this provision and how to implement it.

Question 4a. How long does FNS anticipate it will take for a waiver petition to be approved or rejected?

Answer. The proposed rule seeks comments from the public on refining the language and how to implement this provision. Therefore, it is difficult to provide an estimate how long the process for a “waiver petition” will take. However, the proposed rule did propose that all participating stores would have 1 year to meet the new eligibility criteria.

Question 4b. Will FNS consider the expense associated with the application process when reviewing such petitions?

Answer. There is no fee associated with SNAP retailer authorization. All of the processes associated with SNAP authorization are completed by FNS at no cost to the retailer.

Response from Alfred V. Almanza, Deputy Under Secretary, Food Safety, U.S. Department of Agriculture

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 1. Mr. Almanza, there have been some reports of processed egg products that may have been entering the United States through incorrect tariff lines. Is this truly an issue? If not, could you tell us how FSIS deals with similar situations and how you respond? If so, could you tell us how you plan on correcting this situation?

Answer. FSIS has seen a recent increase in egg products imported into the United States from ineligible countries, including imported egg products labeled with incorrect product names. Currently, there are only two countries eligible to export egg products to the United States: Canada and The Netherlands.

To address these issues, FSIS is coordinating with the U.S. Customs and Border Protection to identify misbranded or ineligible product at U.S. ports of entry and then notifying the importer of record that the ineligible or misbranded product has been refused entry into the United States, according to 21 U.S.C. 1046 and 9 CFR 590.910. The importer must then ensure that the product is destroyed or re-exported within 30 days of notification from FSIS.

To facilitate compliance, FSIS has provided guidance to importers/brokers and foreign governments on egg products under FSIS jurisdiction, misbranded egg products, foreign country eligibility, the import process, and enforcement provisions for ineligible or misbranded egg products that arrive at the borders of the United States or enter U.S. commerce without being presented to FSIS for reinspection, as required. The guidance can be found at <http://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/importing-products/importing-egg-products-and-shell-eggs> [Attachment 3].

Question 2. I have heard concerns about egg products being imported from the Netherlands to the U.S. Some have raised concerns that the inspection process used by the Netherlands may not be a full continuous inspection. If the inspection is not continuous, does that comply with the Federal law? And, if it does not comply, does that mean FSIS would consider this product lacking proper inspection to be adulterated and ineligible for import into the U.S.?

Answer. The Food Safety and Inspection Service (FSIS) conducted an equivalence verification audit of The Netherlands’ processed egg inspection systems from June 2–26, 2014, to determine The Netherlands’ eligibility to resume export of egg products to the United States and to verify that the egg products inspection system is equivalent to that of the U.S. with the ability to produce products that are safe, wholesome, and properly labeled. As the audit found, The Netherlands’ egg products inspection system includes requirements to ensure that establishment construction, facilities, and equipment are adequate; provides for continuous inspection; and provides for periodic supervisory review of official establishments.

FSIS’ evaluation of all the data collected before, during, and after the on-site audit supports that The Netherlands’ egg products regulatory system achieves the level of protection required by the United States. Therefore, FSIS reinstated The Netherlands’ equivalence and allow resumption of egg products export to the United States.

Question 3. Are there additional countries seeking approval for importing egg product into the U.S.? If so how long does that process take and can you tell me which countries those are?

Answer. Yes, there are additional countries seeking to export egg products to the United States, which are Argentina, Denmark, Germany, Italy, Lithuania, Mexico, Poland, Romania, Bulgaria, and Greece. Countries wishing to become eligible to ex-

port meat, poultry, or egg products to the U.S. must make a formal request by a letter that must come from the foreign government's Central Competent Authority (CCA) for the inspection of meat, poultry or egg products. While there is an established process for equivalency, the length of the process varies. Timing will depend on the effectiveness to which countries provide documentation to FSIS, if requested, during the document review process, as well as if translation of documents is needed.

To elaborate, the evaluation of a country's inspection system to determine eligibility involves document review and an on-site review. The document review is an evaluation of the country's laws, regulations, and other written information that focuses on six risk areas: Government Oversight, Statutory Authority and Food Safety Regulations, Sanitation, Food Safety Systems, Chemical Residues, and Microbiological Testing Programs. Technical experts evaluate the information to assure that critical points in the six risk areas are addressed satisfactorily with respect to standards, activities, and resource allocations. If the document review process shows the country's system to be satisfactory, a technical team will visit the country for an on-site review to evaluate the six risk areas as well as other aspects of the inspection system, including plant facilities and equipment, laboratories, training programs, and in-plant inspection operations. When both the document review and on-site review steps have been satisfactorily completed, FSIS develops a proposed rule to be published in the *Federal Register* that proposes to add the country to its list of countries in the *Code of Federal Regulations* (CFR) that are eligible to export product, in this case processed eggs, to the U.S. Upon receipt of public comments, FSIS makes a final decision about the country's equivalence based upon all available information. If FSIS determines that the country maintains an equivalent inspection system, FSIS publishes a final rule in the *Federal Register* adding the country to the list of countries in the CFR that are eligible to export.

Response from Hon. Lisa Mensah, Under Secretary, Rural Development, U.S. Department of Agriculture

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

Question 1. Following our conversation regarding USDA's budget request where the Department zeroed out the guaranteed loan program under the Community Facilities program, I have some questions. During our exchange, you said, ". . . when we work with other lenders, lenders want to do the short-term financing. We tend to do long-term financing, financing up to 40 years." Can you clarify if the portfolios for the Community Facilities direct loan program and the Community Facilities guaranteed loan program are comparable, or are the direct loans for longer-term financing and the guaranteed loans are for shorter-term financing?

Answer. Typically, the loan term varies between 30 and 40 years under the CF direct loan program and under the guaranteed loan program, the term is determined by the lender of record. The average loan term for CF Guaranteed loans currently in the RD portfolio is approximately 23 years.

Question 2. Under the Community Facilities programs, are the direct loans more or less credit risky than the guaranteed loans? If the direct loans are less credit risky, why is the government making these loans? Shouldn't the private-sector be servicing those loans?

Answer. The direct loans are generally less risky than the guaranteed loans when evaluated on an historic loss basis. However, some of the major losses in the guaranteed loan program occurred on projects that were recreational in nature, and such projects were made ineligible in FY 2013. Often rural America does not have access to affordable and long term capital for rural infrastructure projects unless they are investment grade credits. So, there is a strong need for long term, fixed rate, and low cost capital. We think the Agency has a fiduciary responsibility to service these loans and ensure compliance with all regulatory and statutory requirements.

Question 3. The negative subsidy rate was mentioned several times during the hearing. Administrator Mensah mentioned that the subsidy rate, ". . . is driven by a variety of things. Loss experience is one of them." Please provide the Committee with a breakdown of how the subsidy rate is calculated and how the negative subsidy rate might be impacted by future changes in the economy and interest rates.

Answer. The subsidy rate represents the estimated life-time cost of the program to the government. Rural Development's (RD) Budget Division (BD) calculates the subsidy rate by determining the present value of all future program cash flows per the Federal Credit Reform Act of 1990. BD uses contractual and performance assumptions to estimate future cash flows. The main contractual assumptions include repayment periods, frequency of payments, and borrower interest rates (BIR). The

main performance assumptions include estimates of borrower prepayments, delinquency, and default, as well as the government's recoveries on defaults. Contractual and performance assumptions are based on the historical performance of the program. *Table 1* and *Table 2* show how increases in both contractual and performance assumptions typically affect the subsidy rate.

Table 1: Contractual Assumptions

Assumptions	Impact to Subsidy
Loan Term	Dependent on interest rates and performance assumptions
Borrower Interest Rate	As interest rate increases, subsidy decreases

Table 2: Performance Assumptions

Assumptions	Impact to Subsidy
Prepayment Rate	Dependent on the difference between Treasury rates (RD's cost of borrowing) and the BIR
Delinquency Rate	As the delinquency rate increases, subsidy decreases
Default Rate	As the default rate increases, subsidy increases
Recovery Rate	As the recovery rate increases, subsidy decreases

Changes in the economy are indirectly captured in the model through changes in borrower behavior. For example, if the unemployment rate increases, this may lead to more borrower defaults. An increase in defaults would increase the default rate assumption and therefore the subsidy rate, assuming all other assumptions remain the same.

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 1. The USDA 9002 BioPreferred™ Program continues to be a market facing program which is internationally renowned, but it does not provide exact procurement numbers from the Federal Government and its contractors for both renewable chemicals and biobased products. Despite the fact that President Obama's Executive Order (EO) 13693, Planning for Federal Sustainability in the Next Decade, calls for the reporting of biobased product procurement yearly, there is still sometimes resistance toward buying and reporting biobased products procured by the Federal Government and its contractors. The purchase of renewable chemicals and biobased products by the Federal Government for FY13 was \$5 million, however, that number was recorded when the *SAM.gov* portal was wide open for any vendor to report. In FY14, OFPP/GSA changed the portal to limit which contracts could report. The number of contracts that could report went from 370K being able to report to 5K contracts able to report. Basically, the FY13 numbers and the FY14 numbers are comparing apples to oranges. Will there be work done to remove filters which are preventing the correct reporting of renewable chemicals and biobased product procurements?

Answer. The Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) provides overall direction for government-wide procurement systems, policies, and regulations. The System for Award Management (SAM) is the main contractor database for the Federal Government. The General Services Administration (GSA) maintains the SAM database.

USDA's Office of Procurement and Property Management is currently part of the Biobased-Targets Working Group under the interagency Sustainable Acquisition and Materials Management Practices Workgroup (SAMM) which is set up to implement EO 13693. Recommendations from the working group are currently under discussion and formulation. Specific work changes to the SAM regarding correct reporting of renewable chemicals and biobased product procurements are under the direction of OFPP and GSA.

Question 1a. Will there be a public disclosure of the contract used by Federal agency contractors to report their purchases and a Notice of Proposed Rulemaking (NPR) for public comments to ensure transparency in reporting the acquisition of renewable chemicals and biobased products?

Answer. The Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) provides overall direction for government-wide procurement systems, policies, and regulations, including the issuance of Notices of Proposed Rulemaking. USDA's Office of Procurement and Property Management is currently part of the Biobased-Targets Working Group under the interagency Sustainable Acquisi-

tion and Materials Management Practices Workgroup (SAMM) which is set up to implement EO 13693. Recommendations from the working group are currently under discussion and formulation.

Question 1b. Will categories be created for renewable chemicals mirroring that which was created for biobased products?

Answer. As directed by the Agricultural Act of 2014, the USDA BioPreferred Program has begun the regulatory development process leading to the designation of categories of intermediate ingredients, including renewable chemicals, which are used in the production of biobased finished products. The designation process for intermediate ingredient product categories will mirror the process used to designate the 97 categories of finished products that are currently subject to the Federal procurement preference.

Question 1c. Congress redefined “biobased products” in the 2014 Farm Bill, which now consists of mature products such as innovative wood products, yet the acquisition of biobased products continues to be low. Will the Federal Government contracts describe what categories of the biobased products as delineated in the USDA BioPreferred Program are purchased annually for public disclosure?

Answer. Section 9002 of the Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill), as amended by the Food, Conservation and Energy Act of 2008 (the 2008 Farm Bill), requires the Office of Federal Procurement Policy (OFPP) to report to Congress every 2 years the number and dollar value of contracts entered into during the year that include the direct procurement of biobased products; the types and dollar value of biobased products actually used by contractors; the number of service and construction contracts that include language on the use of biobased products; and other data requirements. The Office of Management and Budget’s (OMB) Office of Federal Procurement Policy (OFPP) provides leadership on final requirements for Federal Government contracts and descriptions included in them for categories of biobased products. We anticipate OFPP to use the revised definition published on June 15, 2015 in a final rule amending 7 CFR 3201.2 to reflect the definition in the 2014 Farm Bill.

Question 1d. Will there be annual reports available on the USDA BioPreferred website showing the category of procurements?

Answer. Under Executive Order 13693, all Federal agencies must set biobased purchasing targets and achieve 95% compliance. Federal agencies are also required to report on biobased purchasing accomplishments. A Federal Government workgroup has been established to help agencies set biobased purchasing targets and achieve their goals. USDA is a key part of that group. OMB and the White House Council on Environmental Quality (CEQ) will be reviewing those recommendations and directing all agencies on data reporting and time frames. The law and the Federal Acquisition Regulation stipulate that all Federal agencies and contractors must purchase biobased products in “designated categories” and report on how they are doing. The USDA BioPreferred Program has designated 97 product categories for Federal purchase representing over 14,000 products and serves an important role in our continuing promotion of these innovative products. As an agency, USDA will continue to use the power of Federal purchasing to support the biobased product industry.

Question 2. As exemplified by the Biogas Opportunities Roadmap, the deployment of Anaerobic Digesters is a priority of the USDA. However, the cost of obtaining a feasibility study, which is a requirement for the grant application has proven far too costly for smaller farms and has stopped many of these smaller projects from moving forward with a grant application. We have heard the Secretary’s remarks about building the on-farm bioeconomy and assume that smaller farms also have a role to play in environmental sustainability, energy generation and biofuels. Can you please address the significant burden being placed on smaller farms by the cost of the feasibility study?

Answer. USDA has made significant progress over the last decade in deploying anaerobic digesters. Farms using anaerobic digesters typically are dairies with large animal numbers and their primary concern is addressing nutrient management and environmental concerns. The Rural Energy for American Program (REAP) can fund anaerobic digesters. In order to qualify for REAP, the project must be a renewable energy project, which requires the biogas being created by the anaerobic digester to be used in the operation to offset energy needs of the farm or sold as a natural gas, or be used to generate electricity used on the farm or sold to the grid. The amount of biogas produced from small anaerobic digesters generally is not in sufficient quantities to economically generate electricity because of the high cost of necessary equipment. The biogas could be used to offset farm energy needs such as fuel for heating water.

The larger and more complex the project is, the greater the risk associated with this technology is, both on the technical side as well as the economical side. Therefore with smaller anaerobic digesters there is potentially less risk, which matches the agency policy on when feasibility studies are required. The Value-Added Producer Grants may provide planning grants for up to \$100,000 toward eligible anaerobic digester projects. When a feasibility study is not required, the applicant must demonstrate in the application for these projects that the technology is commercially available and that the system will work for the proposed purpose, such as providing gas to boiler to supply the farm's hot water needs. .

It is important to evaluate feasibility of a project, and a proper evaluation requires expert analysis to determine if a digester is appropriate. Factors that influence the feasibility of a project include the composition of the manure, the method of manure collection, the digester design, how the biogas will be used and required equipment and infrastructure, grid interconnection compatibility, and the managerial capacity of the owner to operate the digester and related equipment. The USDA Rural Development through the Rural Business—Cooperative Service can assist farmers with feasibility study costs by providing up to 50 percent planning costs up to \$75,000 through the Value-Added Producer Grant Program.

Question 3. Finally, EQIP and REAP can be used in parallel on the same digester project. However, some state USDA offices do not seem to understand this? Can you please explain why this ability to use both programs has not been made more clear to state USDA offices?

Answer. Rural Development (RD) conducted training with NRCS field staff in May of 2015, after the REAP rule was published. This training included explaining how REAP and EQIP can be utilized together to fund a project. RD's Rural Business—Cooperative Service (RBS), Natural Resources and Conservation Service (NRCS), and Farm Service Agency (FSA) are currently conducting additional training to USDA state and field office staff, starting with states with areas of high poverty and under-served populations and moving to all other states, with the anticipation all States will have received the training by the end of this fiscal year. The training includes providing information and resources to cross-promote programmatic services, refer clients to appropriate programs, provide a framework for expanding energy outreach efforts, and outline how projects can be funded utilizing multiple programs offered by USDA. The programs included in the training are the NRCS EQIP, the RBS REAP, and FSA's Farm Storage Facility Loan, Farm Ownership and Operating loans and the Microloan Programs.

Question 4. As stated previously, the USDA has highlighted the importance of the Digester Industry by its publication of the Biogas Opportunities Roadmap. One of the most significant ways that the USDA can foster greater deployment of digesters is by ensuring that liquid digestate from an anaerobic digester that utilizes food waste as its feedstock can be stabilized and still qualify for certification under the National Organics Program. This would allow digestate produced from food waste to be sold as an organic fertilizer and bring significant economic value to the projects. The USDA has worked with the fish processing industry to resolve this same issue. What would be required to enable the same treatment for stabilized digestate?

Answer. To add stabilized digestate to the list of materials approved for use in organic agriculture, the industry would need to submit a petition to the USDA National Organic Program for the National Organic Standards Board (NOSB). Under the USDA organic regulations, materials used in organic crop production must be nonsynthetic (natural) or included on the National List of Allowed and Prohibited Substances (National List). Food waste is natural; however, any synthetic materials used to stabilize anaerobic digestate must appear on the National List. Synthetic materials may be petitioned to the National List for review by the NOSB. The NOSB is a 15 member Federal advisory committee that is authorized under the Organic Foods Production Act to make recommendations to USDA on which materials should be allowed in organic production and handling. The NOSB has previously recommended the allowance of liquid fish products that have been pH adjusted with sulfuric, citric, or phosphoric acid. A similar petition could be submitted by industry to consider the use of anaerobic digestate that is pH adjusted with acids. A previous petition for anaerobically digested food waste stabilized with acids was submitted on January 6, 2015, but was withdrawn by the petitioner on October 19, 2015. Petition procedures are available on the National Organic Program website at "How to File a Petition": <https://www.ams.usda.gov/rules-regulations/organic/national-list/filing-petition> [Attachment 4].

[ATTACHMENT 1]

High-Level Summary of Public Comments on the U.S. Department of Agriculture (USDA) Food and Nutrition Service (FNS) Request for Information on Enhancing Retail Food Store Eligibility under the Supplemental Nutrition Assistance Program (SNAP)

Docket No. FNS-2013-0033

FNS published a request for information on August 20, 2013 asking for comments on issues related to retail food store eligibility requirements for the agency's Supplemental Nutrition Assistance Program (SNAP).¹ Through December 17, 2013, FNS has received a total of 211 public comments on the request for information.² Our analysis of these comment letters has identified a total of 99 unique submissions, 104 form letters, and eight non-germane or duplicate submissions. Nearly all of the form letters were from a single campaign associated with convenience stores. Of the 99 unique letters, a total of 91 were deemed to be substantive.

Today's high-level summary focuses primarily on common suggestions and statements contained within these 91 substantive submissions. In addition, we have included some quantitative data in the form of tallies of the submissions that addressed certain coding structure categories to further demonstrate trends in support or opposition of specific issues. The counts included in the summary bullets below and in the table that follows reflect the approximate total number of submissions (including both unique letters and form letter copies) that weighed in on certain issues. Please note that these tallies may change as we continue to perform a quality control review of our coding prior to delivery of ICF's final reports in January 2014. In addition, references to certain commenter types and footnotes citing specific commenters within the summary bullets are intended to be illustrative and should not be considered exhaustive of the commenters that have expressed a particular position.

General Support and Opposition to Changing Existing Program Eligibility Requirements

- Five commenters, including several private citizens³ and a state agency,⁴ expressed general support for the strengthening of program eligibility requirements. In expressing general support, some of these comments noted that SNAP retailers should be providing healthy food options and that items with little nutritional value (*e.g.*, energy drinks, snack items) should be ineligible for purchase with SNAP resources.
- One food retailer⁵ expressed concern that strengthening program eligibility requirements will have adverse consequences on a substantial number of SNAP beneficiaries and retailers. The retailer argued that increasing standards for retailers will result in the closure of current SNAP authorized dealers, a resulting decrease in jobs, and a decrease in opportunities for SNAP participants to redeem their benefits.

Question No. 1: Reasonableness of Ensuring Provision of Healthy Food Options as SNAP Store Eligibility Criterion

- Over 30 commenters agreed that ensuring healthy food options is a reasonable SNAP eligibility criterion; all commenter types were represented in these expressions of support. Only one commenter, a large food retailer,⁶ argued that current SNAP retail eligibility requirements are sufficient and that FNS should not limit the eligibility requirements further by adding such a criterion.
- Many of the supporters argued that improving participants' access to healthy food supports one of SNAP's program goals of improving nutrition in low-income individuals and families.
- Governmental entities, academics, and advocacy groups in support of FNS' focus on healthy food options referenced published works (*e.g.*, law review articles, scientific journal articles) to support their claims (*e.g.*, that healthier food op-

¹ 78 FR 51130 (August 20, 2013).

² The total number of submissions received includes 204 submissions, five public transcripts, and seven (7) form letter copies that were submitted under one submission.

³ Anne Shanahan, Lucinda Keller.

⁴ Virginia Department of Social Services.

⁵ 7-Eleven, Inc.

⁶ 7-Eleven, Inc.

tions are linked to combatting food insecurity,⁷ that provision of healthier food options is within FNS' scope of authority and is possible to obtain⁸).

- Several commenters, including a trade association, advocacy group, and governmental entity, acknowledged that no uniform definition for “healthy food” exists to use as a basis for considering this question. Comment views varied regarding whether the term should or should not be defined, and commenters noted that providing such a definition could prove difficult.⁹

Question No. 2: Existence of Store Types that Should Always Be Eligible for SNAP Participation

- A few dozen comments were received from commenters, such as private citizens, academics, governmental entities, trade associations, and professional associations, in favor of allowing some store types to always be eligible for SNAP participation. A total of 11 commenters, including food banks, governmental entities, trade associations, and private citizens, opposed allowing some store types to always be eligible for SNAP participation.
- Store types identified by commenters as examples of entities which should always be eligible for SNAP participation include: grocery stores, supermarkets, food cooperatives, farmers['] markets, and produce stores. Approximately 25 commenters argued the merits of always allowing farmers['] markets to be eligible for SNAP participation. A few commenters in support of allowing certain types of stores to always be eligible stated that the businesses should still meet SNAP program goals and any other business requirements to participate.¹⁰
- Commenters opposed to allowing some store types to always be eligible for participation argued that all stores should be examined on their merits and periodically reviewed for compliance with SNAP requirements.¹¹ The USDA Office of Inspector General stated that no store types can be said to “clearly meet all of the Program goals” and that the only store type in which it has not seen SNAP trafficking was “larger retail stores.”¹²

Question No. 3: Existence of Store Types That Should Always Be Ineligible for SNAP Participation

- Roughly ten commenters, including certain academics, professional associations, governmental entities, and farmers['] markets, argued in favor of designating store types that should never be allowed to participate in SNAP, while approximately 20 commenters, mostly food retailers, argued against such a proposition.
- Store types cited by commenters as examples of entities which should never be eligible for SNAP participation include: convenience stores, liquor stores, gas stations, and “combination” businesses.¹³
- Several commenters, including food retailers, governmental entities, and farmers['] markets, argued that no types of retailers should universally be denied participation in SNAP. Some of these commenters warned that the effect would be to further limit food accessibility to SNAP participants. Many food retailers, specifically convenience store owners, addressed why their specific store should not be categorically excluded from SNAP participation (*e.g.*, located in food desert, store's provision of healthy food options).¹⁴

Question No. 4: Redefinition of “Staple Foods”

- About 30 commenters, including private citizens, policy advocates, governmental entities, academics, and trade associations, supported changing the current definition of “staple foods” while fewer than ten commenters, all representing certain trade associations, argued in opposition.
- Although some commenters argued, generally, for enhanced standards for “staple foods,” many commenters suggested specific changes to the current definition. Many commenters who supported changing the definition requested that FNS align “staple foods” with the five food group categories specified by the *Die-*

⁷ Rudd Center for Food Policy and Obesity.

⁸ City of Chicago, Department of Public Health.

⁹ Mid-Ohio Valley Health Department, United Council on Welfare Fraud, American Beverage Association.

¹⁰ University of California SNAP-Ed Program, Sandra Salcedo.

¹¹ Mitchell Klein, Mass Farmers Markets, Center for Disease Control.

¹² USDA, Office of Inspector General.

¹³ Mississippi Department of Human Services, Rudd Center for Food Policy and Obesity, Michigan Department of Human Services.

¹⁴ Land O'Sun Management Corporation, American Natural, Darlene Conner, Tom Thumb Food Stores, Inc., Aloha Petroleum, Ltd.

tary *Guidelines for Americans* (DGA): breads and cereals, vegetables, fruits, protein, and dairy.¹⁵ Other specific examples for how commenters proposed to change the definition include:

- Alignment with *DGA [G]uidelines* for specific categories of ‘prepared food,’ ‘snacks,’ ‘bakery,’ and ‘beverage’ categories;¹⁶
- Additional requirements for each food category (*e.g.*, Dairy category must include at least one low- or non-fat item, Bread or cereal category must include at least one whole grain item);¹⁷ and
- Numeric requirements designated within the food categories (*e.g.*, Bread or cereal category would have no more than 10 grams of added sugar, Fruits category would require four varieties of fresh fruit as well as four varieties of canned or frozen juice, with no sugar added).¹⁸
- The commenters who argued that the current definition for “staple foods” is sufficient offered the following arguments to explain why no change is needed:
 - The current definition meets best practices of established nutrition guidelines;¹⁹
 - Modifying the definition could open the door to future limitations on SNAP consumer choice;²⁰
 - Altering the definition in a way that increases grocery store stocking requirements could further cut into small profit margins and force some food retailers out of business;²¹ and
 - Lack of consensus on what is “healthful” and the possible danger associated with deviating from the current “total diet approach.”²²
- Commenters were split regarding whether FNS should exclude items high in sugar, sodium, and saturated fats from “staple foods,” with several commenters (governmental entity, farmers['] market, private citizen) in favor and others (food retailer and trade associations) opposed.
 - One private citizen specifically argued for the exclusion of sugary beverages from “staple food” consideration.²³
 - Trade associations voiced strong opposition to excluding these foods based on what they deem to be an arbitrary determination and a considerable burden to FNS in assessing all of the products.²⁴
 - A food retailer argued that FNS should not only look at the fat, sugar, and sodium content, but also the underlying nutritional value of a product as well before excluding an item from the “staple foods” consideration.²⁵
- A few commenters argued that any change to the “staple foods” definition and requirements should be grounded in research or come from USDA’s nutritional staff.²⁶

Question No. 5: Applicability of “Staple Foods” Categories to Prepared Foods With Multiple Ingredients

- Approximately 20 submissions discussed multi-ingredient prepared foods as “staple foods.” About ½ of these commenters, including trade associations and other entities, preferred to maintain the current treatment of counting such foods in up to one “staple food” category. The other ½, ranging from private citi-

¹⁵ University of California SNAP-Ed Program, United Fresh Produce Association, Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, ChangeLab Solutions, CraigMoscetti, Society for Nutrition Education and Behavior, Academy of Nutrition and Dietetics.

¹⁶ Kevin Kehmna.

¹⁷ Philadelphia Department of Public Health, Johns Hopkins Center for a Liveable Future, State of California Health and Human Services Agency Department of Social Services.

¹⁸ University of California SNAP-Ed Program. ASNNA also suggested these types of numeric requirements, but generally suggested higher value requirements than University of California SNAP-Ed Program.

¹⁹ The Grocers Manufacturing Association.

²⁰ Donna Garen, 7-Eleven, Inc.

²¹ Ohio Grocers Association.

²² Lee Sanders.

²³ Sandra Salcedo.

²⁴ National Grocers Association, Grocery Manufacturers Association.

²⁵ Little Caesars Enterprises, Inc.

²⁶ Mitchell Klein, The Food Trust.

zens to professional associations and governmental entities, argued for a change in classification.

- Commenters in favor of maintaining current treatment of these prepared foods noted the benefits of such products (*e.g.*, nutrient-dense, calorie- and portion-controlled, cost-effective) and argued that no change is needed in their treatment.²⁷
- Several commenters, including private citizens and farmers['] markets, argued that “staple foods” categories should only be comprised of single-ingredient foods or foods that are minimally or unprocessed.²⁸ A few of these commenters noted that these foods tend to be high in sodium, saturated fats, and sugar—the same ingredients being considered for exclusion from “staple foods” consideration.²⁹ One governmental entity suggested placing numeric limitations on the amount of particular types of ingredients (*e.g.*, x# of mg of sugar or sodium) to monitor which multiple ingredient foods are allowed to be considered as “staple foods.”³⁰

Question No. 6: Adequacy of the Twelve Applicable Item Minimum Under Criterion A

- Over a dozen commenters, including professional associations, an academic, and governmental entities, expressed support for an increase in the minimum applicable item requirements under Criterion A³¹ while only two commenters, including a food retailer,³² asserted that the current 12 item minimum is sufficient.
- Reasons provided by commenters that the 12 item minimum was insufficient³³ included the following:
 - Insufficient variety of foods offered in each food category (*e.g.*, suggested increase to six items required per food category);³⁴
 - The creation of an additional food category to list fruits and vegetables separately;³⁵
 - A professional association suggested altering categorization by including sub-categories and aligning categorization more closely with *Dietary Guidelines for Americans*;³⁶
 - Requirement to stock perishable foods in additional food categories.³⁷
- The food retailer opposed to an alteration of the 12 item minimum argued that the current standards are sufficient in meeting SNAP program goals.

Question No. 7: Possible Change From Criterion A Requirement To Stock Perishable Items in Two Categories

- Nearly 20 commenters, including state government agencies, professional associations, and policy advocacy organizations, expressed support for requiring perishable items in more than two categories.
 - Several commenters stated that FNS should expand the perishable food requirement to all staple food categories.³⁸ Some of these commenters stated that fresh items, distinct from refrigerated and frozen, also should be required.

²⁷ Donna Garen, National Grocers Association, Grocery Manufacturers Association.

²⁸ Mitchell Klein, Sandra Saleco, Mass. Farmers Markets.

²⁹ Sandra Saleco, OTDA.

³⁰ OTDA.

³¹ Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, University of California SNAP-Ed Program, Texas Retailers Association, Center for Disease Control, United Council on Welfare Fraud.

³² 7-Eleven, Inc.

³³ United States Conferences of Mayors Food Policy Task Force, Mitchell Klein.

³⁴ New York City Department of Health and Mental Hygiene, Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

³⁵ Texas Retailers Association, Academy of Nutrition and Dietetics, Center for Disease Control.

³⁶ Society for Nutrition Education and Behavior.

³⁷ Rudd Center for Food Policy and Obesity, California Food Policy Advocates.

³⁸ California Food Policy Advocates (CFPA), University of California SNAP-Ed Program, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, OTDA, United Council on Welfare Fraud, Commonwealth of Virginia Department of Social Services.

- Several commenters stated that perishable foods should be required in three categories (fruits, vegetables, and dairy) or four categories (fruits, vegetables, and two other groups).³⁹
- Multiple commenters supported an increase in the number of required perishable items with exceptions.
 - A state agency argued that there should be an exception for certain types of retailers that sell multiple fresh fruit and vegetable varieties but may not be able, or may find it cost prohibitive, to sell perishable items in more than two categories (*e.g.*, a farmers['] market retailer).⁴⁰
 - A trade association said FNS should ensure that stores are able to stock perishable items based on consumer demand.⁴¹
 - Another trade association said FNS should provide flexibility for stores that may face periodic challenges stocking perishable items.⁴²
- A few commenters stated that perishable items should not be required in more than two categories.
 - A state agency noted that quality fruits and vegetables can come in multiple varieties, such as frozen and canned, and are often less expensive and last longer than perishable goods.⁴³
 - One commenter stated that the requirement would be too difficult for small retailers in under-served communities.⁴⁴
 - A private citizen suggested that an increased perishable food requirement may exclude specialty stores that offer healthy foods (*e.g.*, butcher shops, fish mongers).

Question No. 8: Adequacy of Criterion B 50% Sales Requirement of “Staple Foods” in Meeting SNAP’s Purpose

- While a few commenters on this question supported the current 50% requirement,⁴⁵ many more stated that the requirement is not sufficient.
 - A food retailer suggested that the current application of Criterion B denies SNAP participants the opportunity to purchase healthy food items for home preparation at establishments that specialize in sales of food items.⁴⁶
 - A professional association encouraged FNS to revise the current Criterion B to focus on specialty retailers that offer fresh healthy foods but may not stock the full variety of staple foods required by Criterion A (*e.g.*, farmers’ markets, produce markets, and meat markets).⁴⁷
 - A policy organization stated that, due to the size of some stores, a 50% criterion may not be reached even though thousands of food products may be available.⁴⁸
- Several commenters asserted that the criterion would be sufficient if the definition of “staple foods” is changed to exclude items high in added sugar, sodium, or solid fats.⁴⁹ However, other commenters were opposed to amending the definition to exclude these items because the process of determining whether a staple food contains excess sugar, sodium or solid fats would be burdensome and would lead to confusion.⁵⁰ One of these commenters stated that an easy way to influence food choices would be to prohibit the purchase of food items with more than five ingredients using SNAP funds.⁵¹

³⁹United Fresh Produce Association, Johns Hopkins Center for a Livable Future.

⁴⁰The Philadelphia Department of Public Health.

⁴¹The National Grocers Association.

⁴²Food Marketing Institute.

⁴³State of California, Health and Human Services Agency Department of Social Services.

⁴⁴The Food Trust.

⁴⁵7-Eleven, Inc., The Food Trust, Ohio Grocers Association.

⁴⁶Little Caesars Inc.

⁴⁷Society for Nutrition Education and Behavior.

⁴⁸Food Marketing Institute.

⁴⁹Mass. Farmers Markets.

⁵⁰National Grocers Association, Food Marketing Institute, United Council on Welfare Fraud, Commonwealth of Virginia Department of Social Services.

⁵¹Commonwealth of Virginia Department of Social Services.

- Several commenters stated that the 50% criterion would be sufficient if FNS revised the definition of “staple food” according to their comments on the other questions posed in the RFI.⁵²
- A few commenters suggested that the “accessory foods” category could be expanded to include other foods with minimal nutritional value where fat and sugar are the principal ingredients by weight. These commenters also suggested that “accessory foods” should continue to be excluded from total receipts with definitions updated and expanded for more nutrient-specific criteria.⁵³

Question No. 9: Eligibility of Stores Whose Primary Business Is Not Food Sales

- Most of the commenters who responded to this question supported eligibility of stores whose primary business is not food sales, but a few commenters⁵⁴ opposed their eligibility.
- Commenters provided several reasons for their support of these stores.
 - A few commenters, including food retailers, advocacy organizations, and state and local agencies, stated that broadly eliminating SNAP acceptance based solely on venue would restrict food access in food deserts.⁵⁵
 - Two trade associations stated that retailers’ non-SNAP sales are irrelevant to whether they should be able to redeem SNAP benefits.⁵⁶
 - A policy organization stated that, due to the format of some stores, the primary source of inventory may not be food even though thousands of food products may be available.⁵⁷
 - A food retailer stated that analysis of items sold by stores in determining retailer eligibility would not be an appropriate use of scarce agency resources.⁵⁸
- Some commenters offered proposed standards for contingent support for eligibility of stores whose primary business is not food sales.
 - A few government agencies and a policy advocacy organization stated that, as long as the retailer meets the minimum eligibility requirements of SNAP, that retailer should be allowed to participate.⁵⁹
 - The University of California SNAP-Ed Program and another commenter argued that such stores should be eligible to participate only if they meet more stringent stocking requirements and there are no other stores authorized to accept SNAP within a specific geographic area.⁶⁰

Question No. 10: Eligibility of Retailers That Primarily Sell Food for Immediate Consumption, But Also Sell Products Cold and Heat Them for SNAP Recipients After Purchase

- The response to this question was fairly evenly divided between support for and opposition to the eligibility of stores that primarily sell food for immediate consumption, but also sell products cold and heat them for SNAP recipients after purchase.
- A few commenters, including trade associations, an advocacy organization, and a professional association, opposed the general eligibility of these types of retailers, but stated that there are certain circumstances (*e.g.*, natural disasters, food deserts) when hot food should be available.⁶¹
- A food retailer stated that sound policy reasons exist for permitting SNAP vendors to heat foods purchased with SNAP benefits post-sale for home consump-

⁵² California Food Policy Advocates (CFPA), University of California SNAP-Ed Program, State of California, Health and Human Services Agency Department of Social Services, OTDA, Rudd Center for Food Policy and Obesity.

⁵³ The University of California SNAP-Ed Program, The Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

⁵⁴ Texas Retailers Association, United Council on Welfare Fraud, Commonwealth of Virginia Department of Social Services.

⁵⁵ Aloha Petroleum, Ltd., The Food Trust, National Grocers Association, Chicago Department of Public Health, Rudd Center for Food Policy and Obesity.

⁵⁶ National Association of Convenience Stores (NACS) and Society of Independent Gasoline Marketers of American (SIGMA).

⁵⁷ Food Marketing Institute.

⁵⁸ 7-Eleven Inc.

⁵⁹ California Food Policy Advocates, Philadelphia Department of Public Health, State of California, Health and Human Services Agency Department of Social Services, CDC.

⁶⁰ University of California SNAP-Ed Program, the Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

⁶¹ Texas Retailers Association, National Grocers Association, Rudd Center for Food Policy and Obesity, United Council on Welfare Fraud.

tion (e.g., SNAP beneficiaries may not have access to adequate or safe cooking facilities at home, foods sold cold are almost always less expensive than purchasing prepared foods).⁶² Similarly, an advocacy organization referenced low-income communities and stated that food insecurity experts would prove valuable to informing eligibility for prepared food retailers.⁶³

Question No. 11: Granting Authorization To All Eligible Retail Stores (Regardless of Whether Sufficient Store Access Is a Concern)

- Nearly all commenters on this topic agreed that all eligible retailers should be granted authorization to participate in SNAP.
- A state government agency stated that if a store meets the criteria and there is concern that there is not sufficient store access, the store should not be authorized.⁶⁴

Question No. 12: Granting SNAP Authorization When No Store Meets Basic Eligibility Criteria In An Area

- The responses to this question were split between support for and opposition to granting SNAP authorization when no store meets basic eligibility criteria in an area. Some commenters agreed that evaluation would be useful when no store meets basic eligibility criteria in an area,⁶⁵ but others stated that the current modest regulations are sufficient to ensure access in most cases.⁶⁶
- Some commenters stated that evaluation and scoring systems, including but not limited to CX3 and NEMS, have already been recognized by authorities and could serve as a starting point or be pilot tested for SNAP.⁶⁷
- Multiple commenters, including state government agencies and professional associations, recommended probationary authorization and/or a phase-in for retailers that have trouble meeting updated requirements.⁶⁸ A Federal agency suggested an approach used by USDA for other efforts (e.g., National School Lunch Program and the School Breakfast Program), in which short-term waivers are used if a retailer in a “no access” area cannot comply by the initiation date of the new criteria.⁶⁹
- A trade association and a few policy advocacy organizations said FNS should pose this question to a focus group or advisory committee to identify solutions.⁷⁰

Question No. 13: Balancing Integrity and Management Priorities Against Healthy Food Choice Criteria

- Approximately 30 commenters provided various recommendations and elements for balancing integrity and management priorities, including the following:
 - Assess fines to retailers that are repeat offenders;⁷¹
 - Focus investigative efforts on targeting high-risk retailers;⁷²
 - Review current EBT reports to identify red flags for fraud;⁷³
 - Publish FNS retailer enforcement work, make it accessible to the public, and combine this information with the FNS Watch List;⁷⁴

⁶² 7-Eleven Inc.

⁶³ The Food Trust.

⁶⁴ Michigan Department of Human Services.

⁶⁵ Iowa Food Bank Association, SNAP Outreach Workers, and Feeding America Food Banks in Iowa, The Food Trust, Texas Retailers Association, California Food Policy Advocates.

⁶⁶ 7-Eleven Inc., State of California, Health and Human Services Agency Department of Social Services, National Association of Convenience Stores (NACS) and Society of Independent Gasoline Marketers of American (SIGMA), Mississippi Department of Human Services, Commonwealth of Virginia Department of Social Services.

⁶⁷ The Food Trust, Rudd Center for Food Policy and Obesity, Academy of Nutrition and Dietetics, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

⁶⁸ Academy of Nutrition and Dietetics, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, Michigan Department of Human Services, OTDA.

⁶⁹ CDC.

⁷⁰ Texas Retailers Association, Community Health Councils, Food Marketing Institute.

⁷¹ Iowa Food Bank Association, SNAP Outreach Workers, and Feeding America Food Banks in Iowa.

⁷² New York City Department of Health and Mental Hygiene, United Council on Welfare Fraud.

⁷³ Commonwealth of Virginia Department of Social Services.

⁷⁴ New York City Department of Health and Mental Hygiene.

- Develop a recognition program for retailers who embrace the goals of the Program, provide leadership in the retail community, and find ways to encourage adoption of healthy shopping habits;⁷⁵
 - Share data amongst all government agencies involved in regulating food retailers;⁷⁶
 - Include input from all stakeholders (*e.g.*, convene a working group);⁷⁷
 - Require stores to utilize EBT or POS systems;⁷⁸
 - Review current ALERT process for potential enhancements to identify suspect transactions;⁷⁹
 - Mandatory store visits;⁸⁰
 - Monitor retailer eligibility in areas of limited access (*e.g.*, by mapping eligible retailers against food desert data available in USDA's *Food Environment Atlas*);⁸¹
 - Seek additional legislative authority as necessary to reduce fraud and utilize financial penalties;⁸²
 - Use the WIC model to limit the amount of subsidized unhealthy food items;⁸³
 - Partner with interested state and local government entities, and conduct investigations through the expanded use of the State Law Enforcement Bureau (SLEB) program;⁸⁴ and
 - Test strategies using technology-based measures to assess retailers' compliance.⁸⁵
- Two trade associations stated that the RFI fallaciously conflates SNAP fraud and SNAP beneficiary purchasing decisions.⁸⁶ Similarly, a food retailer stated that USDA should not accept the apparent premise that "fraud" and "healthful food offerings" are somehow intrinsically linked.⁸⁷
 - The Office of Inspector General (OIG) stated that its recent work demonstrated that FNS does not have clear procedures and guidance to carry out key oversight and enforcement activities to address SNAP retailer fraud, or adequate authority to prevent multiple instances of fraud. According to the OIG, this occurred because FNS had not yet comprehensively updated its regulations and guidance to reflect the changed fraud risks that accompanied the transition from a stamp-based benefit system to the EBT system. OIG asserted that this has led to a retailer authorization process without clear roles and responsibilities for different FNS divisions, inadequate supervisory reviews, and fragmented access to important documents. Finally, OIG stated that FNS does not require retailers to undergo self-initiated criminal background checks.
 - OIG also stated that prior audit results found that FNS has not established processes to identify or estimate the total amount of SNAP fraud occurring nationwide by retailers. As a result, OIG concluded that FNS does not have tools to effectively measure a total SNAP fraud rate over time, and the actual extent of trafficking could be over or underestimated. OIG also reiterated its recommendations to FNS regarding the use of suspension and debarment.

Question No. 14: Additional Ways in Which Eligibility Criteria Should Be Changed

- Approximately two dozen commenters noted the value of farmers['] markets in the healthy food retail landscape and the barriers that fa[r]mers['] markets face when applying for authorization to be a SNAP retailer. These commenters pro-

⁷⁵ ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, OTDA.

⁷⁶ Rudd Center for Food Policy and Obesity, PHI.

⁷⁷ Texas Retailers Association.

⁷⁸ National Association of Convenience Stores (NACS) and Society of Independent Gasoline Marketers of American (SIGMA), United Council on Welfare Fraud, Commonwealth of Virginia Department of Social Services.

⁷⁹ United Council on Welfare Fraud.

⁸⁰ United Council on Welfare Fraud.

⁸¹ Academy of Nutrition and Dietetics.

⁸² Academy of Nutrition and Dietetics.

⁸³ Michigan Department of Human Services.

⁸⁴ New York City Department of Health and Mental Hygiene.

⁸⁵ PHI.

⁸⁶ National Association of Convenience Stores (NACS) and Society of Independent Gasoline Marketers of American (SIGMA).

⁸⁷ Cumberland Farms, Inc.

vided the following ways in which FNS could improve SNAP with regard to farmers['] markets:⁸⁸

- Create a separate application for farmers['] markets or remove the structural barriers of the retailer application and additional processing fees;
 - Allow farmers['] markets to select a Type of Ownership that more closely reflects their organizational structure;
 - Allow farmers['] markets to provide an Employer Identification Number, instead of an individual's Social Security [N]umber;
 - Authorize one managing organization for multiple market locations;
 - Provide an exemption for farmers['] markets that do not have a business license;
 - Exempt farmers['] markets from providing sales data;
 - Permit partnering organizations to apply for the market's authorization status with written permission from the decision-making body of the farmers['] market; and
 - Require states to include in future contracts a provision that provides the same service to retailers using wireless service as to those using traditional, hardwired machines.
- Approximately a dozen commenters provided suggestions for requirements related to marketing, promotion, and education efforts that encourage SNAP participants to purchase health foods. Some of the suggestions include the following:
 - Limit or discourage in-store SNAP marketing on ineligible or non-staple products and on food and beverage signage;⁸⁹
 - Require that SNAP staple foods be visible from the store entrance;⁹⁰
 - Encourage cross-promotion between WIC-allowed and SNAP "staple foods";⁹¹
 - Post clear labels for unit pricing of all foods and beverages;⁹²
 - Allow retailers to offer discounts and bonus values for "staple foods" to SNAP customers;⁹³ and
 - Restrict or limit the amount of tobacco product displays or marketing in SNAP eligible stores.⁹⁴
 - Some commenters provided other suggestions for ways in which the eligibility criteria should be changed, including the following:
 - Consider beverage provisions and placement options as additional criteria for retailer eligibility.⁹⁵
 - Consider a separate application for smaller retailers to deter trafficking.⁹⁶
 - Use WIC model to require training for SNAP retailers; coordinate store audits with the WIC program; and develop a unified database for tracking WIC and SNAP authorization information.⁹⁷
 - Consider a probation period during which random inspections will be conducted.⁹⁸

⁸⁸ Some of the commenters that provided these recommendations include: Michigan Farmers Market Association, Fair Food Network, Johns Hopkins Center for a Livable Future, Farmers Market Coalition, NSAC, Washington State Farmers Market Association.

⁸⁹ California Food Policy Advocates, University of California SNAP-Ed Program, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, ChangeLab Solutions, Society for Nutrition Education and Behavior, Leadership for Healthy Communities, OTDA, Trust for America's Health.

⁹⁰ University of California SNAP-Ed Program, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

⁹¹ University of California SNAP-Ed Program, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies, Academy of Nutrition and Dietetics.

⁹² ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

⁹³ University of California SNAP-Ed Program, ASNNA: Association of SNAP-Ed Nutrition Networks and Other Implementing Agencies.

⁹⁴ UNC Gillings School of Global Public Health.

⁹⁵ New York City Department of Health and Mental Hygiene.

⁹⁶ State of California, Health and Human Services Agency Department of Social Services.

⁹⁷ Rudd Center for Food Policy and Obesity.

⁹⁸ United Council on Welfare Fraud.

Suggestions for Implementation Support (e.g., Pilot Studies, Technical Assistance, and Education Programs)

- Several commenters, including local governments, state governments, and policy advocacy organizations, generally urged FNS to provide implementation support, including pilot studies, technical assistance, and education programs to SNAP beneficiaries.⁹⁹
- A policy advocacy organization and professional association said USDA should encourage collaboration between the SNAP retailer program and the SNAP nutrition education program (SNAP-Ed).¹⁰⁰
- A professional association said FNS should consider working with the Small Business Administration or other Federal entities to offer assistance with issues such as budgeting, sourcing, product selection and handling, and technology.¹⁰¹

Comments About the Public Listening Sessions

- A policy advocacy organization encouraged FNS to review the comments at the Baltimore listening session provided by Maryland Hunger Solutions.

Other Comments

- Several policy advocacy organizations recommended that FNS use its existing waiver authority to test and evaluate any proposed changes.¹⁰²
- An educational institution encouraged FNS to develop SNAP standards that are in line with WIC requirements.¹⁰³
- A few commenters, including a trade association, a state government agency, and a professional association said state-supplied EBT POS equipment should be eliminated, and that retailers should be required to purchase their own POS wireless devices as a cost of doing business (except for farmers['] markets).¹⁰⁴
- A food retailer said the Health Incentives Pilot and similar incentive-based programs are the best method to increase healthy choices among SNAP participants.¹⁰⁵
- A trade association stated that the imposition of government restrictions on SNAP recipients' food decisions would significantly expand Federal bureaucracy, increase burdens on small business and retailers, and play no role in lowering obesity rates.¹⁰⁶
- A professional association stated that more data is needed to analyze the ability of SNAP recipients to access SNAP-eligible retailers, and to determine whether enhanced eligibility requirements would negatively impact that access.¹⁰⁷

Tallies of Submissions by Coding Structure Category

The table below indicates how many comment submissions addressed each coding structure category. The first set of counts indicates how many unique submissions (including one representative or "master" version of each form letter variety) addressed a category, while the second count includes all letters analyzed (including form letter copies). Counts listed for a "parent" issue reflect comments that addressed the parent issue generally but that could not be assigned into a more specific sub-issue (*i.e.*, counts do not "roll up" to the parent issues).

Coding Structure Category Number	Category Title	Count of Unique Submissions (including one copy of each form letter)	Count of All Submissions (including form letter copies)
1	General feedback on the RFI	0	0

⁹⁹ National WIC Association, ChangeLab Solutions, Leadership for Healthy Communities, Society for Nutrition Education and Behavior, New York City Department of Health and Mental Hygiene, The Food Trust, United States Conference of Mayors Food Policy Task Force, Academy of Nutrition and Dietetics.

¹⁰⁰ PHI, Academy of Nutrition and Dietetics.

¹⁰¹ Academy of Nutrition and Dietetics.

¹⁰² The Society for Nutrition Education and Behavior, the National WIC Association, PHI.

¹⁰³ Johns Hopkins Center for a Livable Future.

¹⁰⁴ Texas Retailers Association, United Council on Welfare Fraud, Commonwealth of Virginia Department of Social Services.

¹⁰⁵ Cumberland Farms, Inc.

¹⁰⁶ American Beverage Association.

¹⁰⁷ Academy of Nutrition and Dietetics.

Coding Structure Category Number	Category Title	Count of Unique Submissions (including one copy of each form letter)	Count of All Submissions (including form letter copies)
1.1	General support for making changes to existing program eligibility requirements (w/o substantive rationale)	5	5
1.2	General opposition to making changes to existing program eligibility requirements (w/o substantive rationale)	1	1
1.3	Other general comments	1	1
2	Responses to Questions Posed by FNS	0	0
2.1	Question No. 1: Reasonableness of ensuring provision of healthy food options as SNAP store eligibility criterion	0	0
2.1.1	Agreement that provision of healthy food options is a reasonable eligibility requirement	34	34
2.1.2	Disagreement that provision of healthy food options is a reasonable eligibility requirement	1	1
2.1.3	Other comments on reasonableness of healthy food provision eligibility requirement	6	6
2.2	Question No. 2: Existence of store types that should always be eligible for SNAP participation	0	0
2.2.1	General support for eligibility of particular store types	6	6
2.2.2	General opposition to eligibility of particular store types	11	11
2.2.3	Suggestions for store types that should always be eligible for participation	1	1
2.2.3.1	Grocery stores	9	9
2.2.3.2	Supermarkets	8	8
2.2.3.3	Farmers['] Markets	25	26
2.2.3.4	Food cooperatives	1	1
2.2.3.5	Others	3	3
2.2.4	Other comments on whether some store types should always be eligible for SNAP participation	12	12
2.3	Question No. 3: Existence of store types that should always be ineligible for SNAP participation	0	0
2.3.1	General support for ineligibility of particular store types	4	4
2.3.2	General opposition to ineligibility of particular store types	10	10
2.3.3	Suggestions for store types that should always be ineligible for participation	0	0
2.3.3.1	Convenience stores	7	7
2.3.3.2	Gas stations	3	3
2.3.3.3	Liquor store	4	4
2.3.3.4	Pharmacies	1	1
2.3.3.5	Dollar stores	0	0
2.3.3.6	Others	2	2
2.3.4	Other comments on whether some store types should never be eligible for SNAP participation	27	123
2.4	Question No. 4: Redefinition of "staple foods"	0	0
2.4.1	A different definition of "staple foods" would help ensure more healthy food choices	1	1
2.4.1.1	Proposed changes to definition	24	24
2.4.1.2	Support/references for need to change definition	1	1
2.4.1.3	Other comments in support of a new definition for "staple foods"	7	7
2.4.2	Redefining "staple foods" would not ensure more healthy food choices	0	0
2.4.2.1	Current definition is sufficient	6	6
2.4.2.2	FNS should only focus on trafficking/redefining staple foods will not impact trafficking	0	0
2.4.2.3	Other comments in opposition to a new definition for "staple foods"	6	6
2.4.3	Treatment of foods high in added sugar, sodium, or solid fats	0	0
2.4.3.1	Support for exclusion of these items as "staple foods"	2	2
2.4.3.2	Opposition to exclusion of these items as "staple foods"	3	3
2.4.3.3	Other comments regarding treatment of foods high in added sugar, sodium, or solid fats	3	3
2.4.4	Other comments on redefining "staple foods"	4	4
2.5	Question No. 5: Applicability of "staple foods" categories to prepared foods with multiple ingredients	0	0
2.5.1	Support for maintaining current treatment of multiple ingredient foods (<i>i.e.</i> , to be considered in one "staple food" category as long as it has one ingredient that meets "staple foods" definition).	8	8
2.5.2	Support for changing treatment of multiple ingredient foods (<i>e.g.</i> , only considering single ingredient foods as staple foods)	6	6

Coding Structure Category Number	Category Title	Count of Unique Submissions (including one copy of each form letter)	Count of All Submissions (including form letter copies)
2.5.3	Other comments on multiple ingredient foods as “staple foods”	16	16
2.6	Question No. 6: Adequacy of the twelve applicable item minimum under Criterion A	0	0
2.6.1	Support for maintaining current twelve applicable item minimum for eligibility	3	3
2.6.2	Support for changing applicable item minimum eligibility requirements	0	0
2.6.2.1	Support for increase in minimum applicable item requirements	15	15
2.6.2.2	Support for increased flexibility in categorization	2	2
2.6.2.3	Other comments on proposed changes for applicable item minimum eligibility requirements	9	9
2.6.3	Other comments on the potential increase of the Criterion A twelve applicable item minimum	3	3
2.7	Question No. 7: Possible change from Criterion A requirement to stock perishable items in two categories	0	0
2.7.1	Support for requiring perishable items to be stocked in more than two categories	20	20
2.7.2	Opposition to requiring perishable items to be stocked in more than two categories	1	1
2.7.2.1	Current program is sufficient in meeting program goals	2	2
2.7.2.2	Increasing the required number of categories of perishable items would be too difficult	1	1
2.7.2.3	Other comments opposing the requirement of perishable items in more than two categories	4	4
2.7.3	Other comments on changing the required number of categories of perishable items	3	3
2.8	Question No. 8: Adequacy of Criterion B 50% sales requirement of “staple foods” in meeting SNAP’s purpose	0	0
2.8.1	Current requirement for 50% sales of staple foods is sufficient	3	3
2.8.2	Requirement for 50% sales of staple foods is not sufficient	6	6
2.8.3	Sufficiency of Criterion B 50% sales requirement if “staple foods” definition is changed to exclude items high in added sugar, sodium, or solid fats	7	7
2.8.4	Comments on the treatment of “accessory foods”	2	2
2.8.5	Other comments on Criterion B percentage sales requirement	15	15
2.9	Question No. 9: Eligibility of stores whose primary business is not food sales	0	0
2.9.1	Support for allowing these stores to be eligible	1	1
2.9.1.1	Food deserts	11	11
2.9.1.2	Contingent support	0	0
2.9.1.2.1	Access to other SNAP providers in the area (e.g., food deserts)	0	0
2.9.1.2.2	Proposed standards for contingent support	7	7
2.9.1.2.3	Other comments on contingent support for eligibility	0	0
2.9.1.3	Other comments in support of allowing these retailers to be eligible	6	6
2.9.2	Opposition to allowing these stores to be eligible	5	5
2.9.3	Other comments on eligibility of stores whose primary business is not food sale	2	2
2.10	Question No. 10: Eligibility of retailers who primarily sell food for immediate consumption, but also sell products cold and heat them for SNAP recipients after purchase	0	0
2.10.1	Support for continuing eligibility for these stores	7	7
2.10.2	Opposition for continuing eligibility for these stores	7	7
2.10.3	Other comments on eligibility of these stores	8	8
2.11	Question No. 11: Granting authorization to all eligible retail stores (regardless of whether sufficient store access is a concern)	0	0
2.11.1	Support for granting authorization to all eligible retail stores	27	27
2.11.2	Opposition to granting authorization to all eligible stores	2	2
2.11.3	Other comments regarding granting authorization to all eligible stores (e.g., request for definition of “sufficient store access”)	3	3
2.12	Question No. 12: Granting SNAP authorization when no store meets basic eligibility criteria in an area	0	0

Coding Structure Category Number	Category Title	Count of Unique Submissions (including one copy of each form letter)	Count of All Submissions (including form letter copies)
2.12.1	Evaluation and scoring system applied	0	0
2.12.1.1	Criteria used in evaluation and scoring system	7	7
2.12.2	Other comments on granting SNAP authorization when no stores meet basic eligibility criteria	23	23
2.13	Question No. 13: Balancing of integrity and management priorities against healthy food choice criteria	0	0
2.13.1	Suggestions regarding balancing integrity and management priorities against healthy food choice criteria	25	25
2.13.2	Suggested elements to be used to assess integrity risks	4	4
2.13.3	Suggestions regarding application of integrity risk elements	6	6
2.14	Question No. 14: Additional ways in which eligibility criteria should be changed	0	0
2.14.1	Separate application criteria for farmers[] markets	22	23
2.14.2	Suggestions for requirements related to marketing, promotion, and education efforts that encourage SNAP participants to purchase healthy foods and beverages	12	12
2.14.3	Other comments regarding ways to change eligibility criteria	11	11
3	Other comments on the RFI	0	0
3.1	Suggestions for implementation support (e.g., pilot studies, technical assistance, and education programs)	16	16
3.2	Comments on public listening sessions	1	1
3.3	Other comments on RFI	16	16
4	Comments Outside the Scope of the RFI (e.g., labeling requirements, GMOs)	3	3

[ATTACHMENT 2]

Initial Regulatory Flexibility Analysis—Proposed Rule**Enhancing Retailer Standards in SNAP: Changes to Depth of Stock and Stocking Requirements Using New Farm Bill Definition**

Agency: Food and Nutrition Service, USDA.

Background: The Regulatory Flexibility Act (RFA) requires agencies to consider the impact of their rules on small entities and to evaluate alternatives that would accomplish the same objectives without undue burden when the rules impose a significant economic impact on a substantial number of small entities. Inherent in the RFA is the desire to remove barriers to competition and encourage consideration of ways to tailor regulations to the size of the regulated entities.

The RFA does not require that agencies necessarily minimize a rule's impact on small entities if there are significant legal, policy, factual, or other reasons for the rule's impacts. The RFA requires only that agencies determine, to the extent feasible, the rule's economic impact on small entities, explore regulatory alternatives for reducing any significant economic impact on a substantial number of such entities, and explain the reasons for their regulatory choices.

Reasons That Action Is Being Considered

The Food and Nutrition Service is proposing a rule that would revise minimum inventory requirements for stores eligible to redeem SNAP benefits. Several changes in the proposed rule will affect retailer stocking requirements. First, retailers may need to add varieties within four staple food groups (meat, poultry, or fish; bread or cereal; vegetables or fruits; dairy products). Under previous requirements, most retailers were eligible to redeem SNAP using the criteria that they offered for sale, on a continuous basis, at least three varieties of qualifying foods in each of four staple food groups, with perishable foods in at least two of the food groups. The 2014 Farm Bill modified those criteria by requiring that retailers stock at least *seven* varieties of qualifying foods in each of four staple food groups, with perishable foods in at least *three* of the food groups.

As part of this rule FNS has also proposed that retailers now must stock at least six stocking units of each variety of food in each food group. Current regulations do not specify a minimum depth-of-stock. Finally, FNS is also proposing that multi-ingredient foods and 'snack' foods be classified as accessory foods, which cannot be used to meet either the variety or depth-of-stock requirements.

This action is being considered by FNS in part due to Section 4002 of the Agricultural Act of 2014 (2014 Farm Bill), which revises eligibility for SNAP retail food

stores by increasing the required number of varieties and number of perishable items. Additional changes to depth of stock and to the classification of accessory foods are being proposed to ensure that retailers are maintaining sufficient food stock for sale to SNAP recipients at all times, and to ensure that retailers are stocking foods that could contribute to a nutritious diet.

Under current law, a store could stock as few as 12 food items (3 varieties \times 4 staple food groups \times 1 stocking unit) and be eligible to redeem SNAP benefits. The impact of these changes results in a new minimum inventory requirement of 168 items (7 varieties \times 4 staple food groups \times 6 stocking units). While this change in stocking requirements appears substantial, for the vast majority of stores, the changes needed would be much smaller because they already stock many of the required items in appropriate amounts.

Objectives of, and Legal Basis for, the Proposed Rule

As stated above, the legal basis for the proposed rule are the relevant sections of the 2014 Farm Bill and existing legal authority under the Food and Nutrition Act. The objectives of this rule are to establish new parameters for inventory requirements for retailers that are certified to accept SNAP.

Number of Small Entities to Which the Proposed Rule Will Apply

This proposed rule directly regulates all retailers that accept SNAP benefits pursuant to agreements with USDA's Food and Nutrition Service. However, many of these stores already stock a sufficient quantity and variety of foods to meet the eligibility criteria in the proposed rule. Certain stores, however, primarily combination stores, convenience stores, and small grocery stores, may need to make changes to their inventory in order to remain eligible to redeem SNAP benefits. Of the 68,338 combination stores, 112,066 convenience stores, and 15,060 small grocery stores certified to accept SNAP benefits in 2014, almost all of them (194,834 total stores, or 99.7%) would fall under the SBA gross sales threshold to qualify as a small business for Federal Government programs.¹

Projected Reporting, record-keeping and Other Compliance Requirements

All retailers attest to proper stocking requirements at authorization, and all retailers would be subject to periodic store reviews that evaluate whether the currently displayed stock and number of units are appropriate to maintain certification to redeem SNAP benefits. FNS knows of no reporting or record-keeping requirements that would impact small entities. However, most small stores would be required to make changes to their inventory in order to comply with this rule.

FNS thinks that the rule does not present a significant economic impact to a substantial number of small businesses. Although the number of stores impacted is large, we estimate that the cost to those small businesses for stocking additional inventory would be nominal, on average about \$140. However, FNS has prepared this Initial Regulatory Flexibility Analysis to provide the opportunity for comment and input from the public. FNS invites comments on all aspects of the analysis that follow.

This analysis uses data from a sample of 1,392 small stores to examine the average number of varieties that retailers may need to add in the staple groups as well as the number of stocking units the average retailer may need to add in order to be in compliance with the new rules. Available data come from the Authorized Store Checklist. This checklist is used by FNS during store visits to determine how many varieties in a staple food group a retailer is currently stocking as well as how many individual stocking units are in the store at the time of the visit. It is important to note that this checklist groups certain foods together and that these groupings may combine foods from more than one 'variety' as defined by the proposed rule. For example, with regard to cheese, the checklist groups hard and soft cheeses together, but these would be considered different varieties for purposes of meeting the new variety requirement. For this analysis, this means that for some staple food groups we are likely undercounting the actual number of varieties a store already stocks. This is especially true for the Dairy category—the checklist only contains six product groupings, so no store in the data set could be classified as having seven different varieties of Dairy. In this case, six dairy varieties were used in the analysis.

¹Based on the North American Industry Classification System (NAICS code) categories for Convenience Stores (NAICS code 445120, standard of \$29.5 million) and Supermarkets and Other Grocery Stores (NAICS code 445110, standard of \$32.5 million).

Farm Bill Changes to Variety and Perishable Criteria

Based on analysis of this data, FNS estimates that **88.6% of small stores would not meet the variety criteria**. Most need to add one or two items per staple food category:

- 92.8% of the stores in this subgroup would not meet the Dairy variety criteria (based on six dairy categories analyzed).
 - Median = five items (out of seven) for non-qualifiers.
- 6.9% would not meet the Fruit & Vegetable criteria.
 - Median = five items for non-qualifiers.
- 21.7% would not meet the Bread variety criteria.
 - Median = six items for non-qualifiers.
- 66.5% would not meet the Meat variety criteria.
 - Median = five items for non-qualifiers.

1.5% of stores would no longer meet the perishable criteria.

- All stores that would no longer meet perishable criteria also no longer meet the variety criteria.

In sum, most currently authorized small stores (88.6%) would not immediately meet the inventory requirements mandated in the 2014 Farm Bill. However, conformance typically requires adding two varieties for each of two or three categories.

Proposed Changes to Definition of Accessory Foods

Under the proposed rule the definition of accessory foods will change to include snacks such as chips or ice cream and multi-ingredient foods such as pizza. This change may potentially increase the number of varieties a store might need to add in order to remain compliant, as those items are separate 'groupings' on the Store Checklist. In the Dairy category, ice cream, which is its own category on the checklist, will be removed as a variety. The analysis of the impact of the 2014 Farm Bill changes, which concluded that the median store would need to add two varieties in the Dairy group, counted ice cream as a variety. When ice cream is removed, we estimate that all retailers in the data set would need to add one additional variety of dairy in order to be compliant, bringing the median number of dairy varieties needed to three.

Similarly, in the Breads and Cereals staple foods category, some snacks and cakes will be redefined as accessory foods. For purposes of this analysis, we removed those items from each store's total count of "varieties." With those items removed, nearly 20% of retailers were still stocking seven varieties of Breads and Cereals and would remain eligible under the new requirements. An additional 68% of retailers would only need to add between one and three varieties in order to remain eligible in the Breads and Cereals staple food category. For purposes of this analysis, we assume that the median store would need to add two varieties of Breads and Cereals to meet the new requirements.

Proposed Changes to Depth of Stock

FNS also did further analysis to estimate the number of additional stocking units in each staple food category retailers might need to add in order to be compliant with the proposed provision that retailers carry at least six stocking units of each variety.

- **Dairy:** As noted above, FNS estimates that the average store would need to add three varieties of products to the Dairy category to meet the variety requirement and the new definition of accessory foods. For these varieties, we estimate that the average store would need to add 18 stocking units. When looking *only* at those varieties stores already have in this category, most stores already have six or more stocking units in three (of their current four) varieties. Therefore, FNS estimates that the average store would need to add up to six additional stocking units to meet the new depth-of-stock requirement. In total, we estimate that the average store would need to add 24 stocking units in the Dairy staple food group in order to meet the combined requirements of this proposed rule (see *Table 1*).
- **Fruits and Vegetables:** As noted above, the vast majority of retailers already meet or exceed the new variety requirement, and changes in the definition of accessory foods are not expected to impact this. When looking *only* at those varieties stores already have in this category, most stores already have six or more

stocking units in each variety. Therefore, FNS estimates that the average store would not need to add any stocking units in the Fruits and Vegetables staple food group in order to remain compliant with new requirements.

- **Breads and Cereals:** As noted above, most stores currently have five or more varieties of Breads and Cereals, after removing foods that would now be classified as accessory foods. FNS estimates that the average store would need to add two varieties of products to the Breads and Cereals category to meet the variety requirement and the new definition of accessory foods. For these varieties, we estimate that the average store would need to add 12 stocking units. When looking *only* at those varieties stores already have in this category, most stores already have six or more stocking units within these varieties. Therefore, the depth-of-stock requirement does not add additional inventory changes beyond what is needed to meet the variety requirement and the new definition of accessory foods. FNS estimates that the average store would need to add about 12 total stocking units within this staple food category to meet the combined requirements of this proposed rule.
- **Meat/Poultry/Fish:** As noted above, most stores currently stock five varieties of Meat, Poultry, or Fish. FNS estimates that the average store would need to add two varieties of products to the Meat, Poultry, or Fish category to meet the variety requirement and the new definition of accessory foods. For these varieties, we estimate that the average store would need to add 12 stocking units. When looking only at those varieties stores already have in this category, most stores already have six or more stocking units within these five varieties. However, because the categories on the checklist do not align perfectly with planned implementation of the variety definition for this staple food group, FNS estimates that the average store may need to add up to six stocking units within this food group to meet the depth-of-stock requirement. In total, FNS estimates that the average store may need to add about 18 stocking units in this staple food category to meet the combined requirements of this proposed rule.

Stores that do need to make adjustments should be able to do so at a relatively low total cost. Based on a review of 2015 wholesale prices for specific items in each staple food group, FNS estimates that a retailer who needed to purchase six stocking units of all seven varieties of food in all four staple food groups could obtain these items at a cost of approximately \$310 (see attached *Table 2*). Adding an inventory carrying cost of 25%,² to account for storage costs and potential spoilage, the total cost of stocking all 168 items would be approximately \$400.³ The average cost per variety and cost per unit (based on these wholesale prices) for each staple food group is as follows:

- Breads and Cereals:
 - Average cost of adding six stocking units of one variety: \$10.06.
 - Cost of adding each unit: \$1.68.
- Dairy:
 - Average cost of adding six stocking units of one variety: \$11.83.
 - Cost of adding each unit: \$1.97.
- Meat/Poultry/Fish:
 - Average cost of adding six stocking units one variety: \$15.57.
 - Cost of adding each unit: \$2.60.
- Fruits and Vegetables:
 - Average cost of adding six stocking units of one variety: \$6.96.
 - Cost of adding each unit: \$1.16.

²Inventory carrying costs average 20–30% of the value of the stock. Source: <http://www.opsrules.com/supply-chain-optimization-blog/bid/314279/Do-You-Know-Your-Inventory-Carrying-Costs>.

³In addition to the cost of adding specific stocking units or varieties, a small number of stores may need to add additional storage for perishable items. FNS estimates that the cost of purchasing an additional cold case would be approximately \$750, bringing the maximum total possible cost of compliance to approximately \$1,140. However, FNS estimates that 98.5% of stores would currently meet the requirement for stocking perishable items, so it is unlikely that stores would need to add cold storage in order to remain compliant, nor is it likely that the ability to store perishable foods would be a barrier to remaining eligible. Cost of a Glass merchandise: \$749 new through <http://www.webstaurantstore.com/26249/1-section-glass-door-merchandising-refrigerators.html>.

However, as noted above, most stores would need to add far fewer items—approximately 54 stocking units for the median store, at an estimated cost of about \$114, or about \$142 when factoring in the inventory carrying cost of 25%. In most stores, this could be accomplished by swapping out certain items for others in order to meet the new requirements. In any case, the initial cost of adding new items to inventory would be recouped when a retailer sells those items. In the event of spoilage, the inventory carrying cost accounts for the need to replace items.

Table 1 below outlines the additional stocking units needed, by staple food category, for the average small store for each change to inventory requirements in the proposed rule. Specific wholesale food costs, used to estimate the cost per staple food group, are detailed in a table at the end of this document.

Table 1
Additional Stocking Units Needed for Average Small SNAP Retailer

	Additional Varieties Needed		Impact from Definition Change		Additional Units Needed to Meet Depth of Stock		Total		
	Number	Stocking Units	Varieties	Stocking Units	Stocking Units	Stocking Units	Varieties	Stocking Units	Average Price
Daary	2	12	1	6	6	3	24	\$1.97	\$47.28
FV	0	0			0	0	0	\$1.16	\$—
Bread	0	0	2	12	0	2	12	\$1.68	\$20.16
Meat	2	12			6	2	18	\$2.60	\$46.80
Total	4	24	3	18	12	7	54	\$7.41	\$114.24

Economic Opportunity Costs for Small Retailers

Another approach to estimate potential costs for small retailers is to examine the economic opportunity costs for those retailers. To do this, FNS examined SNAP redemption patterns at these smaller stores. Stores that redeem a very small amount of SNAP benefits may find that even small changes to inventory requirements would not be cost effective, given the overall contribution that SNAP has to their monthly revenue. Alternatively, some smaller stores may determine that they redeem enough SNAP benefits to justify these minor stock changes.

Combination stores, Convenience stores, and Small Grocery Stores are most likely to require changes to their depth of stock in order to remain eligible to redeem SNAP benefits. FNS looked at the number of these stores that are certified, the total amount of SNAP benefits that are redeemed in these stores, and the average amount of SNAP benefits redeemed per store on an annual and monthly basis. While these stores make up a substantial percentage (73%) of all authorized retailers, their share of SNAP redemptions is much smaller (13%).

- Combination Stores:
 - 26% of all authorized stores in 2014.
 - 6.8% of total SNAP benefits redeemed.
 - \$70,125 annual SNAP benefits redeemed on average per store.
 - \$5,844 monthly SNAP benefits redeemed, on average per store.
 - \$9.6 million in annual gross sales, on average per store.
- Convenience Stores:
 - 41% of all authorized stores in 2014.
 - 4.96% of total SNAP benefits redeemed.
 - \$32,770 annual SNAP benefits redeemed on average per store.
 - \$2,731 monthly SNAP benefits redeemed, on average per store.
 - \$2.1 million in annual gross sales, on average per store.
- Small Grocery Stores:
 - 5.3% of all authorized stores in 2014.
 - 1.16% of total SNAP benefits redeemed.
 - \$58,427 annual SNAP benefits redeemed on average per store.
 - \$4,869 monthly SNAP benefits redeemed, on average per store.
 - \$193,000 in annual gross sales, on average per store.

For the average small retailer, the cost of adding the additional inventory represents a negligible share of their SNAP redemptions and of total gross sales.

Retailers that redeem the least amount of SNAP benefits may be most likely to make a business decision to leave the program because they find the changes needed to comply with the new inventory requirements to be more costly than the profit from SNAP participation. An analysis of the lowest 10%, 20%, and 30% of SNAP redemptions by retailer type indicates that many of these stores do not generate a significant portion of their revenue from SNAP. According to FNS retailer data, in 2014 average annual redemptions for the stores (among these three store types) that redeemed the least amount of SNAP benefits were as follows:

- Combination stores (20,500 in the bottom 30th percentile):
 - 10th percentile—\$2,830 in SNAP redemptions, 0.05% of Total Gross Sales.
 - 20th percentile—\$7,050 in SNAP redemptions, 0.15% of Total Gross Sales.
 - 30th percentile—\$11,720 in SNAP redemptions, 0.20% of Total Gross Sales.
- Convenience stores (33,600 in the bottom 30th percentile):
 - 10th percentile—\$2,130 in SNAP redemptions, 0.08% of Total Gross Sales.
 - 20th percentile—\$5,530 in SNAP redemptions, 0.12% of Total Gross Sales.
 - 30th percentile—\$8,750 in SNAP redemptions, 0.37% of Total Gross Sales.
- Small Grocery Stores (4,500 in the bottom 30th percentile):
 - 10th percentile—\$1,990 in SNAP redemptions, 1.4% of Total Gross Sales.
 - 20th percentile—\$6,300 in SNAP redemptions, 4.0% of Total Gross Sales.
 - 30th percentile—\$11,650 in SNAP redemptions, 6.7% of Total Gross Sales.

Depending on the amount of inventory these retailers need to add, some may be unwilling to make inventory improvements in order to comply with the new regulations. In these cases, since their total annual redemptions are relatively small, stores may make the economic choice to opt out of SNAP. However, FNS anticipates that only those stores whose current SNAP redemptions are extremely low may make that choice. For those stores, their 'cost' of opting out of SNAP would be no more than the amount of foregone SNAP redemptions, generally a few hundred dollars or less per year for stores with the lowest redemptions.

Table 2
Wholesale Costs for Specific Food Items in Each Staple Food Group

Staple Food Group	Price	Quantity	Total	Price Per Variety	Per Unit Cost
Meat					
Canned Chicken	\$1.50	6	\$9.00		
Sardines	\$1.46	6	\$8.76		
Tuna	\$1.35	6	\$8.10		
Beef Franks/3 pack	\$8.98	2	\$17.96		
Canned Salmon	\$4.18	6	\$25.08		
Turkey Lunch Meat/2 pack	\$7.34	3	\$22.02		
Eggs/7.5 dozen	\$18.08	1	\$18.08		
			\$109.00	\$15.57	\$2.60
Breads and Cereals					
Cornmeal	\$1.64	6	\$9.84		
Pasta/6 pack	\$6.48	1	\$6.48		
Quick Oats	\$2.60	6	\$15.60		
Cheerios/6 pack	\$7.42	1	\$7.42		
Rice	\$1.35	6	\$8.10		
Bread/packs of 2 loaves	\$3.98	3	\$11.94		
Flour	\$1.84	6	\$11.04		
			\$70.42	\$10.06	\$1.68
Fruit and Vegetables					
Fruit Cocktail	\$1.38	6	\$8.28		
Canned Pineapple	\$1.24	6	\$7.44		
Pinto Beans	\$1.05	6	\$6.30		
Canned Mixed Vegetables	\$1.05	6	\$6.30		
Canned Sliced Carrots	\$0.99	6	\$5.94		
Canned Peas	\$0.99	6	\$5.94		
Canned Tomato Sauce	\$1.42	6	\$8.52		
			\$48.72	\$6.96	\$1.16
Dairy					
Cheese—hard (cheddar)/3 pack	\$6.48	2	\$12.96		
Cheese—soft (cream cheese)/6 pack	\$6.98	1	\$6.98		
Soy Milk/6 pack	\$8.58	1	\$8.58		
Milk	\$2.63	6	\$15.78		
Yogurt/18 pack	\$7.98	1	\$7.98		
Butter/4 pack	\$10.98	2	\$21.96		
Sour Cream/3 pack	\$4.28	2	\$8.56		
			\$82.80	\$11.83	\$1.97
Total All Groups					
			\$ 310.94	\$44.42	\$7.40
Total with Inventory Stocking Fee					
			\$ 388.68		

Federal Rules That May Duplicate, Overlap or Conflict with the Proposed Rule

FNS is unaware of any such Federal rules or laws.

Significant Alternatives

Prior to the passage of the farm bill, in 2013, FNS released a Request for Information and held five listening sessions across the country to gather feedback from interested stakeholders relative to alternatives for enhancing this area. These comments were considered when developing the current proposal. However, most of the changes to inventory requirements in this proposed rule are directed by statute. FNS has outlined the ability to waive these requirements for a retailer if access to certified SNAP retailers would be limited by the elimination of a small store. However, FNS does not anticipate that many small stores will make the decision to opt out of SNAP based on the new requirements. FNS anticipates potential access issues necessitating a waiver of requirements only in remote or rural areas such as rural Alaska. FNS annual fiscal year data indicates that over 80% of benefits are spent in supermarkets and superstores which make up just under 15% (37,536 of

the 261,150 SNAP authorized stores in Fiscal Year 2014)⁴ of all authorized stores. As well, 96 percent of households visit a supermarket or superstore at least once each month; the four percent of all households that never shopped in a supermarket tended to receive relatively small benefits.⁵ Finally, the number of SNAP authorized stores has increased steadily over the last 12 fiscal years from 145,312 in Fiscal Year 2003 to 261,150 in Fiscal Year 2014 (56% increase); even at its low point in 2003, FNS was not made aware of client or advocate concerns regarding access.⁶

[ATTACHMENT 3*]

[<https://www.ams.usda.gov/rules-regulations/organic/national-list/filing-petition>]

Importing Egg Products and Shell Eggs

FSIS regulates the importation of *egg products* (<http://www.gpo.gov/fdsys/pkg/CFR-2015-title9-vol2/xml/CFR-2015-title9-vol2-chapIII-subchapl.xml>), which must originate from *countries and plants* (<http://www.fsis.usda.gov/wps/portal/osis/topics/international-affairs/importing-products/eligible-countries-products-foreign-establishments/eligible-foreign-establishments>) eligible to export to the United States. Currently, Canada and The Netherlands are the only countries where plants are eligible to export egg products to the United States. Animal disease restrictions may be applied to some egg products by the Animal and Plant Health Inspection Service (APHIS).

- *Letter to Importers/Brokers on Ineligible and Misbranded Egg Products* (http://www.fsis.usda.gov/wps/wcm/connect/915de780-e589-40cc-af91-8ec93ac849db/Importer-Broker-Egg_Products.pdf?MOD=AJPERES) (Apr. 4, 2016)
- *Letter to Countries on Ineligible and Misbranded Egg Products* (<http://www.fsis.usda.gov/wps/wcm/connect/9ff6e7f5-44a1-4d0f-bf0e-b0b54357cff8/Egg-Products-Country-letter.pdf?MOD=AJPERES>) (Apr. 4, 2016)

For Q&As about importing egg products into the United States, see *Importing Shell Eggs and Egg Products into the United States* (<http://www.fsis.usda.gov/wps/portal/osis/topics/international-affairs/importing-products/importing-egg-products-and-shell-eggs/faq-importing-shell-eggs>).

Please visit the *Agricultural Marketing Service* (<http://www.ams.usda.gov/services/imports-exports/breaking-stock>) Website for information about importing shell eggs for breaking into the United States.

For information regarding foreign sources of eggs and egg products, see the *Fact Sheet—Sourcing Egg Products and Shell Eggs from Foreign Countries* (http://www.fsis.usda.gov/wps/portal/osis/topics/international-affairs/importing-products/importing-egg-products-and-shell-eggs/!ut/p/a1/04_Sj9CPykssy0xPLMnMz0vMAfGjzOINAg3MDC2dDbwMDIHQ08842MTDy8YwMwEqCASWYGpaEbUEFYoL-3s7OBhZ8xkfxAEcDQuq9iLDAqMjX2TddP6ogsSRDNzMuLV8IjO3IL-oJDMvXbegKD-lNLmkGFksNR0hrpuYl6JbnJGakwMSLtYP14Ca6W-CboCLGECUYDb0wW5oRFVPh4GmZ6OigCtT8d_?1dmy¤t=true&urile=wcm%3apath%3a%2Ffsis-content%2Finternet%2Fmain%2Ftopics%2Ffood-safety-education%2Fget-answers%2Ffood-safety-fact-sheets%2Fproduction-and-inspection%2Fsourcing-egg-products-shell-eggs%2Fsourcing-egg-products-shell-eggs).

Last Modified Apr. 07, 2016.

[ATTACHMENT 4]

[<https://www.ams.usda.gov/rules-regulations/organic/national-list/filing-petition>]

How to File a Petition¹

The National List of Allowed and Prohibited Substances identifies synthetic substances that may be used and the nonsynthetic (natural) substances that may not be used in organic crop and livestock production. It also lists the non-organic substances that may be used in or on processed organic products. Any individual or or-

⁴<http://www.fns.usda.gov/sites/default/files/snap/2014-SNAP-Retailer-Management-Annual-Report.pdf>.

⁵<http://www.fns.usda.gov/benefit-redemption-patterns-supplemental-nutrition-assistance-program>.

⁶FNS Retailer Management Annual Reports 2003 and 2014.

* **Editor's note:** Attachments 3 and 4 are "snapshots" of the referenced websites. The "snapshots" contain the text and hyperlinks that are on each page.

¹<http://www.ams.usda.gov/rules-regulations/organic/national-list/filing-petition>.

ganization may submit a petition to add, remove, or amend the listing of a substance.

Role of the NOSB

The National Organic Standards Board (NOSB), a Federal Advisory Committee, reviews petitions based on specific criteria in the Organic Foods Production Act of 1990. Depending on the proposed use of the substance, the petition will be reviewed by an NOSB sub-committee: crops, livestock, or handling.

Role of the NOP

The National Organic Program (NOP) accepts petitions, solicits public comments, and manages all communication with petitioners.

Petition Process

The petition process is summarized below:

- **Individual or organization develops & submits petition.** A complete petition for a single substance* must be submitted to the NOP as described in the guidelines for petition submission (*NOP 3011: National List Petition Guidelines*).² View notice in the *Federal Register* >.³
- **E-mail submission.** Petitions may be submitted as a single PDF file *via e-mail* (*Nosb@ams.usda.gov*).⁴
- **Mail submission.** Petitions may be sent electronically (*i.e.*, CD) or hard copy via mail:

National List Manager,
USDA/AMS/NOP, Standards Division,
1400 Independence Ave. SW,
Room 2648–So., Ag Stop 0268,
Washington, DC 20250–0268

Note: Electronic submission (by disk or e-mail) is preferred to facilitate posting of petitions on the NOP website.

- **NOP determines if substance is eligible for petition.** If the substance is eligible for petition and the petition meets the guidelines referenced above, it is forwarded to the appropriate NOSB sub-committee (crops, livestock, or handling). If the petition is insufficient or if additional information is needed, NOP contacts the petitioner to request additional information. Eligible petitions are posted on the NOP website for public viewing, with the exception of Confidential Business Information.
- **NOSB sub-committee determines if additional information is needed.** If the sub-committee finds the petition insufficient, NOP will contact the petitioner to obtain additional information. If the petition is deemed sufficient, the sub-committee may request a technical report. These reports are done by a third-party contractor and posted on the NOP website.
- **NOSB sub-committee reviews petition and publishes a proposal with request for public comments.** While reviewing substances, the NOSB uses these criteria:⁵ The NOSB sub-committee's proposal outlines their reasoning and proposed response to the petition. The proposal will include background information, discussion, and the sub-committee's votes to: (1) Classify the substance (2) Crops and livestock: synthetic or non-synthetic (3) Handling: agricultural or non-agricultural (4) Add, remove, or amend the listing of the petitioned substance.
- **NOP publishes the public meeting agenda and solicits public comments on NOSB's behalf.**
- **NOSB analyzes comments & votes on petition.** The NOSB sub-committee makes necessary edits based on written and in-person public comments and presents the amended proposal to the full NOSB. The full NOSB discusses and votes on the petition in a public forum.

² <http://www.ams.usda.gov/sites/default/files/media/NOP%203011%20Petition%20Procedures.pdf>.

³ <https://www.federalregister.gov/articles/2016/03/10/2016-05399/national-organic-program-notice-of-availability-of-national-list-petition-guidelines>.

⁴ <mailto:Nosb@ams.usda.gov?subject=National%20List%20Petition>.

⁵ <http://1.usa.gov/NationalListCriteria>.

- **NOSB submits final recommendation to NOP.** After the meeting, the NOSB finalizes its recommendation to reflect the final vote and submits it to the NOP.
- **NOP reviews recommendation and initiates rulemaking, if appropriate.** The NOP reviews all NOSB recommendations and publishes its response on the NOP website. The NOP may decide not to add a recommended substance to the National List, but may not add a substance without the NOSB's recommendation. *Learn about the rulemaking process* >.⁶

*If the substance you wish to petition is an inert ingredient for use in a pesticide formulation, please also review this *memo*.⁷

Questions?

Please contact the National List Manager

202-720-3252/Nosb@ams.usda.gov.⁸

Rules & Regulations:

Organic Regulations⁹

⁶ <https://www.ams.usda.gov/rules-regulations/rulemaking>.

⁷ <https://www.ams.usda.gov/sites/default/files/media/NOP-Notice-11-6.pdf>.

⁸ <mailto:Nosb@ams.usda.gov>.

⁹ <http://www.ams.usda.gov/rules-regulations-terms/organic-regulations>.

HEARINGS TO EXAMINE USDA ORGANIZATION AND PROGRAM ADMINISTRATION

(Part 2)

FRIDAY, MARCH 18, 2016

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

The Committee met, pursuant to call, at 9:00 a.m., in Room 1300, Longworth House Office Building, Hon. K. Michael Conaway [Chairman of the Committee] presiding.

Members present: Representatives Conaway, Lucas, Thompson, Benishek, LaMalfa, Yoho, Rouzer, Moolenaar, Kelly, and Lujan Grisham.

Staff present: Bart Fischer, Caleb Crosswhite, John Goldberg, Josh Maxwell, Mary Nowak, Matt Schertz, Patricia Straughn, Scott C. Graves, Skylar Sowder, Stephanie Addison, Faisal Siddiqui, Anne Simmons, Evan Jurkovich, Keith Jones, Mary Knigge, Matthew MacKenzie, Mike Stranz, Nicole Scott, and Carly Reedholm.

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

The CHAIRMAN. Well, good morning. This part two of the hearing of the Committee on Agriculture concerning USDA organization and program administration, will come to order.

I will now ask Trent to offer a quick opening prayer.

Trent.

Mr. KELLY. Bow your heads.

Dear, Heavenly Father, we just ask that you bless this great nation, that you continue to bless our farms and our farmers. We ask that you continue to bless us with rich resources and water. Dear Lord, we just ask that you bless all of us in government to help us carry out your will. In Jesus' name, I pray. Amen.

The CHAIRMAN. Thank you.

Well, good morning. The chair would remind Members that they will be recognized for questioning in order of seniority, for Members who were here at the start of the hearing. After that, Members will be recognized in order of arrival. I think everybody was here in order.

Witnesses are reminded to limit their oral comments to 5 minutes. All your written statements, of course, will be included in the record. And over the course of today's hearing, following the testimony of each witness, everyone at the table will be available for questions.

After each panel, we will have a 10 minute break. We will see how this goes. If Members want to come visit with you, we have 1302 reserved. If you guys slip over there real quick, and then we can come say hi, then we will get the other panel in, and that way that will work.

First panel this morning, I would like to welcome, the Honorable Robert Bonnie, Under Secretary of Natural Resources and Environment with USDA. He is accompanied this morning by Ms. Mary Wagner, who is the Associate Chief of the Forest Service, and Mr. Jason Weller, who is Chief, Natural Resources Conservation Service.

Mr. Bonnie, the floor is yours, sir.

STATEMENT OF HON. ROBERT BONNIE, UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY MARY WAGNER, ASSOCIATE CHIEF, U.S. FOREST SERVICE, USDA; JASON WELLER, CHIEF, NATURAL RESOURCES CONSERVATION SERVICE, USDA

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

Mr. Chairman, distinguished Members of the Committee, I want to thank you for the opportunity to appear before you today to discuss the work of the Natural Resources Conservation Service and the Forest Service. I will focus much of my remarks on implementation of the 2014 Farm Bill, and in addition, I will address the impacts of wildland fire on the Forest Service budget.

NRCS is demonstrating that voluntary conservation backed by strong science, done in concert with a variety of partners, can solve critical natural resource challenges for America's farmers, ranchers, and forestland owners.

I reported to this Committee last September that the agency has completed interim final rules for the Environmental Quality Incentives Program, the Conservation Stewardship Program, and the new Agricultural Conservation Easement Program. This past week, we published the final rule on CSP, and EQIP and ACEP are nearing final stages of review and will be published this spring.

The new Regional Conservation Partnership Program continues to be extremely popular. In February, Secretary Vilsack announced that USDA and partners across the nation together will direct up to \$720 million towards 84 conservation projects that will help communities improve water quality, combat drought, enhance soil health, support wildlife habitat, and protect agricultural viability. And the request for proposals for the third round of RCPP, set to be awarded at the end of 2016, was just announced last week.

Beyond this program, NRCS is spearheading a series of initiatives to address drought, water quality, wildlife habitat, and other issues. NRCS is demonstrating through its Working Lands for Wildlife program that farmers, ranchers, and forestland owners can voluntarily restore habitat for rare wildlife so species no longer need the protection of the Endangered Species Act.

Just last week, the Department of the Interior de-listed the Louisiana Black Bear, which was possible in no small part thanks to the significant engagement of NRCS with private landowners through the Wetlands Reserve Program.

Let me now turn to the Forest Service. Increasing the pace and scale of forest restoration and management across the National Forest remains the top priority for the agency. The agency continues to invest in collaborative landscape-scale projects and has increased acres treated over the last several years. Timber sales have increased by 20 percent since 2008.

The Forest Service has successfully implemented all the relevant provisions of the 2014 Farm Bill. I reported last fall that 20 projects were moving forward under the new insect and disease provisions of the farm bill. Currently, 34 projects are now moving forward, with 28 of those using categorical exclusions under NEPA. The Forest Service now has good neighbor authority agreements with nine states, up from the three I reported last fall, and we have more agreements on the way.

The biggest obstacle to increasing forest restoration and management is the wildfire budget. Last year was a very difficult year with more than 10 million acres impacted, many lives lost, including 13 firefighters, and hundreds of homes burned. The agency was forced to transfer \$700 million from non-fire programs to cover suppression costs.

The Forest Service spent more than 60 percent of its budget on fire-related activities last year, up from 16 percent 2 decades ago. Longer fire seasons, increased fuel loads, and development into our wildlands are all significantly increasing the cost of firefighting. All agency activities are suffering, including recreation, research, range management, and, yes, forest management.

The current budget system, which requires us to shift additional resources to fire every year, is cannibalizing the very programs that can help us reduce the threat of catastrophic wildfire. Many of you are keenly aware of the fire budget challenge, and I appreciate the hard work that you have invested on this issue. It was disappointing to be so close to a comprehensive fix last year and not see it realized.

We will continue to push hard for a comprehensive fix. The urgency to solve this problem has not lessened. The trends are not good. Forest Service scientists expect catastrophic fire to get worse. A comprehensive fire fix, one that stops fire transfers and provides the additional capacity the agency needs to increase forest management, will over the long-term save lives, property, natural resources, and taxpayer dollars.

Thank you very much.

[The prepared statement of Mr. Bonnie follows:]

PREPARED STATEMENT OF HON. ROBERT BONNIE, UNDER SECRETARY, NATURAL RESOURCES AND ENVIRONMENT, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman, Ranking Member, and distinguished Members of the Committee, thank you for the opportunity to appear before you today to discuss the role of the Natural Resources Conservation Service (NRCS) and the Forest Service at the U.S. Department of Agriculture. My testimony today will focus on farm bill implementation; wildfire response; and strengthening rural communities through voluntary conservation, resilient landscapes and recreational opportunities.

Farm Bill Implementation

Implementation of the 2014 Farm Bill is a priority across USDA. The new farm bill delivered a strong conservation title that makes robust investments to conserve

and support America's working lands and consolidates and streamlines programs to improve efficiency and encourage participation. For the Forest Service, the farm bill expanded current authorities and provided several new authorities including Good Neighbor Agreements, expanded insect and disease designations under the Healthy Forest Restoration Act, and permanently reauthorized stewardship contracting. NRCS is focusing on implementation of the Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), Agricultural Conservation Easement Program (ACEP), Regional Conservation Partnership Program (RCPP), and Voluntary Public Access and Habitat Incentive Program (VPA-HIP).

Expanded Insect and Disease Designations

The 2014 Farm Bill added authority to the Healthy Forest Restoration Act to authorize designation of insect and disease treatment areas and provide a categorical exclusion (CE) for insect and disease projects on areas as large as 3,000 acres. The Forest Service has designated approximately 52 million acres in 37 states under the authority. Currently, 36 projects have been proposed under the provision; the Forest Service intends to use the CE for 30 of the projects. The Forest Service is preparing Environmental Assessments for five projects, and an Environmental Impact Analysis Statement for the remaining project.

Good Neighbor Agreement Authority

The Forest Service completed the requirements under the Paperwork Reduction Act to approve the new Good Neighbor Agreement templates that will be used to carry out projects with the states. The Forest Service worked closely with the states to collaboratively develop the new templates, which were approved by the Office of Management and Budget on June 24, 2015. Since then, the agency has entered into agreements with the states of Wisconsin, Pennsylvania, Utah, Michigan, Texas, New Hampshire, California, Alabama, Minnesota, Wyoming and Colorado to implement projects to carry out timber sale, hazardous fuels, habitat improvement and other restoration projects in those states.

Stewardship Contracting

The permanent authority for stewardship contracting provided by the farm bill is fundamentally the same as the stewardship contracting authority the FS and BLM have implemented for more than 10 years. The final rule to implement the permanent authority was published on January 22, 2016.

Traditional timber sale contracts will continue to be a vital tool for the Forest Service in accomplishing management of the National Forests. At the same time, stewardship contracting is helping the Forest Service achieve land and natural resource management goals by funding forest health and restoration projects, stream restoration, hazardous fuel removal, and recreation improvements. In many areas, stewardship contracting will allow the agency to build larger projects, treating more acres, with broader public support. Key accomplishments in FY 2015 utilizing Stewardship Contracting include:

- 6,569 acres of forest vegetation established,
- 13,968 acres of wildland-urban interface (WUI) hazardous fuels treated,
- 24,276 acres of non-WUI hazardous fuels treated, and
- 40,726 acres of terrestrial habitat enhanced.

Additionally, the farm bill required the agency develop a fire liability provision that is available for use in all stewardship contracts and agreements within 90 days of enactment. The fire liability provision required by the farm bill will limit a contractor's liability from as a result of a non-negligent fire. The fire liability clause was published in the *Federal Register* on May 22, 2014 as an interim final rule, making it immediately available for use. The final fire liability clause was published in the *Federal Register* on February 12, 2016 and was effective beginning March 14, 2016.

Conservation Stewardship Program

Since CSP was authorized by the 2008 Farm Bill, the program has become a major force for agricultural conservation, and it continues to inspire action to enhance America's natural resources. Private or Tribal agricultural land and non-industrial private forestland is eligible, unless it is enrolled in the Conservation Reserve Program (CRP), ACEP-Wetlands Reserve Easements, or the Conservation Security Program. With the FY 2015 sign up enrollment of about 7 million acres, the total acreage of lands now enrolled in CSP exceeds 67 million acres, about the size of Iowa and Indiana, combined. In FY 2015, 55 percent of the 2010 contracts were

renewed for another 5 year term building on the conservation benefits gained from the initial contracts.

The CSP Final Rule was published last week, reflecting statutory changes to the acreage enrollment cap, stewardship levels, contract modifications, and CRP and certain easement land eligibility. NRCS received nearly 500 individual comments; most related to small operations having access to the program, minimum payments, contract rates, and stewardship thresholds.

Environmental Quality Incentives Program

Through EQIP, producers addressed their conservation needs on nearly 10 million acres in FY 2015. EQIP provides financial and technical assistance to agricultural producers to help plan and implement conservation practices that address natural resource concerns. Conservation practices are designed to improve soil, water, plant, animal, air and related resources on private and Tribal agricultural land, and non-industrial forestland. In FY 2015, over \$861 million was obligated in nearly 33,000 contracts to support this conservation work. EQIP has been instrumental in helping communities respond to drought as well, including \$20 million in 2015 for addressing drought related resource concerns across the West.

The EQIP Interim Rule was published in December 2014, reflecting statutory changes to incorporate the purposes of the former Wildlife Habitat Incentive Program and address the payment limitation and irrigation history waiver authority, advance payments for historically under-served producers, and preferences to certain veteran farmers and ranchers. NRCS received over 330 individual comments; most related to the irrigation history, confined animal feeding operations, EQIP plan of operations, program administration, payment rates and limitations, application selection, and funding levels for wildlife practices. The final rule is targeted for publication in Spring 2016.

Conservation Innovation Grants

Conservation Innovation Grants (CIG) are a component of the EQIP. These grants stimulate the development and adoption of innovative conservation approaches and technologies, while leveraging the Federal investment in environmental enhancement and protection in conjunction with agricultural production. CIG is used to apply or demonstrate previously proven technology in order to increase adoption with an emphasis on opportunities to scale proven, emerging conservation strategies. CIG funds projects targeting innovative on-the-ground conservation, including pilot projects and field demonstrations. In 2015, NRCS invested \$20.5 million in 45 Conservation Innovation Grants (CIG), leveraging over \$20 million in non-Federal matching funds. Many of these projects use a systems approach to solving water quality problems such as reducing nitrogen and phosphorus in Western Lake Erie Basin and the Mississippi River Basin. Last week, NRCS announced the availability of \$20 million in CIG funding for 2016, with up to \$2 million set aside for projects targeted to historically under-served and veteran farmers and ranchers, beginning farmers and ranchers, and those with limited resources.

Agricultural Conservation Easement Program

Landowners participating in the Agricultural Conservation Easement Program (ACEP) enrolled an estimated 116,596 acres of farmland, grasslands, and wetlands through 490 new ACEP easements (138 Agricultural Land Easements parcels, 68,895 acres and 209 Wetlands Reserve Easement, 46,338 acres) with the \$332 million in FY 2015 funding.

The ACEP Interim Rule was published in February 2015, reflecting statutory changes to consolidate the purposes of Farm and Ranch Lands Protection Program, Grassland Reserve Program (easement component only), and Wetlands Reserve Program and address the certification process for ACEP-Agricultural Land Easements; authority to subordinate, modify, or terminate an easement; grasslands of special environmental significance; and the agricultural land easement plan. NRCS is currently evaluating public comments and finalizing development of recommendations for the final rule before it proceeds in the regulatory review process. We expect to publish the final rule this Spring.

Regional Conservation Partnership Program

The RCPP created a new platform for engaging partners and leveraging the Federal conservation investment. RCPP promotes coordination between NRCS and partners to deliver conservation assistance to producers and landowners. NRCS provides assistance to producers through partnership agreements and through program contracts or easement agreements. Now in its second year, RCPP has demonstrated high demand, with over 2,000 partners leading nearly 200 projects nationwide. All told, in the first 2 years of the program, NRCS will have invested about \$500 mil-

lion while another \$900 million is being brought in by partners to address locally defined, nationally significant natural resource issues. NRCS recently announced availability for the 2016 round of RCPP funding.

Voluntary Public Access and Habitat Incentives Program

The VPA-HIP assists states and Tribes to increase public access to private lands for wildlife-dependent recreation, such as hunting, fishing and hiking. In FY 2014, NRCS made \$20 million available for VPA-HIP awards and was able to fund ten of the 30 proposals received. In February 2015, NRCS announced the availability of another \$20 million for VPA-HIP projects. Project selections were announced on August 17 and funding was used to award grants to projects in 15 states.

Mitigation Banking Program

The Mitigation Banking program provision will be implemented directly through an announcement of program funding. On January 28th, NRCS announced up to \$9 million in funding. Applicants (states, non-governmental organization, for-profits companies, Tribes) have 60 days, through March 28th, to submit proposals to develop and operate wetland mitigation banks, or to modify existing banks to better serve agricultural producers.

In addition to the major rule changes discussed above, minor statutory changes to Technical Service Providers; State Technical Committees; Healthy Forests Reserve Program; Small Watershed Program; Regional Equity; VPA-HIP, and Agricultural Management Assistance were published in a consolidated Interim Final Rule in August 2014. The few public comments received were addressed in the final rule published in April 2015.

Managing Wildland Fires

Increasingly severe fire seasons are one of the greatest challenges facing the nation's forests. Last year, a total of 68,151 fires burned over 10.1 million acres across all ownerships in the United States. We spent 24 days at National Preparedness Level 5—the highest level—meaning all available ground and air assets were committed to priority work. The Forest Service, in coordination with our fire response partners, mobilized thousands of firefighters along with numerous airtankers, helicopters, fire engines and other assets through our integrated, interagency suppression efforts. Every state and Puerto Rico, along with the military and international support, provided people and equipment last season to respond to the severe fire activity. Last year's fires destroyed over 4,600 structures; however, the greatest losses involved the fatalities of 13 wildland firefighters who made the ultimate sacrifice to protect the lives of others. The Forest Service will continue to collaborate with its Federal, state, local, and Tribal governments, partners, and stakeholders on the implementation of the National Cohesive Wildland Fire Management Strategy.

The Forest Service has one of the most effective fire organizations in the world and continues to keep almost 98 percent of the wildfires we fight very small. However, the few fires that do escape initial response tend to grow much larger far more quickly than ever before. As documented in the *2015 Rising Cost of Fire* report,¹ the cost of fire suppression has soared in the past 20 years and is having a debilitating impact on the Forest Service budget and non-suppression activities of the Forest Service.

As noted in our report last year, the growth of fire from 16% of the agency's budget to more than 52%, before transfer, in FY 2015 is putting the agency in an untenable position. Major shifts in financial resources and in staff capacity, with non-fire staff down 39% as a result of the increasing costs of fire suppression, are having a real impact on our ability to fulfill our mission of caring for the land and serving people. It impacts the acres we can restore, the timber projects we can plan, the trails we can maintain, the communities we can protect, and so much more. The fire suppression cap adjustment proposal in our budget request would prevent fire transfers and maintain capacity for other programs.

Restoring Fire-Adapted Ecosystems

Fire plays a beneficial role in maintaining the ecological stability of many landscapes, and the Forest Service is working with partners to restore healthy, resilient, fire-adapted ecosystems. Our goal, especially near homes and communities, is to prepare forests and grasslands to resist stresses such as drought and recover from disturbances, including wildfires. Our large-scale restoration projects are designed in part to restore fire-adapted forest types across large landscapes, including the reintroduction of periodic wildland fire where safe and effective.

¹<http://www.fs.fed.us/about-agency/budget-performance/cost-fire-operations>.

Developing new markets for the low-value woody materials we remove during restoration and hazardous fuels treatments will help offset the costs of these activities while providing new revenue streams for private landowners and remains a top priority for the Forest Service. We will continue to provide grants and other forms of assistance for wood-to-energy initiatives, and to help projects compete for other sources of funding. We will also provide technical assistance to help facilities that convert wood to energy become or remain financially viable.

Strengthening Rural Communities through Voluntary Conservation, Resilient Landscapes and Recreational Opportunities

Our National Forest System presents a range of recreational opportunities to connect people with nature in an unmatched variety of settings and through a plethora of activities. Spending by visitors engaging in recreation activities, including skiing, hiking, hunting, and fishing, supports more jobs and economic output than any other activities on the National Forest System. In 2012, outdoor recreation on the National Forest System supported around 190,000 jobs and contributed about \$13 billion to the nation's gross domestic product.

Through work on the 193 million acres of National Forest System lands, the timber and forest products industries, livestock producers, and minerals/energy production collectively support about 118,000 jobs. Each year, these industries contribute about \$11.5 billion to America's gross domestic product. In rural areas in particular, these uses deliver sustained social and economic benefits to communities.

The Forest Service works to build thriving communities across the nation by providing communities with the many economic benefits that result from sustainable multiple-use management of the National Forests and Grasslands, helping urban communities reconnect with the outdoors, and expanding the benefits that both rural and urban residents get from outdoor recreation. Jobs and economic benefits stem from our administration of the National Forest System, including its multiple uses, as well as from investments in the activities, access, and infrastructure needed to deliver essential public services such as clean water, electrical power, and outdoor recreational experiences.

NRCS is helping producers improve their natural resources and strengthen their communities. The right conservation practices put in the right places are an effective means to achieve cleaner more abundant water for farmers, ranchers, communities, and wildlife. Using farm bill programs through the Mississippi River Basin Initiative (MRBI), NRCS has invested significantly in high-priority water quality projects in the Basin delivering on the ground benefits. For example, as a result of MRBI conservation efforts, Arkansas was able to remove two stream segments from the State's Clean Water Act 303(d) impairment designation. Working with partners and using farm bill tools, farmers, ranchers and other landowners have helped remove nine more streams from Oklahoma's 303(d) list of impaired streams in 2014. Oklahoma ranks second in the nation for Environmental Protection Agency-recognized water quality success stories. In the region overlying the Ogallala Aquifer in the Central Plains, farm bill programs have allowed NRCS to partner with farmers to install water conservation practices that conserved an estimated 1.5 million acre-feet of groundwater over 4 years, or enough water to provide annual water needs for about 3.3 million households.

If the widespread drought has shown us anything, it is the value of crop resilience through good soil health management systems. Using farm bill programs, NRCS has been accelerating adoption of soil health practices and helping producers build resilience in their production systems. Soil health management systems help increase organic matter, reduce soil compaction, improve nutrient storage and cycle and increase water infiltration and water availability to plants. These benefits lead to greater resiliency to adverse conditions but also boost yields. For example, a national survey of farmers documented an increase in yields of nine percent for corn following cover crops and ten percent for soybeans after cover crops.

The StrikeForce for Rural Growth and Opportunity initiative targets farm bill programs in persistent poverty communities to assist farmers and ranchers in achieving economic and environmental objectives. Since 2010, NRCS and other USDA agencies have focused assistance and outreach in over 970 counties, parishes, boroughs, and census areas, and in Indian reservations in 26 states. In FY 2015 alone, NRCS invested \$318 million in partnership with producers in high-poverty communities to help their operations be more economically successful and environmentally sustainable. For example, NRCS in partnership with Tuskegee University has invested about \$1 million to help nearly 40 producers in Alabama StrikeForce counties to incorporate innovative practices on their farming operations, including retro-fits for current irrigation systems, new wells, solar powered wells, and drip irrigation systems that will make their operations more productive and sustainable.

Conclusion

We are now facing some of the greatest ecological challenges in our history: invasive species, climate change effects, regional drought and watershed degradation, fuel buildups and severe wildfires, habitat fragmentation and loss of open space, and devastating outbreaks of insects and disease. In response, we are working with our public and private partners to increase the pace and scale of ecological restoration and promote voluntary conservation that is creating healthy, resilient landscapes capable of sustaining and delivering clean air and water, habitat for wildlife, opportunities for outdoor recreation, and providing food and fiber for the world. The Forest Service and NRCS provide the programs and services that help strengthen agriculture, the environment, and rural economies.

The CHAIRMAN. Secretary Bonnie, thank you very much. I appreciate it. Good concerns, all. Thanks, all three of you, for being here this morning.

Given the Members here, we may have more than one round of questions. I will recognize myself for 5 minutes.

Chief Weller, I am getting concerns back home. Everything is local, as we say. I have folks that are complaining that on certain EQIP contracts that the ranchers are being required as a part of that to take up certain grazing practices that are not vetted through the local decision-making process. They are telling me that it is a top-down decision, that they no longer have any kind of real say in what is going on with respect to that. As a result, the number of contracts are down because they don't want to marry up those grazing practices with what they are trying to get done.

Can you talk to us about what has changed with respect to your decision-making processes at the agency?

Mr. WELLER. Our decision-making processes have not changed, and we really value the local approach. I had a chance to visit with the State Conservationist, Sal Salinas, yesterday about this issue, and what he has then shared with me is he makes it a requirement that at a minimum every field office has at least one local worker meeting a year.

Most field offices have several what we call local work group meetings with a chance to meet with local district staff, local farm groups, individual farmers themselves, and really understand what their priorities are for that local area, that field office; which, in turn then, informs how that field office in that area of Texas is then going to prioritize assistance, whether it is for forestry, for grazing, for water quality, water quantity issues.

With respect to the specific concerns on grazing, this is more about a bigger picture approach that NRCS is trying to take, and it is really trying to offer producers, both ranchers and farmers, a systems approach to conservation.

And so my understanding in this specific case, the concerns are a producer may sign up for what we call a facilitating practice, like brush management, prescribed fire, fencing, pasture replanting. And what we are offering then is part—and it is not mandatory—but we are offering a part then as a suite of assistance that then, including doing a planting or brush management, you then have to offer the incentive to do proper management of that range or pasture area.

So we would offer then a prescribed grazing plan, which would be then, if the taxpayers are paying money to put in new vegetation, let's help the producer then better manage that so that you are not going to get the weeds, the brush coming back in.

The CHAIRMAN. So the grazing practice is not mandatory, it is voluntary?

Mr. WELLER. It is voluntary, yes, sir.

The CHAIRMAN. Okay. Why do our guys think it is mandatory?

Mr. WELLER. We will have to follow up with Sal and his team to understand, to maybe help clarify this is not a mandatory requirement.

The CHAIRMAN. Okay. Because they think it is either-or, you either take the top-down suite of offers. So I appreciate that.

Mr. WELLER. Okay.

The CHAIRMAN. Also, while I have you on the hook—again, everything is local—the allocation for EQIP for Texas has generally been in the range of \$75 million to \$90 million. This year it is \$66 million. Can you talk to us about where the money went and what was the decision there?

Mr. WELLER. Yes. Over the last several years the average, as you pointed out, has been about \$78 million, \$79 million. It has fluctuated a little around that. But the average is around \$78 million, \$79 million. So the initial allocation to Texas for EQIP financial assistance is \$66 million, but this is just the initial allocation. So those other averages are the final allocation, what Texas ended up with at the end of the year.

Over the course of the year, what we do is we allocate money and then we are constantly reallocating between states. As demand fluctuates between states, there could be severe drought, we would then reallocate from other regions of the country where they don't have as much demand or need for EQIP.

For example, we are going to be allocating to Texas—well, we already have an advisory allocation to Texas, an additional \$6 million. Right now they are going to now have \$72 million. I suspect by the end of the year they are going to be well above their average.

The CHAIRMAN. Okay. So what these guys were looking at was the average of what happened the whole year *versus* what started the year—

Mr. WELLER. They are comparing final *versus* the initial.

The CHAIRMAN. I got that. Thank you.

Mr. Bonnie, on the issue with respect to DUNS numbers and SAM database, a lot of dustup there. We have folks that are getting pretty staggering bills. Can you talk to us? Is that getting fixed? Are the producers being protected from errors or omissions that they really weren't at fault on?

Mr. BONNIE. Yes, I think the Chief can talk to this as well, but we have put a lot of NRCS staff to work through this. This problem came to light last summer.

The CHAIRMAN. Right.

Mr. BONNIE. And we put additional staff to try and work through as quickly as we can. And so we are, you can imagine, paying very close attention to this.

The CHAIRMAN. Okay. So at the end of the day, though, is there a way to improve this deal where we don't have this happen again inadvertently? Is there some way to improve both those systems? Do we need them both? Because a Dun & Bradstreet number, your internal database number—

Mr. BONNIE. Yes. I might turn to the Chief on this one.

The CHAIRMAN. Okay. Chief, what do you have?

Mr. WELLER. We are taking this very seriously, and I am personally concerned because it is honestly hurting the brand of NRCS.

The CHAIRMAN. Right.

Mr. WELLER. It is very concerning.

What this is is a requirement that was put in place. It was the Federal Financial Management Transparency and Accountability Act of 2006—

The CHAIRMAN. Right, right, right.

Mr. WELLER.—requires a producer, an entity. If someone files their taxes as an entity they must get both a DUNS number and a System for Award Management number, a SAM number. The DUNS number is a once-and-done. You get your DUNS, you don't have to reregister again.

The SAMs, the way that GSA has set this up, is they have to renew annually. So what happened is some folks get their DUNS, they don't get their SAM, or they don't realize they have to re-up every year.

We are required to have entities provide these numbers. This is for all entities dealing with the government. We did a review. We found a lot of producers, there was a hitch where they either didn't get their SAM or it had expired. It is officially, under Federal accounting rules, it is an improper payment.

We are working really hard. We are not going to go after the money. I am using my equitable relief authorities this Committee provides me. I have already waived over 5,000 cases that have been brought to me.

The CHAIRMAN. Okay.

Mr. WELLER. You can rest assured, we are taking it really seriously, dedicating staff, as the Under Secretary said. We are going to fix this.

Going forward, we are going to try and figure out a way this is less onerous for producers. But at the end of the day, it is still a Federal requirement that producers have to register these numbers.

The CHAIRMAN. Yes. None of us want improper payments if there is a way to get at that. So if there is something you need legislatively to smooth this out, still get what we all want, and that is nobody getting the money they shouldn't get.

Mr. WELLER. Thank you.

The CHAIRMAN. Thank you for the aggressive attitude on using equitable relief.

Mr. Lucas, 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman.

Chief, I suspect you might have a clue as to I would like to discuss. I know my colleague, the Ranking Member, Mr. Peterson, brought this issue up, discussing the watershed funding programs in this year's budget proposal. And I would like to echo his sentiments from your prior appearance before the Committee.

The watershed programs are important, and I, like Collin, was very disappointed to see the suggested funding level in the President's budget for these programs. Could you comment on that one more time, please?

Mr. WELLER. There is no smaller, bigger, whatever the saying is, supporter for this program, sir, than NRCS and myself. As you know, I also was really proud in part to recognize your leadership of the Watershed Rehabilitation Program in Oklahoma. And, yes, the P.L. 83-566 program has been historically an excellent program. It has delivered huge results for both rural and urban America across the country.

Yes, in the 2016 budget, the President did request \$200 million for the P.L. 83-566 program. In the end, as part of the Administration's budget formulation, ultimately the 2017 budget, I wasn't part of those final decisions, but my understanding is really the Administration took a look, and in the 2016 budget they asked for \$200 million. In the end, Congress did not provide any funding. But it did as part of the President's budget CHIMP or cut mandatory funding for conservation programs that this Committee authorizes out of the 2016 budget.

In the 2017 budget, there is a decision where to put those resources. In the end, they did not request money for P.L. 83-566. But historically, the President did not request a dollar of cuts from any of the Title II conservation programs in the farm bill, which is a really bill deal.

It was, ultimately, from a budgeting standpoint, is where is that marginal dollar better invested. And in this case, because of all the priorities for NRCS, USDA, and the Administration, that marginal dollar was better invested in the Title II programs.

Mr. LUCAS. We would agree, both you and I, from our experiences, P.L. 83-566 is an important long-term investment in preserving the resources of this country. And ultimately, whether it is future efforts of the Administration or future efforts in the budget process here, we have to get back on track and continue to make those investments.

Sticking with that point, I hear lots of good things about the Regional Conservation Partnership Program that was in the House-passed conservation title, about how it is being implemented and all that. One of the programs allowed, of course, as a part of that, it authorizes the use of some of these resources in P.L. 83-566.

So tell me, in the 2016 round of RCPP projects, only two projects were funded that use these authorities. And my concern is that this innovative approach is not being fully utilized and the potential there is not being realized.

And let's visit for a moment about, is the application process too complicated for small communities? Do the folks who would potentially use this not understand the program? Is there something going on at USDA? Expand for me, if you would, and if there is something that needs to be corrected, let's talk about that for future legislative corrections.

Mr. WELLER. Well, thank you for the recommendation for RCPP. I am personally really excited about it, and ultimately it is achieving the vision of this Committee's leadership on it. It has brought in thousands of new partners across the country into the conservation arena and the conservation mission. And so we have awarded funds to 199 projects. We, ourselves, at NRCS, we have put in \$590 million, but that in turn has leveraged over \$900 million in non-Federal contributions, which is just monumental.

On P.L. 83-566 specifically, it is important to not just look individually but look across multiple years and see what is going on. In the first round, we did fund multiple P.L. 83-566 projects. If you look at the whole suite of P.L. 83-566 projects that are now authorized, whether in Gunnison River, in Oregon, in Washington State, in Minnesota, North Dakota, South Dakota, in Missouri, in Arkansas, we have examples of P.L. 83-566 projects that have been successful.

It is a very competitive program. For every dollar that NRCS has had to invest, we had demand for seven. It is a highly competitive program.

At NRCS, though, it is not sufficient for us to sit back and wait to see what comes in. I expect, and the strong expectation I have for our state leaders, is to reach out to their local partners and really offer mentoring or an opportunity to sit down and really talk about how RCPP can better fit in their state or in their region, and that includes P.L. 83-566.

I agree with you, this is a huge opportunity to show the power and the value of our P.L. 83-566 program across the country, and how you can take a watershed approach, you can address water management issues, whether it is flood, too little water, too much water, water quality, municipal water supply, ag water supply. It is a very flexible program, very powerful. And believe me, I want to see it be successful and work.

We are going to be sitting down with partners to help provide training, outreach, lessons learned from successful applicants. But also for those folks who were not successful, sit down with them, talk about their applications and how they can beef them up and be more competitive in round three.

Mr. LUCAS. Thank you, Chief.

Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Thank you.

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Thanks to all the folks on the panel here. It is good to see everybody. I appreciate your work. I appreciate your leadership.

Yesterday, I had, at the end of one of my meetings, at the end of the day, it was really about a number of things, but voluntary conservation, which we all take a lot of pride in with the success we have had. I had folks, somebody from Travel Unlimited and somebody there, one of the district managers from our conservation districts.

Erica Tomlinson, who is a district manager up in Tioga County, Pennsylvania, was talking about how she regularly takes school kids out to these streams to show them what the need is. And they have a particular place they like to go to because, quite frankly, nothing lives there.

And so she was talking about how the last time her agenda got blown up because when the kids showed up they came back to her and said, "What do you mean nothing lives in there?" because there are all kinds of bugs and aquatic life. And so the kids discovered the outcome before we did. But it was a result of voluntary conservation. And I have to say that I don't think Erica was disappointed. She was thrilled actually.

But our voluntary conservation programs, there are some out there that like to attack those. The EPA attacks voluntary conservation. It claims that they are not effective. Some extreme environmental groups appear to be increasingly skeptical of the ability of voluntary conservation programs to help meet nutrient and sediment reduction goals.

And I believe we need to continue programs which provide farmers with the resources they need, obviously, to work with their states on water quality problems and natural resource concerns. And the President's budget was very supportive of USDA voluntary conservation programs.

Just kind of a confirmation, I guess. Do you agree the voluntary programs are an important and an effective way to help reduce nutrient and sediment runoff?

Mr. BONNIE. Absolutely.

Mr. THOMPSON. Yes. I couldn't agree more.

Actually, I want to ask a question on behalf of my Ranking Member of the Subcommittee, who was hoping to be here, and maybe she still will be, but she wanted to make sure this question is asked. And I support her question as well. And this is to Under Secretary Bonnie and Associate Chief Wagner.

There is a lot of talk about building off of the farm bill insect and disease categorical exclusions. Where does the implementation of those stand? And can you tell us how many acres have been proposed for CE and how many acres have been granted CE to this point?

Mr. BONNIE. I can tell you the number of projects. It is 34 projects. I said in my statement and I want to say 26 use CEs. I can't give you the acreage, but I am happy to follow up and give you the acreage.

And there is a lot more interest in using those CEs moving forward. As I told you last September, our expectation is it will continue to ramp up over time.

Mr. THOMPSON. Thank you.

Chief Weller, good to see you again. Thank you so much for the hearing we did a couple weeks ago. You did a great job. I appreciate your passion and your professionalism in the role that you are in.

I want to ask about easements quickly. As NRCS develops the final rule for the Agricultural Conservation Easement Program for Agricultural Land Easements, the ALE program, what is NRCS doing to ensure that well-established state programs for farmland protection are able to be certified under the Federal program?

Of course, in Pennsylvania, we take that pretty serious. They are our number one industry. It is a treasure. Pennsylvania has a long history for farmland protection, actually longer than the Federal program. But, unfortunately, it was not certified last year because of some onerous requirements established from NRCS.

Mr. WELLER. The ACEP generally, the Ag Conservation Easement Program, is generally very popular. The ag land easement component is even more popular. For every dollar that NRCS had, there was \$4 demanded. We only competitively, nationally, we are only able to get to about 1/4 of those projects that were submitted to us.

But to your point, we can also do better. And rest assured, I really take seriously, and particularly Pennsylvania, a lot of the northeastern states, they have long, storied histories and very successful programs, either state programs or land trusts. We have been meeting with both departments of agriculture and other state agencies that have land trust responsibilities in their states, but also with land trusts themselves, and we are really trying to understand what their concerns are.

In the end, there are some requirements that we have that we just have to ensure the integrity of the program, but I still think there is a way to ensure integrity but still allow for flexibility.

In the case of Pennsylvania, our staff, both the state staff and our national staff, we had our national team go up to Pennsylvania and really sit down with the state agency and just figure out how to make the program work in the Commonwealth of Pennsylvania to make Pennsylvania comfortable and feel assured that this program will work, but then also to ensure at the end of the day we can ensure the integrity of the program, meet the purposes that this Committee requires.

We negotiated with the Commonwealth of Pennsylvania the deed terms that was the hitch, the hangup. In the end we got to a good place. And this includes allowing for energy development, appropriate mineral rights recognition for Pennsylvania, which is also very important, but still allow for protection of the lands in the farmer viability aspects of the program.

Nationally, we would like this to be streamlined, so we offer it as a template. If land trusts or partners come in and they are willing to use a template, they have a very quick path to go, and they don't need any more work with us. They just take the template with the deed terms and they can run with it.

If those national template deed terms don't work for them, we absolutely will sit down and work with the partners to make sure we can get deed terms that work for that state entity or that local land trust partner, but that, they have to recognize, will take a little more time, because we only have so much bandwidth. But we are committed to making the program work for all partners.

Mr. THOMPSON. Thank you.

The CHAIRMAN. Mr. Kelly, 5 minutes.

Mr. KELLY. Thank you, Mr. Chairman.

I thank all the witnesses for being here.

Under Secretary Bonnie, on endangered species, how does NRCS and the Forest Service work with Fish and Wildlife Services to prevent species from being listed as either threatened or endangered? And then how do the agencies also work with FWS once a species is listed?

Mr. BONNIE. We are in constant contact with the Fish and Wildlife Service both at the local level, but also our leadership teams are talking.

On the private land side, NRCS is doing a lot of proactive work through Working Lands for Wildlife to work to keep species off the list, in many cases. Sage-grouse is a good example of that. There are other examples of that as well. I mentioned the Louisiana Black Bear coming off the list.

Wetlands Reserve Program and the support from this Committee deserve a lot of recognition for that. But there are other species that similarly have come off the list or we have kept off the list, the New England cottontail, the fluvial Arctic grayling in Montana.

So there are a bunch of good stories there. And Fish and Wildlife Service has recognized that NRCS is a real resource on this.

One of the things we need to do in addition to providing financial incentives is to provide regulatory assurances that if landowners do right by the species, that they will have certainty that they will continue to be able to farm and ranch or practice forestry. So that is one of the pieces that is really, really important.

On the Forest Service side, it involves our planning, our forest planning, to ensure that we take care of species so we can keep them off the list. And then obviously taking steps to take care of species if they are on the list.

There are places where we have challenges like catastrophic wildfire, where we have to be able to manage in order not only to be able to reduce the threat of fire, but also ultimately to be able to take care of those species as well. And there we really have to work with the Fish and Wildlife Service closely to ensure we can do both those things.

Mr. KELLY. Thank you.

And this is to Ms. Wagner. Clearly, the Forest Service and state forestry agencies do not directly implement the farm bill's conservation programs, but you do play an important role in providing basic landowner education, outreach, and technical assistance to help landowners implement conservation practices.

In your opinion, where are there areas for improvement, and where can NRCS work better with the Forest Service and state forestry agencies to implement these programs, especially in light of the fact that forestry is still only a small component of many of the conservation programs?

Ms. WAGNER. Thank you for the question.

The chiefs of the NRCS and the Forest Service have for the last 3 years been investing in something called the joint chiefs projects, where private landowners and National Forests are collaborating across boundaries and developing projects and implementing projects that protect water quality, reduce fire risk, improve wildlife habitat. So that is one way that we are working together.

Also, to the farm bill, we have the good neighbor authority where we are working closely with states. Robert mentioned the number of agreements that we have on deck and more pending. And that is giving us the ability to not only do work on National Forests, but have our state partners, who have expertise and skills, to be able to deliver more work on National Forests as well through agreements.

Mr. KELLY. And then finally, I just have a comment. Under Secretary Bonnie, going back to the voluntary conservation, I also think that is very important that we have the voluntary conservation. It works, and we need to work together and let us know how we can help to keep EPA and some of these groups from preventing us from doing the right thing.

Because I have found in life, when we do things voluntarily because we want to and it makes us feel better, we all wind up with

a better product than when we are forced to do something, especially if what we are forced to do doesn't make sense. So thank you for your help in this matter.

Mr. BONNIE. Well, thank you. Thanks to this Committee. You all have provided resources and direction that has been incredibly important.

There is a conservation ethic in this country amongst landowners that is very, very strong. And the farm bill programs allow us to take advantage of that. And we have made enormous progress. Wildlife, or think of the de-listing of streams in places like Oklahoma where voluntary conservation has improved water quality to an extent where we can take those streams off the section 303(d) list under the Clean Water Act.

So there are a lot of examples out there. Part of our job is to talk about that, to show those examples and to show where endangered species have come back or we have kept species off the list. And so we are going to continue to call those examples out and would look for opportunities with all of you to do that.

Mr. KELLY. And, Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. BENISHEK, 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman.

Thanks to all of you for coming here this morning. Chief Wagner and Under Secretary Bonnie, thanks for your efforts after the last hearing. You have done a good job following up on some of the questions that I had about timber contracts in my district, and I appreciate that.

I still want to talk about some of these issues. In my district, the Forest Service usually comes out with two issues: harvesting the forest and access to the forest for multiple use. We have made some good progress in Michigan with the good neighbor authority. I was able to talk to the State Forester, and I know they are going to be starting to do some cutting under that authority this summer in the Ottawa. And, hopefully, you can maybe give me your side of that. He had nothing but good things to say about it.

I also want to talk about this accessing road issue. We spent a lot of time with several constituents about access to the forest on certain roads, and we have had some progress in that regard, but we have had to spend quite a bit of time doing it in my office, myself, my staff.

So I want to talk a little bit about the process of interaction with the local community a little bit. How can we change the process so that local input is a regular part of the forest management? And what are the policies that the Forest Service does to encourage that? I mean, do you have local government weigh in when you change the travel plan? Do you require public meetings? I was hoping you could touch on those two things that I just mentioned.

Go ahead, whoever wants to take that.

Mr. BONNIE. I will start and then hand it to Mary.

We have tried to build in collaboration with local groups, governments, stakeholders, conservation groups, industry groups, others, into everything we do, whether it is putting together forest projects, forest plans, or travel management. So that is a key effort of what we do.

As you know, there are a lot of issues on the National Forest that have been polarizing for a long time. But I would say, we are making great progress, particularly on the forest management and restoration side and having forest industry and environmentalists and others work together.

And as you point out, there are similar challenges on the access side, and we continue to promote collaborative effort. Mary can probably get into a little bit more detail, particularly on the travel management side.

Mr. BENISHEK. Go ahead, Chief Wagner.

Ms. WAGNER. Thank you.

The management of transportation on National Forests is of keen interest to constituents. It is of keen interest to the Forest Service because we think public access is absolutely vital to hunting, to fishing, to recreating, for the uses and production of minerals and energy and forest products and forage. So access is a really important issue.

We have provisions that have required us to identify a system of designated roads, trails, and areas for motor vehicle access, and over 93 percent of all National Forests have completed that.

In addition, we have a provision that requires us to look at the minimum transportation system necessary. We have a lot of roads. We want to maintain access for all of those reasons that I talked to, but we also want to minimize the number of roads that we have to be right-sized with the investment and our ability to maintain those.

So local decision-making, local involvement in that decision-making is absolutely vital. You mentioned things like public meetings, public notice, engaging in citizens and having them look at maps with us. That is absolutely expected.

Mr. BENISHEK. Well, I know. But sometimes it seems people complain to me that they go somewhere and the road is closed and this is the first time they heard of it. So I am just wondering as to what degree that actually occurs. I mean, do you have a hearing before any road is changed, or what is the actual practice? How can it be improved, frankly?

Ms. WAGNER. It is not our intention to ever surprise somebody by having them expect to have access. We produce a map on an annual basis that shows the roads, trails, and areas that are open for public use. There are times when occasionally we will have an emergency situation, perhaps a road culvert was washed out and a road will be closed. But those always come with provisions to notify the public, and those always come, if we have a need to close a road, we always expect the public involvement process, transparent decision-making, participation by citizens in that.

So I will take your comments and share those back with the regional forester so she can talk with the forest supervisors. Our expectation would be to do it just as you are saying.

Mr. BENISHEK. That 5 minutes sure goes fast.

The CHAIRMAN. It does. Thanks, Dan.

Ms. Lujan Grisham, 5 minutes.

Ms. LUJAN GRISHAM. Thank you, Mr. Chairman.

Under Secretary Bonnie, I know that you are well aware, and so is the whole Committee, that Congress, unfortunately, is a bit grid-

locked on the Forest Service wildfire budget situation. And last year's fire season, frankly, as expected, was one of the worst in recent memory, and that has caused, again, disruption in the Forest Service's operations.

And then regardless of where the fires occur, states and communities all over the countries, we feel the pain when there is a transfer of funds from the non-fire programs to support the immediate emergency needs of fire suppression.

During the last fire season in the Southwest region, which includes New Mexico and Arizona, I understand that we lost more than \$15 million to fire borrowing, and as a result, several projects in my state were put on hold that, quite frankly—and I know I am preaching to the choir—could have been and should be preventing at least the extreme nature of the fires and the fire danger situation that we have in the state.

So it is clear to me that under the current funding structure that you can't really carry out your Congressional-mandated mission. And we need to fix the wildfire budget first before we can really analyze and discuss what management practices are actually going to work in order to promote healthy and productive forests.

I know also that you are supportive of the Wildfire Disaster Funding Act, which many on this Committee have signed on to. And I want to thank the Administration for continuing to push on that. And I want to thank the Chairman and the Committee for really working through this issue to the highest degree possible.

So given that long scenario and story, which everyone is well aware of—I appreciate your patience with me—last year, Secretary Vilsack sent a letter to Capitol Hill saying he would not authorize any Forest Service wildfire budget transfers this year. And I know that the wildfire budget is bigger this year, but how did this decision come about, and what happens to the Southwest and the West as fire season approaches us and we have a terrible fire, God forbid, and the wildfire budget is exhausted?

Mr. BONNIE. So thank you for the question. To the specific question, this was a decision of the Secretary. As you all know, he is frustrated with the current system. Last year, we transferred \$700 million out of non-fire programs into fire suppression. And the Secretary and all of us recognize that we need to treat wildfires as the disasters that they are. And so it was his decision.

And as you alluded to, the budget last year put \$600 million additional into the fire suppression account. We hope that we don't have to run to the place where you are alluding to. And the Secretary would say, as would I, that we came very close last year to solving this problem. This Committee did a lot of really good work on it and is very much appreciated.

There are two problems here we have to solve. One is the one you point out, which is the transfer problem, which is we get in a bad year and we have to transfer non-fire dollars to fire dollars. Those transfers affect everything. But one of the things they affect as well is forest restoration and management, as you point out.

The second problem is the long-term problem, which is the creep of the budget increasingly towards fire. I mentioned in my opening remarks, 2 decades ago we spent 16 percent of our budget on fire. If you take fire suppression preparedness, hazardous fuels, and a

few other smaller areas on fire, last year we spent well north of 60 percent of our budget on fire. And that is just unsustainable if we are going to do all the things we need to do, forest management, research, access, roads. There are places where we want to keep roads open—

Ms. LUJAN GRISHAM. So what can we be doing? What are the key compromises here? What is your advice for this Committee? And I appreciate your response. I don't know what the answer is, because if there is a terrible situation, I need to know that the Secretary is going to be a bit more flexible and make sure that we are not going to lose lives as a result of USDA deciding not another dollar goes towards fighting a wildfire. That seems ludicrous to me.

Mr. BONNIE. So, in terms of what we can do, we came very close last December. We had a compromise that had forest management provisions in it that this Committee helped work on, and we had some compromise on the budget side as well. Our hope was we can start where we left off in December and move that compromise forward. I think we are very close to that. There was broad agreement in the House, and we came close in the Senate, and our hope is that we could move this forward this Congress.

Ms. LUJAN GRISHAM. Mr. Chairman, I yield. Thank you.

The CHAIRMAN. The gentlewoman yields back.

Mr. Yoho, 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman.

And I appreciate all of you being here when Congress is in recess so that we can continue to do the people's work.

You guys, as we go through this hearing today, what I would like for you to do is just kind of look at ways we can become more efficient at everything we do in our departments, because of the state of the economy. And right now there is a discussion going on over the budget. There is a \$30 billion difference. It is a big deal. And if we can cut a little bit out of each program and save that money for the budget, it would be awesome.

Secretary Bonnie, you were talking about the increase in fire budget of 16 percent. Was that a decade ago or 20 years ago?

Mr. BONNIE. Two decades ago.

Mr. YOHO. All right. Two decades ago and now it is 60 percent of the budget. What is the difference? Why did it go up so much? Is it a lack of fire suppression or the way you are doing it or more National Forest owned by the government?

Mr. BONNIE. There is no question that past management has had an impact. Last time you asked about prescribed fire. We have taken fire out of these ecosystems for a long time, fuel loads have built up, and we have to go back in and deal with that.

There are two other issues, though, that are really important. One is our fire seasons are longer. They are 78 days longer than they used to be and we are seeing more extremes and that is causing more catastrophic and extreme fires.

The other piece that is important is we have had a lot of development into the wildland-urban interface. That makes fighting fires more difficult, because instead of being able to sit back and draw a line where we want to, we have to go do point production, that means more people and more assets.

Mr. YOHO. Okay. Let me ask you this. What do you need as far as authorization or funding to do more prescribed burnings? I come from the Southeast, and we have the longleaf pines. And they do controlled burns all the time, and they keep the underbrush burned out. And I know out West it is a little bit different. You have higher winds and velocities.

Can they do more controlled burnings more frequently in smaller areas and maybe make bigger fire zones around those areas? What are your recommendations so we could do that so we can save the money and not have to transfer?

Mr. BONNIE. So as you point out, if we invest in this on the front end, we will spend less money on the back end. And one piece is this fire funding fix is actually important for us to have the boots-on-the-ground to be able to get fire done.

The other thing I would point to is we are actually having good conversations with EPA right now about ways to square the Clean Air Act to make sure we have enough burning days to invest in prescribed fire. And that is another piece that will be important.

Mr. YOHO. Is that something we need to talk to the EPA and just say, this is more important than what your mandate may be, this is more serious? Because if we don't do this, we are going to have a bigger problem.

Mr. BONNIE. That is exactly right. We are having, as I said, very good conversations both at the national level and local level with EPA. The last couple of rules they have done have reflected this. I think we are making a lot of progress.

Mr. YOHO. Chief Weller, I have a comment and a question for you. I just want to compliment one of your employees in the Gainesville area, Russell Morgan. He came by, and he does a great job in our district. The district people really love him, and actually all over the state. He is out there and just really promoting what you guys do.

With the million of acres moving into conservation easement, at what point do we get to where we move from the private tax revenue supporting local and regional governments and state governments to where we get into a situation where we go into the PILT payment systems like they do in a lot of the western states: The way I understand it, some of those states, 80 to 90 percent of the land is owned by the Federal Government, so their tax revenue is down.

Is there a formula that you go by, say, like, for the State of Florida? We have real estate all over the state, but about 1/2 of the state is in forest products or forest or range land. At what point do you get to where you say we can't afford to take anymore from this state, because if we do, it is going to start costing the Federal Government more than they bring in in tax and the government will have to pay that?

Mr. WELLER. Well, with the easements, they still are taxable, it is just at an adjusted rate that reflects the new rights that landowner still retains. So they are still privately owned lands, just to be really clear.

We don't necessarily, as part of our formula, take into account the impacts on local tax base or on what is the saturation or expansiveness of easements in a given county or area. Ultimately, it is

a demand-driven approach, and it is at the request of private landowners and what they want to do with their lands. So it is a shared investment with that private landowner.

Mr. YOHO. And then I visited south Florida in the Homestead area, and they used to have a lot of cattle grazing on the western part of the state. There was roughly 12,000 acres. And when the Everglades restoration project came through there, the cattle were told they had to leave and they tore down the fencing. And now they have an overgrowth of the kind of grass that grows down there, your Johnson grass, maiden grass, and all that.

And now they need to have it mowed, but they can't find anybody to mow it, and they are asking if people would want to run cattle back on there. And my cattle producer says, if we can fence it, we will. And they were told they couldn't fence it.

How do we prevent programs like that?

And I am out of time. I will have to get back with you. I will yield back.

The CHAIRMAN. Mr. Rouzer, 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman.

I have just a couple questions, just for my own educational benefit here.

One topic I am very interested in is endangered species. I can't think of really anything that probably affects what you can and can't do more than those species that are listed and how it impacts, whether it is beech tree nourishment or dredging of inlets and waterways or what you can do in California as it relates to the water, *et cetera*.

My question is, how does NRCS and the Forest Service work with the Fish and Wildlife Service to prevent species from being listed as either threatened or endangered?

Mr. BONNIE. So as I noted before, the NRCS has a Working Lands for Wildlife program where we are working both for species that are listed, to try and get them off, and species that are potentially headed to the list.

One of the things that is important about endangered species is that most of endangered species have most of their habitat on private lands. And these species are declining because they don't have enough habitat. The Endangered Species Act doesn't compel any landowner to restore, and that gets to the notion of the importance of voluntary conservation.

If we are going to get that habitat back, we have to incentivize restoration, and so voluntary conservation becomes very, very important. And so that requires providing assistance to landowners so that they can understand how to square endangered species conservation with the things they want to do: agriculture, ranching, forestry. It requires financial assistance, because sometimes those things are expensive. Restoration can cost money, and so we need to help.

And then the third thing I would say is, which I alluded to earlier, is regulatory assurances. Landowners need to know that if they do right by endangered species, that the Fish and Wildlife Service or a state agency or anybody else isn't going to come later and ask them for more.

And if you can give them that assurance, landowners have shown across the country that they are willing to step up in a major way. And we can look at examples across the country where we have additional endangered species habitat or where we are keeping species off the list because of the voluntary activities of landowners.

Mr. ROUZER. Another question I have for you deals with litigation. I grew up in the shadow of the Cold War as a kid, and I always thought Armageddon was going to be nuclear weapons and missiles, *et cetera*. I have come to believe it is going to be every individual is suing every other individual.

I am just curious, how has litigation affected the Forest Service's active forest management?

Mr. BONNIE. I will start and then Mary may follow up.

Forest management on the National Forest System has not been without controversy. We know that. But if you look back 20 or 30 years, I would argue today we are in a much better place than we were. We have examples all over the country where environmentalists, timber industry, local communities are sitting down developing plans to restore forest—both, whether it is for catastrophic fire, wildlife—to address a variety of threats.

And I would argue, and our numbers prove it that the amount of litigation we are seeing is going down, and in large part because the investment in collaboration. We get people to the table.

Now, there are still groups out there that are going to litigate. But when you have industry and a portion of the conservation community and local communities standing together, not only is the litigation risk lower, but we tend to win more. And I would argue we are actually winning more.

So it is not to say that there is a silver bullet. My argument would be, by investing in collaboration—which you all did as part of the farm bill when you did the insect and disease language, that requires collaboration—that type of approach, over the long-term, will win.

Mr. ROUZER. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. Mr. Moolenaar, 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

And I also want to thank our witnesses today.

I am from Michigan's Fourth Congressional District, and we have used the Regional Conservation Partnership Program. And in 2015, the NRCS selected the Saginaw Bay Watershed Conservation Partnership for funding, and the project is focused specifically on water quality challenges, including loss of habitat, excessive nutrients, and algae blooms.

By 2019, the project aims to treat 55,000 acres with conservation practices through the Environmental Quality Incentives Program and restore 400 acres of wetlands through the Agricultural Conservation Easement Program.

And Chief Weller, I know you have spent some time in Michigan and I appreciate you being here. You just announced final projects for the second round of the RCPP. I am just wondering if you could share with the Committee what lessons you have learned from the first and second rounds, and have you seen success with the Saginaw Bay Watershed Conservation Program?

Mr. WELLER. We are learning and the partners are learning too. If you look at the differences between the first round of the project applications we received *versus* the second round, the quality, both in terms of the focus and the definition of what they want to achieve, the solutions those partners are going to bring, the expansiveness of the partners, and the contributions the partners are bringing, both cash and in-kind assistance, have all increased significantly.

The first round, we had about a one-to-one match for projects that we awarded. We had about 115 projects we were able to fund had a one-to-one match. Second round we were able to fund about 82 projects, and it was almost a one-to-two match in terms of for every Federal dollar we are getting \$2 of both in-kind and cash contributions. The partners have expanded, and they have been much more creative in bringing new groups into the fold.

We also saw that folks, including in Michigan, the Traverse City area had a project, as an example, but there were projects around the country that were not successful first round. It is very competitive. And there were some folks that were frustrated.

But they didn't let up. And they came back. They sat down, in this case with our state leadership in Michigan, but also with the team here in Washington, D.C., and they went after it. And they buffed up their proposals. The proposals came back really strong. And they are now among one of the top-ranked in the country. And so they were successful, like in Michigan and others around the country, where they didn't give up, they came back.

We have the third round open. I am expecting it to be even more competitive. But, again, with the quality increasing, the creativity and the expansiveness in the partnerships is also increasing.

With respect to Saginaw Bay, Mr. Benishek, also last year we had highlighted it, and one of the witnesses was from the Saginaw Bay project and highlighted some of the concerns that the partners have there. As I said at the outset, this is a learning experience both for partners and for NRCS.

It is my expectation that when NRCS enters into this agreement, it is really an agreement, a partnership agreement between our agency and these partners. We sit down as coequals, and there is a learning opportunity on both sides. I want to have partners be able to really prove out their approach. A lot of times those approaches just slip right in with what NRCS does. Sometimes they are challenging us to look outside our box and think a little bit creatively.

And my understanding is, with the Saginaw Bay, there has been some additional, I will say, a little friction, maybe misunderstandings on both sides. They are working that out. They are starting to get work done on the ground. We may have a little work yet to do on our side in that specific project.

But ultimately, I expect it to be successful and to really prove out, again, how voluntary approaches for conservation, whether in Saginaw Bay or elsewhere in the Great Lakes region, can show that farmers cannot only produce food and fiber, but also can protect water quality.

Mr. MOOLENAAR. Okay. Thank you.

And then are there any changes that Congress should make to this program?

Mr. WELLER. We are still, I would say, in the learning phase, so at this point I won't have any technical advice or legislative changes. But, after three rounds of this the agency will be able to come back, and if the Committee is interested, will be able to provide some technical assistance on tweaks that may or may not be needed within the statute.

Mr. MOOLENAAR. The other question I had is, are there any emerging technologies or technologies on the horizon that would help with nutrient recovery kind of at the individual farm level?

Mr. WELLER. There are two sides of the nutrient equation. It is being really precise in optimizing what you put on the ground. And so the farmer doesn't want to waste his money and his farm inputs, his fertilizer costs, and he wants to ensure his yield is maxed out.

But then also, in the event that there is a rain event or maybe they overplow one part of the field or they have some soils where there is a lot of leaching potential, whatever the issue may be, you try and capture those nutrients before they leave the farm field as it leaves the farm field.

And so there are new practices. For example, we have put in place things that are called bioreactors, which are essentially underground tanks where you put in wood chips. They serve as a substrate for the microbes. So you can install this, for example, on a tile line.

So as the tile water runs through this bioreactor, the microbes on the wood chips actually oxidize and they munch and they eat all the nitrates and they can remove up to 80 percent of the nitrates from the water supply. By the time that water leaves the bioreactor and is at the end of the tile line and enters the ditch, that water is a lot cleaner, a lot less phosphorous and nitrogen in the water.

There are new practices like that that the NRCS has incorporated and we are offering to producers a broader array of tools so they can address water quality.

Mr. MOOLENAAR. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. All right.

Mr. LaMalfa, 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman.

I appreciate the panel for being here today.

I heard some comments a few minutes ago about a couple issues. One, that most endangered species are found on private land. Did you care to reiterate that?

Mr. BONNIE. Yes. So if you look at where endangered species are found across the United States, most of the habitat is on private lands, and it puts a—

Mr. LAMALFA. Have you looked at the map of the western half of the country here being mostly in Federal hands?

Mr. BONNIE. Yes. There is no question there are endangered species issues in the West, and in your district, obviously, as well.

Mr. LAMALFA. And every time you turn around they want to make another monument, another wilderness land, another set-aside of some type or another that is supposedly going to preserve

something from something. Yet, my people are still hassled to death by the Federal Government on their lands for 150 year practices of ranching, of trying to maybe convert an open field into an orchard or something like that. And they get six-digit fines upon them, they get their land taken away from them, they get dragged into court, they are under stress.

How is that a success, especially if the Federal Government is supposed to be preserving all this land for us?

Mr. BONNIE. Well, from our standpoint, obviously, through the NRCS programs, we are trying to work cooperatively to deal with all types of challenges.

Mr. LAMALFA. You know how uncooperative it feels to my people in my district? You know that we had a fire in western Siskiyou County in the fall of 2014 that they are just now putting bids out? And maybe they can get into the forest on May of 2016 to try and salvage a skinny four percent of the forest. The other 96 will just be left to turn back into snags and grow into brush and become the next tinderbox for the next round of fire because the government can't manage its land and refuses to do so.

How is that a success?

Mr. BONNIE. Well, we are both, as I mentioned earlier, putting a very high priority on increasing the amount of work we do before the fire. We have also done a lot of work to—

Mr. LAMALFA. Four percent is not going to get it done, sir.

Mr. BONNIE. I would agree with you—

Mr. LAMALFA. You talk about having partnerships with the environmental groups that sue all the time. They are still suing away. They are still preventing decent salvage operations from happening. This happens in my backyard. My constituents get to breathe this all summer every summer because the Forest Service can't manage its land and refuses to put out the fire.

Even our locals trying to put out the fire, CAL FIRE, we get up to that line, the Forest Service says: Oh, no, let it burn. Then when it is time to come back and do the salvage operations: Well, we are going to have to litigate, we might get sued. Is this a success?

Mr. BONNIE. We work closely with CAL FIRE. I think we have a good relationship there. On the salvage side, we did a 300 million board foot sale post-Rim Fire. One of our big problems with salvage is the markets to actually move the material.

Mr. LAMALFA. Thankfully, you were able to get that done, because it took every bit of resources of Forest Service from the entire State of California, it seems, to go down there and work only on that salvage. Meanwhile, all the green work that needs to be done ongoing during the year was left wanting because everybody focused just on that.

We have been working legislatively trying to keep the Forest Service focused on its green work in the meantime and getting timber harvest permits out legislatively. Haven't gotten there yet.

But this is a giant success for doing nothing, because we are still, despite the water conditions in California are going to be susceptible to drought, we have over 12 million and counting dead trees in California that haven't had any kind of salvage done up around them. They are going to be the next bug infestation. They are going to be the next tinderbox for following years.

And I don't see nearly the speed of things needing to happen on our forestry that is going to not have us be vulnerable for gigantic catastrophic fires every single year until something dramatic is done and we finally quit saying "yes" to environmentalists stopping everything. You guys are going to have to start upping your budget for litigation to fight back on them because we are suffering out here in the West.

Mr. BONNIE. Well, I would say, as I said earlier, we are committed to getting more work done, both on the, as you point out, the need to do work and advance on the green side, but as well on the salvage side.

Our biggest challenge right now is capacity, and that is directly linked to the fire budget. And if we solve that, our ability to be able expand the amount of work we have done will increase.

Mr. LAMALFA. Please emphasize what you mean by *capacity*.

Mr. BONNIE. So we have 39 percent fewer staff on the non-fire side of the Forest Service than we had in the late 1990s, and that is a direct result of the increasing amount of our budget that is taken up by fire.

Mr. LAMALFA. Well, we will help to remedy that, but it is frustrating to hear around here all we need is more money and more staff, because when we look at that or we look at the VA, we look at a lot of things around here that don't get better when you give them more money.

Mr. Chairman, I will yield back.

The CHAIRMAN. The gentleman yields back.

We have asked the panel to stay until 10:15. And who all wants a second round? Okay. We will take 3 minutes apiece.

And we may also at the end, if we run out of time, read your question into the record and ask for you guys to respond. That way, we will have the question in the record. We just won't get the answer until they come back in writing.

So, Chief Weller, Bighorn sheep and grazing rights for domestic sheep, ARS is doing a lot of research on what is the vector between, if there is in fact one, between Bighorn sheep and domestic sheep. Grazing allotments are being trimmed dramatically for domestic sheep under the guise that somehow they are killing off the Bighorn sheep, but ARS science doesn't support that.

Can you visit with us quickly about how you guys are using the science from your sister organization to make decisions with respect to grazing sheep in the West?

Mr. WELLER. We do work closely with Agricultural Research Service and their experts, for example, on range management research, on what is the right management techniques, whether it is stocking rates, different brush management techniques, trying to do ecological site descriptions to enhance our ability to run whether it is sheep or cattle in a way that sustains grazing over the long period.

But in terms of disease risks between wildlife and domesticated cattle or sheep, that is really outside of our expertise and our bandwidth.

The CHAIRMAN. Exactly. So that is what ARS is for. And they are showing that there is, so far, no direct link between domestic sheep and respiratory diseases in Bighorn sheep. In fact, they have had

significant die-offs in the Bighorn sheep when there is not even domestic sheep near them.

So can you at least commit to talking more with ARS and looking at the science that they are developing with respect to these issues when you then, on the other hand, decide on grazing allotments for sheep? If you decide you can't do that, can you begin to present alternatives to these long-held grazing allotments that these sheep guys have had for a long, long time, give them something that is an alternative to just saying no?

Mr. WELLER. I absolutely will commit to having us work with ARS. But, to be clear, we are not responsible for grazing allotments. We only work with producers to put in place conservation systems, whether on their private lands or on grazing allotments. But we are not involved with managing the permittees.

The CHAIRMAN. Who is?

Mr. WELLER. That would either be the Forest Service or the Bureau of Land Management.

The CHAIRMAN. Oh, okay. Sorry about that.

Yes?

Mr. BONNIE. This is an important issue on the Forest Service side and our trying to work in a collaborative way to work with sheep producers to identify where there are challenges but then also look for allotments where we may be able to provide some flexibility in terms of grazing.

The CHAIRMAN. All right. The ARS does really good research, and so if the decision is based on science, fine, but if it is just an arbitrary no—

Mr. BONNIE. Absolutely.

The CHAIRMAN. Well, let me read one into the record real quick. Our colleague Kristi Noem has asked: There is a significant backlog in wetland determinations over the Prairie Pothole Region. Can you talk to us about the latest numbers on that backlog as well as what you are going to do to address the backlog to get these determinations made quicker?

And, Chief Weller, I will give you a written question that she has asked for her, if you wouldn't mind getting back to that.

So who was next? G.T., 3 minutes.

Mr. THOMPSON. Thanks, Mr. Chairman.

Well, first of all, this one is just a request for consideration. I don't need a response. For Chief Wagner, if you could take it back to Chief Tidwell. I know that regional foresters are looking at creating whether it is called an assistant forest supervisor or a deputy forest supervisor on the Allegheny National Forest. That is greatly appreciated, given the diversity of hardwoods.

Here is my request for consideration. I don't need a response from you. I just really would like serious consideration. The uniqueness of those hardwoods—I would really like to see a track that whoever fills that position has experience managing a diverse hardwood forest. The considerations, and I would be glad to talk to you and the Chief offline about that more. And I have certainly made that request to the regional forester who was in to see me. And I appreciate it.

We recognize in terms of wildfires the issues that are out there. We need more foresters, period, because of the retirements, attrition. You have to have those professionals.

I appreciate your comments about forest roads. I mean, we have decreased the access, especially under President Clinton, dramatically in our National Forests. And that is not good for our citizens for access, but it is not good for managing the forests either. That is an access issue. I think the Subcommittee is going to do a hearing on that.

Expanding CEs, we have talked about that. Expanding collaborative work, which are all good things, and we are going to continue to work on them.

I want to zero in, in what little bit of time I have, on litigation and litigation costs and try to quantify it, if possible. And if we don't have the numbers, if this is something you could look at for me. Litigation threats do have a cost. Just the whole delay of the implementation of the forest plans is a big cause of this wildfire problem. And it is not the Forest Service; it is those extreme environmental groups that put a bullseye on your backs.

Do we know what the cost of defending those, let's just take a 10 year period. Do we know what the cost of defending that litigation has been to the Forest Service?

Mr. BONNIE. I don't know the answer to that. We can certainly look into it for you and—

Mr. THOMPSON. Yes. We talk about litigation in generalities. You have to get to the specifics until we can solve this problem. So that is a number I would like.

I would like to know in just 10 years, we will be conservative with it, what the loss of forest health has been when our forest management plans have been tied up in litigation and not able to be implemented. Do we have any estimate of the loss of forest health, that asset?

Mr. BONNIE. We can certainly work on that for you too.

Mr. THOMPSON. Okay.

And then the final one is: What is the loss of the asset value, specifically the timber value, either of what has been burned—that is probably a little easier to figure out, how much has been burned up—but also how much has been aged out?

I mean, my hardwood cherry, which is the best in the world in the Allegheny National Forest, if you don't cut it at a particular span, every year that goes on the value of that decreases dramatically. That is a disservice to the American taxpayers, who should benefit from the asset. And I would love to get my arms wrapped around what the loss of that asset value is, as well.

And then I am out of time, but I would love to hear from each of you, Under Secretary, you in the past have made comments that you don't support this. And we can talk about this, maybe, afterwards. Do you support the provisions limiting litigation within the expanded collaborative provisions of the Resilient Federal Forest Act?

Because, these three costs are going to be outrageous when we find those. And so, as long as we welcome people to the table in a collaborative way, and we know collaboration works. All the successes we are celebrating are based on collaborative work. If they

are welcome to the table, we need to, if they are not going to join the table, restricting their litigation abilities in some way is not a bad thing.

The CHAIRMAN. The gentleman's time has—

Mr. BONNIE. I do have an answer to your earlier question. Nineteen thousand acres. You asked how much insect and disease.

I am sorry to interrupt, Mr. Chairman.

The CHAIRMAN. That is all right.

Mr. BONNIE. Nineteen thousand acres, both in the EA and the CE side of the insect and disease. So thanks.

The CHAIRMAN. All right.

Ms. Lujan Grisham, 3 minutes.

Ms. LUJAN GRISHAM. Oh, come on.

The CHAIRMAN. Three minutes.

Ms. LUJAN GRISHAM. Yes, sir.

Under Secretary, I know that my dear friend and colleague Mr. Thompson talked about the categorical exclusions and the delay in getting it started, so I don't want to rehash that.

My understanding is that we have 26 projects. My concern is that if we are going to have a best practice standard and we are going to be able to provide advice and support out in the field about such practices, then we need to speed up what we are doing and we need to get information certainly back to the Members of this Committee and/or stakeholders so that they have a sense.

Can you commit today that you are going to work on that and make sure that we are getting the data that we need?

Mr. BONNIE. Absolutely.

Ms. LUJAN GRISHAM. Okay.

Mr. BONNIE. And one of the issues is we will have to do learning within the Forest Service to learn how these are working on the ground. And that is part of the role. I am happy to work with the Committee and sharing what we are learning and seeing out on the ground and have a conversation with you all, as well.

Ms. LUJAN GRISHAM. That would be great. And even we might have our office reach out to you so that the projects that are in the Southwest, in particular, for us to be more inclined and aligned to work with you on the information that you have. We could maybe make some of those visits. My staff are here in this committee room. That would be valuable to us. And hopefully that partnership would also put you in the best possible position to do more in this area. And I appreciate that you will move it up to a priority list.

Mr. BONNIE. Thank you. Absolutely.

Ms. LUJAN GRISHAM. Thank you.

The CHAIRMAN. Ted?

Mr. YOHO. Thank you, Mr. Chairman.

And what we see here is a common element. We talk about the 16 percent, the budget on fire suppression, was 20 years ago and it is 60 percent now. And as my colleague Mr. LaMalfa brought in the struggle they are having up there. And you were saying that the fight over the fire suppression, you are having a harder time.

What I am going to ask you to do is, if there is an agency that is blocking you, like the EPA, that is preventing you from doing that, instead of you being the bad guy, come to this Committee or come to Mr. Thompson's Committee and say we need relief on this.

Because if we don't do that, we are going to be struggling with this much more down the road, and that usable wood is not going to be used.

The other thing Mr. Thompson brought up, one of my main questions was the cost of litigation. And I know you are going to get that number back to him. What groups are doing these? Are they environmental groups? Are they NGOs? And if they are NGOs, are they getting Federal money or public money to sue the Federal Government?

Mr. BONNIE. As I said, the amount of litigation we are seeing has dropped. We do have some areas, particularly in Region 1, Montana, northern Idaho, where we see it.

The bulk of the litigation, not always, is from environmental NGOs. And they are able to get back some of their costs through the courts for that litigation.

Mr. YOHO. Is that through the sue and settle?

Mr. BONNIE. No. It is through Access to Justice Act.

Mr. YOHO. Would you recommend that any group suing the Federal Government should not be getting Federal funds to do so?

Mr. BONNIE. I wouldn't recommend that. I think there are some very good reasons for that law. It is something that the Administration I don't think would support. But a broader conversation with you all about the litigation challenge and how we address that, we would welcome that.

Mr. YOHO. I yield back, Mr. Chairman. Thank you.

The CHAIRMAN. Anybody else?

Dan, 3 minutes.

Mr. BENISHEK. Well, thanks.

I hope that I can get a little further comment about this Good Neighbor Authority. I know it started in Michigan. The Michigan Forestry said that they think they can get a harvest done by September. Is that legitimate, and would that happen?

And how is it going around the country? These pilot programs, are you going to do more, or is it all happening now? Just go into that a little more.

Ms. WAGNER. Well, actually, since the testimony was approved, we have actually increased the number of states who either have a master agreement or a specific project agreement under the Good Neighbor Authority. So 12 states, 16 different agreements, four more states in the queue. In the Northeast, there are four states that plan some level of timber harvest this year under the Good Neighbor Authority.

In the Northeast part of the nation, the region has increased its timber sale volume over 48 million board feet since 2014—

Mr. BENISHEK. So they are doing that through the Good Neighbor—

Ms. WAGNER. We are working to find efficiencies across a number of—

Mr. BENISHEK. I want to talk about the Good Neighbor Authority, not the general cutting.

Ms. WAGNER. No.

Mr. BENISHEK. This is all—so the Good Neighbor—

Ms. WAGNER. Good Neighbor is quite fresh, so there is—

Mr. BENISHEK. Right, right. Is there an opportunity for Tribal Governments to participate in this?

I had a Tribe asking me about this yesterday.

Ms. WAGNER. Yes. Under something called the Tribal Forest Protection Act, we would be able to work with Tribes across boundaries. So that would be worth exploring with you.

Mr. BENISHEK. Okay. All right. I will yield back. Thank you very much.

The CHAIRMAN. Well, thank you.

Secretary Bonnie and Chief Weller, Chief Wagner, thank you for coming in this morning. I appreciate that. I know a whole lot more time went into prepping for this hour and 15 minutes than it lasted. And I suspect you guys prepped answers to a lot of questions we didn't ask. That is the beauty of this thing. We keep the questions secret and make you guys go through an awful lot of work.

You lead agencies of vital importance to the system. You are the face of all those thousands of folks out there who get up every day, go to work, try to do their job, run the agencies they do to take on the responsibility they have, and we appreciate that.

We may have some difference of opinion from time to time, but please don't let that morph into some sense that we don't appreciate fully what you do. Everywhere I go, I try to avoid telling people who I am with, particularly when I am on vacation in the forests and other places, just to watch you guys work, and I am rarely disappointed in what I see going on, which, to me, means it is just everyday folks. It is not some show you put on because a Member of Congress showed up.

So thank you for what you do. We will get the band back together next year in a similar kind of circumstance, but maybe a different band on that side of the table. But I want to thank everybody.

So we will adjourn for 10 minutes. And if the Members want to speak directly to any of the panelists, they will go to 1302, and that way, we will get the other folks in. So if you want to speak to them directly one on one, why don't you take that advantage and do that now.

With that, we will stand in recess for 10 minutes. Thank you all.

[Recess.]

The CHAIRMAN. All right. We will go ahead and start with our second panel this morning.

I would like to welcome to our witness table Ms. Alexis Taylor, who is the Deputy Under Secretary for Farm and Foreign Agricultural Services at USDA.

She is accompanied this morning by Mr. Val Dolcini, Administrator of the Farm Service Agency; Suzanne Palmieri, Associate Administrator, Foreign Agricultural Service; and Brandon Willis, Administrator for the Risk Management Agency.

Welcome this morning. I appreciate you being here.

Ms. Taylor, the floor is yours for 5 minutes.

**STATEMENT OF ALEXIS TAYLOR, DEPUTY UNDER SECRETARY,
FARM AND FOREIGN AGRICULTURAL SERVICES, U.S.
DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.;
ACCOMPANIED BY VAL DOLCINI, J.D., ADMINISTRATOR,
FARM SERVICE AGENCY, USDA; SUZANNE PALMIERI,
ASSOCIATE ADMINISTRATOR AND GENERAL SALES
MANAGER, FOREIGN AGRICULTURAL SERVICE, USDA;
BRANDON WILLIS, ADMINISTRATOR, RISK MANAGEMENT
AGENCY, USDA**

Ms. TAYLOR. Thank you, Mr. Chairman, Members of the Committee. It is our pleasure to be here again to provide information on the programs and accomplishments of the Farm and Foreign Agricultural Services.

Mr. Chairman, you introduced my colleagues who are with me today. Thank you for the opportunity to be here.

The past 2 years have been an increasingly difficult time for U.S. agriculture. Due to the decline in commodity prices, net farm income has dropped by 27 percent in 2014, by 38 percent in 2015, and it is forecast to drop by three percent this year. USDA's commodity and crop insurance programs are providing a safety net to producers and stabilizing farm income during this market downturn.

The 2014 Farm Bill introduced two new farm safety net programs through FSA: the Agriculture Risk Coverage Program, known as ARC, and the Price Loss Coverage Program, known as PLC. We undertook an unprecedented educational and outreach effort, resulting in over 1.7 million producers electing into these new programs. For both 2014 and 2015, the Margin Protection Program for dairy enrolled over ½ of all U.S. dairy operations.

FSA also provides loans to producers who are temporarily unable to obtain other credit. In 2015, FSA provided nearly 38,000 loans, valued at a record \$5.7 billion, to producers unable to obtain commercial financing. Over 20,000 loans went to beginning farmers in 2015, 40 percent more than in 2009. Over 9,000 loans went to minority and women producers over that same period, a 65 percent increase.

Since 2009, over \$64 billion in crop insurance payments have helped farmers and ranchers through these difficult times, including \$17 billion paid during the historic drought in 2012.

RMA has also been expanding its reach. For example, the Pasture, Rangeland, and Forage Program is available in the continental United States. Whole-farm revenue protection is available in every county in the nation. This is a first for the crop insurance program. And RMA now offers organic price elections on 56 different crops, up from just four in 2011.

In addition, incentives provided in the 2014 Farm Bill made crop insurance more affordable to beginning farmers and ranchers due to a ten percent premium discount and a waiver of fees. Over 13,000 producers have used these incentives and saved over \$14.5 million.

The efforts of FAS, in collaboration with the agricultural community, have contributed to the strongest 7 years in history for U.S. agricultural exports. These agricultural exports support about one million jobs here at home.

Trade Promotion Authority boosted our ability to complete the negotiations of the Trans-Pacific Partnership, or TPP, which is a landmark agreement. When implemented, TPP, which includes 11 Pacific Rim countries representing nearly 40 percent of the global economy, will lower tariffs and eliminate other barriers, helping farmers, ranchers, agribusinesses, and food companies compete in the region. Today, roughly 20 percent of farm income comes from agricultural exports. Agreements such as TPP hold the promise of increasing exports and, in turn, farm incomes over the long-term.

FSA trade negotiators are also advocating on behalf of U.S. agriculture in the Transatlantic Trade and Investment Partnership, or T-TIP, negotiations. Exports to the European Union, currently our fourth-largest agricultural export market, were valued at \$12.3 billion in Fiscal Year 2015. However, European barriers have created a deficit in our agricultural trade. T-TIP is an opportunity to address not only the market access commitments but non-tariff barriers that we are experiencing today.

Over numerous farm bills, Congress has refined our market development programs. The largest is the Market Access Program, or MAP, which benefits a wide range of U.S. commodities. The Foreign Market Development Program, like MAP, involves work with our cooperator partners. These programs are highly effective. They have been found to provide \$35 in economic benefit for every \$1 we spend.

Also, FAS leads USDA's efforts to help developing countries. For example, the McGovern-Dole Program provides technical assistance and commodities for school feeding and child nutrition projects. It is projected that 3.4 million women and children will be helped in 2017.

Further, we are implementing the Local and Regional Procurement Program. We know from USDA's farm-to-school efforts that bringing locally grown foods into schools has multiple benefits, including added nutrition and increased incomes for local growers. We want to expand that success internationally.

Mr. Chairman, Members of the Committee, we thank you for the opportunity to be here today and look forward to any questions you may have.

[The prepared statement of Ms. Taylor follows:]

PREPARED STATEMENT OF ALEXIS TAYLOR, DEPUTY UNDER SECRETARY, FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and Members of the Committee, I appreciate this opportunity to provide information on the programs and accomplishments of the Farm and Foreign Agricultural Services (FFAS) mission area of the U.S. Department of Agriculture. The FFAS mission area is composed of the Farm Service Agency, the Risk Management Agency, and the Foreign Agricultural Service. Much of our work in the past several years has focused on implementing the Agricultural Act of 2014 (the 2014 Farm Bill) in record time.

The Farm Service Agency (FSA)

FSA programs encompass five of the twelve titles of the 2014 Farm Bill. The agency's primary focus is on Title I—Commodities, Title II—Conservation, and Title V—Credit.

Commodity Programs

The 2014 Farm Bill significantly changed FSA's safety net programs. It repealed the Direct and Counter-Cyclical Program and the Average Crop Revenue Election

program, and introduced the new Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC) programs. In total, approximately \$5.2 billion in ARC and PLC payments were made for 2014-crop revenue and/or yield losses to over 900,000 farms, with over 70 percent of these payments for ARC-County on corn. Producers of long grain rice, wheat, peanuts, and soybeans were also major recipients of ARC/PLC payments.

FSA implemented these complex programs in record time—which included working with farmers to reallocate base acres and update yields, plus processing program elections for over 1.7 million farms—required an “all hands on deck” approach to reach producers, and involved the hard work of dedicated FSA staff plus close collaboration with our land-grant university and state and county extension partners. FSA’s university partners at Texas A&M, the Food and Agricultural Policy Research Institute, the University of Illinois, and others, developed web-based decision tools so farmers could input their own farm data and explore multi-year scenarios associated with adopting ARC or PLC for the length of the farm bill, as well as the intersection of these programs with our crop insurance offerings.

Further, FSA worked with extension specialists in virtually every state on an extensive ARC/PLC education and outreach effort. In 2014 and 2015, over 400,000 attendees participated in approximately 5,000 ARC/PLC events that provided producers with valuable information on how to best manage risk through their ARC and PLC choices. The ARC/PLC web tools were demonstrated at over 2,500 of these events and the tool developers hosted “hotlines” for producers who needed additional assistance. In addition, FSA mailed over five million postcards to producers and landowners to inform them of upcoming deadlines for important decisions, and worked closely with media partners, who produced over 1,000 news stories on ARC/PLC.

For 2016, the timing of yield and price data postings and ARC/PLC payments will be similar to 2015. In early March, FSA started posting yield data that, when paired with season average price projections, allows producers to calculate their 2015 crop ARC guarantees. Both ARC and PLC payments depend on the 12 month market year average price, and payment amounts for ARC-County depend on calculations for 100,000 crop/county/practice (irrigated *vs.* non-irrigated) combinations. By statute, ARC and PLC payments cannot be made until October of any given year. In October 2016, 2015 crop year ARC/PLC payments will begin and will continue throughout the fall and early winter, as market year average price data for additional commodities become available.

For both calendar years 2014 and 2015, the new Margin Protection Program for Dairy (MPP-Dairy) enrolled approximately 25,000 producers—over ½ of all U.S. dairy operations, and covers 166.3 million pounds of milk production for calendar year 2016. MPP-Dairy offers: (1) catastrophic coverage for an annual \$100 administrative fee, and (2) optional buy-up coverage. Catastrophic coverage provides payments when the national dairy margin (the difference between milk prices and feed costs) is less than \$4 per hundredweight (cwt). Producers may purchase buy-up coverage, for a premium, that provides payments when margins are between \$4 and \$8 per cwt.

With relatively calm dairy markets in 2015, margins were near historical averages and payments were made only at the highest buy-up coverage level, with 261 dairy operations receiving modest payments. However, if we apply 2015 MPP-Dairy enrollment and payment rules to 2009–2014 milk prices and feed costs, a time of greater margin variability, the program would have paid out considerably more. Specifically, if MPP-Dairy had been in place in 2009–2014, producers would have received \$2.5 billion in payments in return for the \$500 million in premiums and fees that they would have paid to enroll.

Although the marketing assistance loan program was largely unchanged by the 2014 Farm Bill, the Consolidated Appropriations Act of 2016 re-authorized commodity certificates retroactive to the 2015 crop, which provides an additional loan repayment option for producers. FSA implemented these certificates within 2 months of their enactment, including retroactive provisions that benefit cotton producers back to August 1, 2015, the start of the cotton marketing year. Producers can purchase commodity certificates when the loan rate for a given crop exceeds the exchange rate (*i.e.*, the Adjusted World Price, National Posted Price, or Posted County Price). Eligible crops include wheat, rice, upland cotton, peanuts, feed grains, soybeans, designated minor oilseeds, pulse crops (lentils, dry peas, large and small chickpeas), and wool.

Disaster Assistance Programs

Immediately after 2014 Farm Bill passage, FSA focused on implementing the livestock and tree disaster assistance programs—including the Livestock Forage Dis-

aster Program (LFP); the Livestock Indemnity Program (LIP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish (ELAP); and the Tree Assistance Program (TAP).

Over 650,000 producers so far received more than \$5.8 billion in assistance for 2011–15 losses through LFP, providing feed assistance to producers who suffered from long-term drought. In addition, more than 15,000 producers to date have received payments for 2011–15 losses under LIP, which provides financial assistance to producers who incur livestock deaths caused by blizzards and other natural disasters. ELAP payments are capped by the 2014 Farm Bill at \$20 million annually. Hundreds of beekeepers lose hives each year many due to colony collapse disorder, and represent more than ½ of ELAP recipients. ELAP payments have been factored to recipients in two of the three fiscal years since FY 2012 because of the cap; the FY 2015 payment factor will soon be available.

TAP provides assistance to orchardists and nursery tree growers to help them replant or rehabilitate eligible trees, bushes, and vines lost by natural disaster. Since the enactment of the 2014 Farm Bill, approximately 650 Florida producers, the majority of whom were affected by citrus greening, received TAP assistance totaling approximately \$7.8 million. Citrus greening drops the average productive lifespan of the tree from 50 or more years to 15 or less.

In addition, more than 25,000 producers each year benefit from the Noninsured Crop Disaster Assistance Program (NAP), which covers 55,000 crops. This program was expanded in the 2014 Farm Bill to include protection at higher coverage levels, similar to provisions offered under the Federal crop insurance program. NAP continues to offer coverage at the catastrophic level based on 50 percent of expected production at 55 percent of the average market price for the crop. However, producers can now obtain additional coverage levels ranging from 50 to 65 percent of expected production, in five percent increments, at 100 percent of the average market price for the 2014–18 crops years. In 2015, producers elected these higher levels of coverage for over 4,000 crops. Beginning, limited resource, and other traditionally under-served farmers are eligible for a waiver of the NAP service fee and a 50 percent reduction in premium for additional levels of coverage.

Conservation Reserve Program

The Conservation Reserve Program (CRP) has a 30 year track record of providing tremendous conservation and environmental benefits. CRP allows USDA to contract with landowners so that environmentally sensitive land is not farmed or ranched, but instead used for conservation benefits. In return, FSA provides participants with annual rental payments, incentive payments, and cost-share assistance. Contract duration is between 10 and 15 years. CRP improves water quality, reduces soil erosion, and restores habitat for ducks, pheasants, turkey, quail, deer, pollinators, and other wildlife. In doing so, CRP spurs hunting, fishing, recreation, tourism, and other economic development across rural America.

As of February, 23.7 million acres were enrolled in CRP contracts, 13.1 million acres below peak enrollment in 2007. This enrollment figure includes 16.9 million acres under general sign-up enrollment authority and 6.8 million acres under continuous sign-up enrollment authority. CRP general sign-up is a competitive process conducted on a periodic basis, while CRP continuous sign-up occurs on an on-going basis throughout the year. CRP contracts on 1.66 million acres (combined general and continuous) are set to expire on September 30, 2016; program payments total approximately \$1.8 billion annually.

Because CRP is currently near the farm bill imposed 24 million acre cap, any new enrollments will be limited to the number of acres expiring each year. These limited enrollment opportunities make it imperative that FSA enroll the most environmentally sensitive acreage to maximize environmental benefits on a per-acre basis. We are pursuing continuous signup options to achieve this targeting, and in FY 2015, continuous signup enrollment reached 837,000 acres, the largest enrollment ever.

In lieu of a general signup in FY 2015, a 1 year contract extension was offered for general signup contracts that were not over 14 years in length, and were set to expire on September 30, 2015. About 500,000 acres received this 1 year extension (about 58 percent of eligible acres).

FY 2016 activities include a general signup period, plus continuous and grasslands signups. The FY 2016 general enrollment period began on December 1, 2015, and ended on February 26, 2016. In addition, sign-up in CRP Grasslands—a new 2014 Farm Bill program—is on-going. The 24 million acre statutory cap is making competition under both general and grasslands sign-up especially fierce.

We are proud of the impact that CRP has had on the rural landscape. Since its inception in 1985, we estimate that CRP has prevented more than 8 billion tons of

soil from eroding and reduced nitrogen and phosphorous runoff into rivers and streams by 95 percent and 85 percent, respectively, relative to similar lands that are cropped. On average over the past 5 years, CRP has protected more than 175,000 stream miles with riparian forest and grass buffers, enough to go around the world seven times, and since 1996, has created about 2.7 million acres of restored wetlands.

CRP also provides greenhouse gas benefits. Over the past 5 years, CRP has sequestered an average of 46 million metric tons of CO₂ equivalent per year. This is equal to removing about nine million cars from the road annually, and the CO₂ equivalent reduction is worth \$2 billion per year.

Energy

USDA recognizes that the bioeconomy has the potential to create unprecedented growth in the rural economy, by creating opportunities for the production, distribution and sale of biobased products and fuels. Therefore, FSA made available \$100 million in grants under the Biofuel Infrastructure Partnership (BIP), nearly doubling the number of fueling pumps nationwide that supply renewable fuels to American motorists, such as E15 and E85. Twenty-one states are participating in the BIP, with matching funds from state and private partners, providing \$210 million to strengthen the rural economy and increase the demand for corn and agricultural commodities used in the production of biofuels. We are also proud of our effort to partner with the Department of Energy and Navy to create advanced drop-in biofuels that will power both the Department of Defense and private sector transportation throughout America. Each partner has committed over \$160 million to this effort.

Farm Credit Programs

Access to credit remains a critical issue for producers, in particular for new and beginning farmers and ranchers. In 2015, FSA provided nearly 38,000 loans, valued at a record \$5.7 billion, to over 27,500 farmers and ranchers who were temporarily unable to obtain commercial financing. Over 20,000 loans went to beginning farmers and ranchers in 2015, 40 percent more than in 2009. These included more than 4,000 farm ownership loans, which enabled beginning farmers to purchase farmland, construct or repair buildings, and make farm infrastructure improvements. FSA also increased its assistance to minority and women farmers and ranchers, providing these groups with over 9,000 loans—65 percent higher than in 2009.

FSA's microloan program, which provides direct operating loans of up to \$50,000 to pay for startup expenses such as land rent, essential tools, livestock and farm equipment, and annual expenses such as seed, fertilizer, utilities, marketing, and distribution expenses, has greatly improved FSA's ability to provide credit to beginning farmers and ranchers. Since its inception in January 2013, FSA has issued over 17,000 microloans, and nearly 70 percent have gone to beginning farmers and ranchers. And, as of January 2016, microloans are now available to help with farm land, building purchases, and soil and water conservation improvements.

Building on the success of collaborative efforts in 2014 and 2015 that helped producers with their ARC/PLC and MPP-Dairy decisions, FSA is developing additional partnerships. In 2015, FSA announced the availability of \$2.5 million in cooperative agreement funding for nonprofits and universities to facilitate program outreach to under-served communities, including veterans, beginning farmers and ranchers, minority producers, and organic/specialty crop producers. The first round of proposals was submitted in late November, 2015 and awardees will soon be announced. These 1 year cooperative agreements are focused on increasing access to FSA programs and improving technical assistance outreach and financial education.

The Risk Management Agency (RMA)

The Federal Crop Insurance Program is a vital risk-mitigation tool available to our nation's agricultural producers. It provides risk management solutions that are market driven and reflect the diversity of the agricultural sector, including specialty crops, organic agriculture, forage and rangeland, as well as staple row crops.

Over its history, the value of the Federal Crop Insurance Program to American agriculture has grown. In 2015, the crop insurance program provided coverage on more than 298 million acres of farm and ranch land and protected over \$102 billion of agricultural production. As of February 25, 2016, indemnity payments to producers on their 2015 crops total just over \$5.6 billion on a premium volume of just under \$10 billion. Our current projection for the 2016 crop year shows the value of protection will be slightly less than \$100 billion.

Program Expansion

In addition to maintaining and building upon existing programs, RMA has also made great progress in implementing the 2014 Farm Bill. The Supplemental Coverage Option (SCO) is now available for 58 crops and the Actual Production History Yield Exclusion is available for 50 crops. Expansion will continue as more data becomes available. The Stacked Income Protection Plan for Producers of Upland Cotton (STAX) is currently available for every county that has a crop insurance policy for cotton, and producers now have the ability to request coverage even if it is not available in their county. Peanut Revenue Protection is available in every county with peanut coverage, and Margin Protection Insurance is available for wheat, corn, rice, and soybeans in select counties. Coverage Level by Practice is now available for 52 crops. Enterprise Unit by Practice is now available for 16 crops. RMA now offers organic price elections on 56 different crops, up from four in 2011. In addition, in 2016 RMA will offer Whole Farm Revenue Protection insurance in every county in the nation—a first for the crop insurance program. All of these options provide producers more ways to tailor crop insurance for their specific needs.

To further expand crop insurance options for all growers, Pasture, Rangeland, and Forage is now available in every state in the continental United States. RMA continues to engage with ranchers to improve this policy.

In an effort to ensure that producers continue to receive premium subsidies, RMA worked with the Natural Resources Conservation Service, the Farm Service Agency, private partners, and commodity groups to inform farmers and ranchers about new conservation compliance requirements. Any farmer or rancher that was potentially out of compliance received three letters and at least one phone call. As a result, over 98 percent of crop insurance customers complied with the provisions. Most of the remaining two percent are likely retired, deceased, or operating under a different entity. RMA has implemented several exemptions to ensure beginning farmers and ranchers, and those who are new to USDA programs, as well as those who have formed new entities, do not lose premium subsidy. To date, over 1,000 exemptions have been granted.

Incentives authorized in the 2014 Farm Bill make crop insurance more affordable for beginning farmers and ranchers by providing a ten percent premium discount, as well as a waiver of the catastrophic and additional coverage administrative fees. Over 13,500 producers have taken advantage of these incentives. Beginning farmers and ranchers have saved over \$14.5 million in premiums and administrative fees because of this program.

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

Program Integrity

RMA has also been working on a process to reduce improper payments. RMA has developed and received approval from the Office of Management and Budget for a new sampling and review methodology for measuring improper payments. Throughout the development process, RMA worked closely with the Office of the Inspector General to address concerns the oversight agency had with the previous methodology. The collaborative effort has resulted in significant improvements to the improper payment sampling methodology and review process. The new methodology will allow RMA to more accurately estimate an improper payment rate for the crop insurance program and identify root causes of the improper payments. I am proud to report that the improper payment rate for Fiscal Year 2015 is 2.2 percent, down from 5.5 percent in FY 2014. Beginning in Fiscal Year (FY) 2017, RMA will determine an improper payment rate for each approved insurance provider in addition to the overall program rate.

The Foreign Agricultural Service (FAS)

The Foreign Agricultural Service (FAS) is USDA's lead international agency, linking U.S. agriculture to markets around the world to enhance export opportunities and global food security.

The efforts of FAS employees, both in Washington and around the globe, combined with market promotion programs authorized in the 2014 Farm Bill, and collaboration with the U.S. agricultural community, have contributed to the strongest 7 year stretch in history for U.S. agricultural trade. From fiscal years 2009 to 2015, U.S. agricultural exports climbed more than 45 percent in value, totaling over \$911

billion. In FY 2015, American agricultural producers achieved \$139.7 billion in exports, the third highest year on record. In addition, agricultural exports have increased in volume, demonstrating an increasing global appetite for American-grown products. In 2014, U.S. agricultural exports supported more than one million American jobs. Credit for these accomplishments belongs to America's hardworking farm and ranch families.

FAS supports U.S. producers through a network of agricultural economists, marketing experts, negotiators, and trade specialists in Washington, D.C. and 93 international offices covering 170 countries. We are proud that our role in opening and maintaining markets has resulted in billions of dollars of additional U.S. agricultural exports. FAS also contributes to the Department's goal of enhancing global food security. The food assistance programs, technical assistance, and capacity building activities administered by FAS have provided assistance that has helped millions of people worldwide. Trade policy, trade promotion, and capacity building are the core functions at the heart of the programs and services that FAS provides to U.S. agriculture.

Trade Policy

FAS expands and maintains access to foreign markets for U.S. agricultural products by removing trade barriers and enforcing U.S. rights under existing trade agreements. Working with our sister agency, the Animal and Plant Health Inspection Service (APHIS), we are instrumental in resolving sanitary, phytosanitary, and technical barriers to trade. FAS also works with foreign governments, international organizations, and the Office of the U.S. Trade Representative (USTR) to establish international standards and rules to improve accountability and predictability for agricultural trade.

Congressional passage of the bipartisan Trade Promotion Authority (TPA) bill last summer boosted the Administration's ability to complete negotiations of the landmark Trans-Pacific Partnership (TPP) agreement. When implemented, the TPP agreement, with eleven Pacific Rim countries representing nearly 40 percent of global GDP, will provide new market access for America's farmers and ranchers by lowering tariffs and eliminating other barriers. Rural America needs the good deal laid out in the TPP agreement. The Administration is committed to working closely with Congress to obtain support for this historic deal so that our businesses can sell more rural-grown and rural-made goods around the world.

FAS trade negotiators are also advocating on behalf of U.S. agriculture in the Transatlantic Trade and Investment Partnership (T-TIP) negotiations. Our exports to the European Union (EU), which currently is our fourth largest agricultural export market, were valued at \$12.3 billion in FY 2015; however, European barriers to U.S. exports help create a deficit in our agricultural trade to that region. FAS experts are an integral part of the T-TIP negotiating team and USDA's economic analysis underpins the negotiating strategy on agriculture. Our negotiators seek the elimination of all agricultural tariffs and remain resolute in pushing back on the EU's requests for geographical indications that do not comport with the U.S. intellectual property system. The T-TIP is an opportunity to address not only market access commitments, but non-tariff, sanitary and phytosanitary and technical barrier to trade issues that impede U.S. agricultural exports.

Closer to home, another important market for U.S. agriculture is Cuba. USDA is proposing to establish an in-country presence in Cuba to cultivate key relationships, gain firsthand knowledge of the country's agricultural challenges and opportunities, and develop programs for the mutual benefit of both countries. Since Congress authorized agricultural exports to Cuba in 2000, the United States has shipped nearly \$5 billion in agricultural and food products to Cuba. Cuba's geographical proximity and demand for U.S. products makes it a natural market, but as Secretary Vilsack has said "We are now stymied by an embargo that has certainly outlived its purpose." A more open and normalized trade relationship with Cuba will benefit both countries and help address the competitive disadvantages that U.S. agricultural products currently face in this market. USDA's Economic Research Service (ERS) analysis suggests that greater liberalization could lead to higher and more diversified sales to Cuba, similar to what the United States exports to the Dominican Republic, a country with similar population and per capita income. U.S. agricultural exports to the Dominican Republic averaged \$1.1 billion a year between 2012 and 2014, compared to \$365 million to Cuba. Moreover, the United States exports a broad range of agricultural products—beef, turkey, breakfast cereals, and fresh apples—to the Dominican Republic that Cuba does not currently import in sizable amounts.

Trade Promotion

Over numerous farm bills, Congress has authorized and refined an effective combination of agricultural market development and export credit guarantee programs. These programs that are designed to develop markets, facilitate financing of overseas sales, and resolve market access barriers dovetail with the FAS mission. We must open, expand, and maintain access to foreign markets, where 95 percent of the world's consumers live. FAS partners with a broad spectrum of cooperator groups representing the U.S. food and agricultural industry and manages a toolkit of market development programs to help U.S. exporters develop and maintain markets for hundreds of products.

The largest market development program operated by FAS is the Market Access Program (MAP). Through MAP, FAS partners with nonprofit U.S. agricultural trade organizations, U.S. agricultural cooperatives, nonprofit State Regional Trade Groups, and small-scale U.S. commercial entities to share the costs of overseas marketing and promotional activities, such as consumer promotions, market research, and trade show participation. The 2014 Farm Bill makes available \$200 million of CCC funds annually for MAP. That amount is matched with industry contributions to aid in the creation, expansion, and maintenance of foreign markets for hundreds of U.S. agricultural products. A range of U.S. commodities from Texas beef and cotton, to Minnesota pork and soybeans, to California grapes and almonds, and apples and pears from the Pacific Northwest, all benefit from MAP. In FY 2016, MAP is providing funding to 62 U.S. agricultural trade associations, state regional trade groups, and agricultural cooperatives.

The Foreign Market Development Program (FMD) is another FAS-administered market development program reauthorized by Congress in the 2014 Farm Bill. FMD is a cost-share program that aids in the creation, expansion, and maintenance of long-term export markets for U.S. agricultural products. The 2014 Farm Bill makes available \$34.5 million of CCC funds annually for FMD. The program fosters a market development partnership between FAS and U.S. agricultural producers and processors who are represented by nonprofit commodity or trade associations known as Cooperators. Under this partnership, FAS and each Cooperator pool their technical and financial resources to conduct overseas market development activities. FMD-funded projects generally address long-term opportunities to reduce foreign import constraints or expand export growth opportunities. For example, FMD-supported projects include efforts to reduce infrastructural or historical market impediments, improve processing capabilities, modify codes and standards, or identify new markets or new uses for the agricultural commodity or product. In FY 2016, FMD is providing funding to 23 U.S. agricultural trade associations.

Working with our agricultural cooperator partners, our MAP and FMD programs have been shown to be highly effective. An independent study released in 2010 by IHS Global Insight, Inc. found that trade promotion programs like MAP and FMD provide \$35 in economic benefits for every dollar spent by government and industry on market development. FAS contracted with an independent company to update the cost-benefit analysis of these programs. Results of this study are expected in the spring of 2016.

Building Capacity and Food Security

FAS leads USDA's efforts to help developing countries increase food security, improve their agricultural systems, and build their trade capacity. FAS's non-emergency food aid programs help meet recipients' nutritional needs and also support agricultural development and education.

The McGovern-Dole International Food for Education and Child Nutrition Program (McGovern-Dole) provides agricultural commodities and technical assistance for school feeding and maternal and child nutrition projects in low-income, food-deficit countries committed to universal education. The program is projected to assist 3.4 million women and children worldwide in 2017.

Congress identified fostering local self-sufficiency and ensuring the longevity of programs in recipient countries as one of the priorities for awarding McGovern-Dole grants. FAS and its partner organizations work to ensure that the communities served by McGovern-Dole can ultimately continue the sponsored activities on their own or with support from other sources such as the host government or local community. By procuring local foods such as fruits and vegetables, FAS will be able to offer more nutritionally rich meals and boost local farmer incomes, which will in turn build community support for our McGovern-Dole programs.

Building community support enhances long-term success and increases the probability that local governments take over school feeding programs. For example, in Bangladesh, FAS is witnessing success in obtaining local support and sustainability. The Government of Bangladesh pledged that from 2015 onward it will spend \$49

million annually for school feeding programs in poor areas. By 2017, the Government of Bangladesh will manage school feeding in 50 percent of the schools currently receiving food under McGovern-Dole.

Since Congress established the Food for Progress (FFPr) program in 1985, it has been a cornerstone of USDA's efforts to support sustainable agricultural production in developing nations that are committed to free enterprise in the agriculture sector. Under FFPr, proceeds from the sale of donated U.S. agricultural commodities are used to fund projects that improve agricultural market systems and trade capacity. More than 263,000 metric tons of U.S.-produced commodities will be donated this fiscal year. In FY 2015, FAS awarded nine agreements that covered six countries in Latin America, Sub-Saharan Africa, and the Middle East. The recipients involve six private, voluntary organizations and three government (Mali, Honduras and Jordan), and range in activities from building governments' capacity to improving agriculture productivity, and increasing rural communities' access to credit. In FY 2016, USDA selected Angola, Bangladesh, Burkina Faso, Guatemala, Haiti, Malawi, Mozambique, Pakistan, the region of Liberia and Côte d'Ivoire, and the region of Senegal, The Gambia, and Guinea Bissau as priority countries and regions. Currently, FAS oversees \$814.6 million in programming in 57 countries that were funded in 2011–2015.

We also have the ability to respond to requests by governments with FFPr. Last May, Secretary Vilsack traveled to Jordan for the signing of a Food for Progress agreement to provide 100,000 metric tons of U.S. wheat, valued at approximately \$25 million, to the Government of Jordan. As one of our most steadfast partners in the Middle East, the Government of Jordan will be able to access the expertise of USDA to improve its agricultural productivity and therefore relieve some of the economic burden that it is currently facing. Proceeds from the sale of the commodities will improve the country's agricultural productivity and security through water conservation (over 20 percent of Jordanians are water insecure).

As authorized in the 2014 Farm Bill, we are continuing to implement the Local and Regional Procurement (LRP) program. We are working to finalize a new LRP rule and begin FY 2016 programming. We know from USDA's "Farm to School" efforts that bringing locally grown foods into the schools has multiple benefits—including added nutrition, improved science skills, and increased incomes for local growers. We want to expand this success to our international school feeding programs. The FY 2017 LRP program will focus on improving supply chains and procuring supplementary food for school meals in McGovern-Dole programs.

The CHAIRMAN. Well, I thank you, Ms. Taylor. I appreciate that. I will start, 5 minutes.

Mr. Willis, let me brag on you a bit or let you brag on yourself. Improper payments at your agency have dropped from 5.58 percent in 2014 to 2.2 percent in 2015. Thank you for that.

Can you talk to us about the steps you have taken at the agency to make that positive improvement, I guess that is redundant, that improvement happen?

Mr. WILLIS. Certainly.

First, I want to acknowledge the Committee. And the last farm bill provided some focus and resources to help us make some of these improvements, and I want to acknowledge that first and foremost.

Crop insurance is—

The CHAIRMAN. I don't know if I would do that because Mr. Lucas is with us this morning and his head gets—

Mr. WILLIS. Thank you.

The Crop Insurance Program is a well-run program, and the improper payment rate that is ½ the national average demonstrates that. We started a few years ago, actually, focusing on this, trying to look at ways to more accurately measure improper payments, and then find ways over the long run to see a reduction.

We are, I would say, just part of the way through. We are continuing to take more steps in the future to continue to demonstrate

this program is something that both farmers and taxpayers can defend and feel good about.

The CHAIRMAN. All right.

Well, let me go the other way and talk to you about enterprise units and the struggle we have there. Can you update us, update the Committee?

We thought the farm bill allowed producers to elect enterprise units at their choice. That doesn't seem to be how you guys implemented it. Can you walk me through some of that, where we currently stand?

Mr. WILLIS. Yes. That issue, obviously, is a little difficult issue. From the beginning when we have implemented the farm bill, we have made a sincere effort to try to implement it in a way that used common sense, used an approach that farmers would appreciate and understand. I had a farmer from the State of Texas in earlier this week, a peanut producer, and that producer specifically brought up this issue and asked about it.

For us, it goes back to the fact that we do believe we implemented the statute based upon the language within it. We did look at the report language for guidance. We are at the point where we don't know what else to do at this point in time, but we do understand there are some people who wish we had done that differently.

The CHAIRMAN. Okay.

And then let me ask about the ARC county payments. We have this anomaly throughout the system where folks on one side of a county line get a full payment, folks in the other country next to it get nothing.

Can you walk us through how that is working and talk to the Committee about what we can do in the next farm bill to address some of those things? I don't think that was an intended consequence.

Ms. TAYLOR. Mr. Chairman, if I could take that question.

The CHAIRMAN. Sure.

Ms. TAYLOR. First and foremost, the ARC County Program or just the new PLC and ARC Programs are fundamentally different than direct payments from the last farm bill. So, part of it is a mentality shift. It certainly was in Congress but also for farmers out there in the countryside.

We developed producer-provided solid data sets in a cascade to ensure that the data that we use, first, protected producer information but then also, second, ensured that we had solid data sets, whether it was NASS county or RMA county. These were provided by the farmers.

It is a county-based program, so one of the things that we are seeing was intentional or part of how Congress structured this, that counties are going to vary. There are different variabilities in those counties on producer yields, it is a big impact in our county.

So I would say we have signed up 1.7 million producers, and for the 2014 crop year, we paid \$5.2 billion in safety net to those producers. I think that is a strong safety net. I think it is working. But inherently in the way a county program is structured means counties are going to have different payment factors in them.

The CHAIRMAN. All right. Well, thank you.

Ms. Taylor, let me ask about this. One of the arguments on food aid is that high commodity prices have reduced the amount of food that was able to be bought. Commodity prices now have dropped considerably. Have we seen an incremental increase in the amount that you have been able to buy with food aid, given those lower commodity prices? What is happening?

Ms. TAYLOR. Yes, Mr. Chairman. Certainly there is a correlation there.

The CHAIRMAN. But it works both ways, right? When prices are high, you are buying less. But now that prices are low, are you demonstrating that you are buying more?

Ms. TAYLOR. Yes, Mr. Chairman. As you said, there is a correlation between commodity prices and the amount of tons that we could ship of various foods. We do expect to see this year an uptick on some of the tonnage of commodities that we can buy due to lower commodity prices.

The CHAIRMAN. All right.

Mr. Lucas, 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman.

Administrator Dolcini, there is currently a push by commercial lending institutions to increase the authorized loan level for FSA-guaranteed loans to \$2.5 million. Are you familiar with this proposal? And if so, do you have a position or any observations on such an idea?

Mr. DOLCINI. Well, my observations are these, sir. There is certainly more demand today for our farm loan products at the Farm Service Agency all across the country as we are seeing a softening in the farm economy and in the decline in commodity prices, certainly in your district in west Texas. Elsewhere in the nation we are seeing that.

We have been in touch and have had meetings with the Farm Credit Council, with the American Bankers Association, and other interested members of industry who are wanting to talk a little bit about what it would mean for us to increase our loan limits.

The guaranteed program has annual increases of incremental amounts. The direct loan program does not have those. Those require statutory changes. We would be happy to work with Members of this Committee or your teams to develop some thoughts around technical issues associated with that.

But one potential ramification of increasing the loan limits is that we will make fewer and larger loans, thereby, the pool won't be available to as many American farmers and ranchers as it is today.

Mr. LUCAS. Do you have any idea off the top of your head how many of these guarantees we are talking about now that are in place?

Mr. DOLCINI. I am going to have to get back to you, sir. I don't want to give you incorrect information.

Mr. LUCAS. That is just fine, Administrator.

To shift subjects on you for just a moment, I want to thank you and your staff for the work on helping U.S. peanut producers who were impacted by the Clint Williams Company bankruptcy last year, something that essentially had not happened in that fashion before, put a huge number of producers in a terrible stress, and

now has been resolved to the best that the Department can do. I am very much appreciative.

I just kind of would like to note for the record and to my colleagues that there has been the impression somehow in some places that, by addressing the producers at the \$355 per ton-loan rate, that that basically has made producers totally whole. Just for the benefit of my colleagues here, many of those producers had contracts at \$625 a ton.

Mr. DOLCINI. That is right.

Mr. LUCAS. So while USDA fulfilled its obligations 100 percent, through a very complicated fashion—and I very much appreciate that, and they do too—it is just worth noting that those producers weren't made totally whole, because they had contracts for \$625 and they are taking a \$270 a ton haircut. Just an observation for everyone.

That said, though, thank you for the Department's moving so swiftly. Because there were a number of good people who had been very good managers for sometimes generations who were caught in a horrible bind, who were on the verge of being torn limb from limb. So just to note that.

And if there is anything in the future that we can do to help address your ability to meet those kind of challenges, certainly we will need to talk about that before the 2018 Farm Bill.

Mr. WILLIS. Well, we certainly appreciate those compliments, Congressman Lucas, and I will make sure to pass them along to those that were involved. It was a creative approach taken by the Department, and by the agency. And we worked closely with industry and growers, Congress and others to make sure that folks had an opportunity to provide input to the process. I think that it worked reasonably well.

Mr. LUCAS. You bet. And that \$355 a ton was critically important to producers matching the loan rate. But in the eyes of some of our media friends, that wasn't making everybody whole. That was doing everything we could to help them, appropriately, within the law, but they still took a big economic haircut over what happened at that company with that company's bankruptcy that impacted them.

And, with that, Mr. Chairman, I yield back.

The CHAIRMAN. Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Thanks to all of you for your leadership and your service. It is greatly appreciated.

Administrator "Dolcini"?

Mr. DOLCINI. "Dolcini."

Mr. THOMPSON. "Dolcini." Sorry about that. I hate messing people's names up. It is the only thing we come in and out of this world with, is our name.

Mr. DOLCINI. I am used to it, sir. It happens all the time.

Mr. THOMPSON. I want to zero in on energy. And the intent of the Biomass Crop Assistance Program, BCAP, is to provide financial assistance to producers to establish dedicated energy crops. To date, how many acres of dedicated energy crops have been created from the program? And how much has been spent through the BCAP to date?

Mr. DOLCINI. Sir, I am sorry, I don't have those at my fingertips, but I can certainly provide them later this morning, in fact, to you and the Committee.

Mr. THOMPSON. Okay.

Mr. DOLCINI. It has been a successful program thus far, and USDA has invested in both project areas which encouraged the cultivation of energy crops as well as in parts of the western U.S., for example, where forest residue, ag residue/other materials are removed from the forest and brought to biomass conversion facilities.

Mr. THOMPSON. Yes. It is part of the solution. We were just previously talking about forest health with the Deputy of the Forest Service and the Under Secretary and creating that market demand. Excellent.

I want to talk a little bit about trade. Specifically, can you speak to expected outcomes for American agriculture in the TPP negotiations? I know some ag groups are very strongly in favor of TPP, but others, such as tobacco and rice, have lingering concerns and outright opposition. Is there anything that can be done by USDA to help address those in agriculture who wanted more out of what is being proposed at this point?

Ms. TAYLOR. Congressman, I appreciate that question. As you mentioned, we have strong support across almost all of the agriculture community around TPP. It is a game changer as far as trade agreements go for U.S. agriculture. The Farm Bureau recently came out with a study and found that it will boost net farm income by \$4.4 billion. That number, to me, shows that U.S. agriculture can't wait for this agreement to be passed and to start being implemented.

We are seeing our competitors, with the strength of the U.S. dollar, we are seeing them gain market share today in some of our key markets, Japan, Vietnam, and really outcompete because of whether preferential trade agreements or their currency is weaker. And so TPP is vital to leveling that playing field and making sure U.S. products are competitive.

One tool that we have at USDA and we use quite effectively with the private-sector is our market development programs, thanks in large part to Congress, to this Committee, for their strong support. Those are highly effective dollars that we leverage. As I mentioned in my opening statement, what we find is for every \$1 that industry puts in or the U.S. Government puts in, we are seeing a \$35 return on investment, meaning we are selling \$35 worth of U.S. agricultural products in those markets.

And so we are working to partner with our various stakeholders on ensuring those dollars are leveraged in a diversity of marketplaces. But, also, a lot of them are looking for the coming years, when TPP will be implemented, on how they can effectively target those marketplaces and ensure we are in there and promoting U.S. goods and ensuring that those customers in Vietnam, Malaysia, some of these markets are developing a taste for U.S. products.

Mr. THOMPSON. There is a lot of antitrade rhetoric right now in politics, which I find most of it under- or uninformed about the value of trade and about how much that we make here or grow here and we sell there, sell overseas, and what that means.

And my understanding is, I want to get your opinion on this, in the recession we went through, which was pretty significant, that, of all the industries, the agriculture industry was somewhat resilient to that downturn, that economic downturn that cost so many jobs, devastated so many industries. And my understanding, a part of that was just how robust our trade has been.

Now, maybe other areas of trade have not been negotiated well in the past, and we are doing a better job of setting the rules, and Congress driving that. Your opinion in terms of was trade helpful in providing resiliency in the agriculture industry in the most recent recession?

Ms. TAYLOR. Absolutely, Congressman. What we find is about 20 percent of farm income is directly tied to U.S. agricultural exports. So opening new markets is key to keeping the ag economy strong.

We also find it is not just about the benefit to farmers and ranchers. What we have also found is, for every \$1 of exports, it stimulates another \$1.27 in business activity. And I am sure you all represent rural districts, you see this. If a farmer has a dollar, they are looking to upgrade their facilities, invest in better technology. And that is what we see. The numbers support that.

Mr. THOMPSON. Yes, farmers aren't going to save the money; they will spend it.

Ms. TAYLOR. I grew up on a farm, Congressman. I saw this firsthand from my dad.

Mr. THOMPSON. Okay.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Kelly, 5 minutes.

Mr. KELLY. Ms. Palmieri, just to follow up kind of on Mr. Thompson's question, what are your expected outcomes from T-TIP?

Ms. TAYLOR. Congressman, if I could actually take that?

I think there is a lot of opportunity here in T-TIP. As you look at the U.S. and the EU, it makes a lot of sense. There are a lot of geopolitical reasons why we decided to negotiate this, but there are also a lot of economic reasons, that together we represent about 50 percent of the world's economy, and it kind of makes people scratch their heads to think about why we haven't had one. Even without a trade agreement, they are still our fourth-largest trading partner.

But there are a lot of challenges. We have some different philosophies on how we regulate. We have a risk-based, science-based, internationally recognized kind of rules of the road on how we regulate for various food safety or non-tariff barriers and measures. And so there is a lot of opportunity here, but it is not without challenges as well.

Mr. KELLY. Thank you.

And, Administrator Dolcini, what kind of concerns are you hearing from FSA offices in the Cotton Belt?

Mr. DOLCINI. Well, we are hearing quite a number. I don't know if the Deputy Under Secretary wants to provide a broader cotton answer, sir, but I can tell you that the offices that I oversee in the Cotton Belt are working with farmers today on restructuring loans, servicing loans, providing additional financial assistance where it is appropriate.

We are also in conversation with the industry here in Washington, and perhaps the Deputy Under Secretary can provide a little bit more detail there.

Mr. KELLY. Please.

Ms. TAYLOR. Yes. Thank you for that opportunity, Congressman.

I actually had a couple cotton farmers from Texas in my office just on Wednesday talking about what they are seeing and what the impacts of the current market conditions around cotton are, how they are affecting them. There was a new and young farmer there, as well, and he talked about what the impact, what he is seeing on a cash flow side and really the strain of how the current market conditions are impacting them.

We are certainly in close contact. I know the Secretary was up here talking about the assistance that we are looking at providing. We have had active conversations in the government but then also within the cotton industry. And we will certainly keep this Committee apprised as those go forward on what a program that could assist cotton farmers may look like.

Mr. KELLY. And just for the panel, anything you can do to help our cotton. Once that infrastructure goes away, more than any other crop, it goes away and it is difficult to rebuild, and we lose cotton for a long time, or it is much more expensive to get back in.

And the second thing is never underestimate its impact on other crops, because when cotton is not profitable, they start growing another crop, which depresses the prices there.

So I would just ask that you keep that in mind with all your solutions and understand that urgency is key here to make sure that we do whatever we need to do quickly.

And kind of as a follow-up on credit, and this is for Mr. Dolcini on this one, but what can be done to educate young and beginning producers in order for them to better understand the credit opportunities available to them? Because, as you know, we have an aging farm population who are farming, and we need to get new and younger farmers engaged for the long-term.

Mr. DOLCINI. Well, that is a great question, sir. And we have done a lot of work throughout the Department but really at the Farm Service Agency, as we are the Department's primary lender, to educate new and beginning farmers, returning veterans, women farmers, farmers of color, disadvantaged farmers, others that have not been able to avail themselves of FSA credit in the past.

And what we are seeing just this year is that there is a 20 percent greater increase on our loan tools around the country and a 40 percent increase year over year on our microloan, which has been the best tool for new and beginning farmers. We have made 18,000 of these microloans since the program started in 2013, 70 percent of which went to new and beginning farmers, 50 percent of which went to first-time FSA customers.

So we are able to bring new folks into the offices through greater outreach in all of our field offices. We have nearly 2,200 offices around the nation, and they are all really selling the idea of working more closely with beginning farmers and ranchers.

We have a great new service called Bridges to Opportunity, which will allow FSA offices to act as information gateways not only for our credit programs, not only for our farm programs, but

for programs that other agencies, whether it is RMA or NRCS or Rural Development, offers.

So we are really trying to offer a full suite of services to new and beginning farmers around the country, and I think that the metrics bear that out. We have had a lot of success so far. We are going to keep at it.

Mr. KELLY. Thank you.

And that was my next question. But, overall, how are the microloans performing?

Mr. DOLCINI. It is the workhorse of our farm loan portfolio. It is really one of the best things we have done at the Farm Service Agency in the last few years.

Mr. KELLY. Thank you, Mr. Chairman. I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Benishek.

Mr. BENISHEK. Thank you, Mr. Chairman.

Thank you all for being here this morning.

Could you weigh in on this U.S.-Canada Softwood Lumber Trade Agreement?

Apparently, there is a trade agreement with Canada that has expired concerning soft lumber. The Canadians subsidize their timber industry much more than we do, and it has affected prices in my district and around the country.

So is there any movement on renegotiating that? Or is a deal in the works? Or what is happening with that?

Ms. TAYLOR. Congressman, I am going to have to—I don't know the latest. So if I could go back, consult with my colleagues, also consult with the U.S. Trade Representative's office, we can follow up with you on that.

Mr. BENISHEK. Yes, well, it is an important issue across the country. The timber producers always complain about the Canadians bringing in a lot of timber. So I would appreciate a brisk, early followup.

And the other question that I have concerns this T-TIP stuff too. It seems to me there have been some difficulties dealing with this. And you mentioned a little bit about the non-tariff issues. And apparently there is some kind of a pesticide issue in the EU that is different from the way the rest of the world deals with, and is this an impediment to our shipping commodities into Europe?

Ms. TAYLOR. At the end of last year, we were coming up to an issue with a lot of the tree nuts and some specialty crops on the level of a certain pesticide that we use and the tolerance level. We actually worked on the tree-nut side quite closely with the European counterparts to kind of extend a temporary MRL until they could—

Mr. BENISHEK. What is an MRL?

Ms. TAYLOR. Minimum residue level. Sorry, sir. To extend that temporary minimum residue level of the certain pesticide for another year—

Mr. BENISHEK. So is this a part of the T-TIP thing, then, or what?

Ms. TAYLOR. It is on the margins of T-TIP. We are each working on various issues. They are not part of the actual negotiating itself.

But, we need to continue to build momentum on both on sides on priority issues for both us and Europe.

Mr. BENISHEK. Well, there is some question in my mind about the coordination of these international deals here. The Agricultural Marketing Service, that is something different than you, then, right? So, then, are you guys coordinating in what you are doing in these negotiations? I don't understand how this works. Are you both doing the same thing? Or how does that work exactly? Is there communication?

Ms. TAYLOR. Congressman, we actually work quite closely as an interagency. The Foreign Agriculture Service oversees and coordinates the entire department's international activities. So that means on food safety we work quite closely with the Food Safety Inspection Service, with APHIS, with the Agricultural Marketing Service.

And so not just within trade agreements but bilateral when a trade issue comes up, we are constantly pulling the team together and ensuring that what we do and agree to, that all the agencies within USDA, that it will work for them.

Mr. BENISHEK. So there are how many different agencies are working on this all together? How many people do they have to pull together to make something actually happen?

Ms. TAYLOR. It depends on the issue, honestly, Congressman. It is an export issue for, say, meat, it would be FAS and FSIS, the Food Safety Inspection Service, work quite closely. On high-path avian influenza, we work quite closely with our colleagues in APHIS. And so it depends on the issue.

Mr. BENISHEK. All right.

Thank you, Mr. Chairman. I will yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Yoho, 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman.

Thank you all for being here.

Secretary Taylor, you were talking about TPP. And were we negotiating with, like, Japan, like Australia did with their beef? Because with Australia, their beef exports went up eight percent, and ours decreased three percent. Are we waiting on this comprehensive TPP instead of just negotiating a bilateral agreement like Australia did?

Ms. TAYLOR. We have long had a target on Japan as a market. They are a priority market, they are one of our top markets, even with very high tariffs. But we did negotiate an agreement in a multilateral sense with—

Mr. YOHO. So we are waiting on TPP instead of just—

Ms. TAYLOR. We don't have bilateral negotiations because of—

Mr. YOHO. Is there a reason we didn't do that? Because Australia was ahead of the curve, and they did a good thing for their country, and we went down.

Ms. TAYLOR. Well, TPP really gave us more leverage in getting better market access packages. We are getting the beef tariff to single digits. That is the first time Japan has ever done that. Japan did not agree to that in a bilateral sense with Australia.

Mr. YOHO. Right.

Ms. TAYLOR. And so we had better leverage within TPP than we would in a bilateral sense.

Mr. YOHO. Let me ask you about, along with TPP, neonics is the pesticide I would assume you are talking in the EU that they are kind of putting their minimum standards on the levels. Is that based on science, or is that driven by populism and the environmentalists?

Because if you look at Canada, they have over 50 million acres that are sprayed on their canola fields with neonics, and they haven't seen a decline in their bee colonies or the honey production. In fact, they have gone up. And I just want to hear your opinion on that.

Ms. TAYLOR. Congressman, actually, the specific pesticide was Fosetyl-Al that I was taking about. I will say this: On the driven-by-science side, they have a food safety commission or committee that reviews all the science of these. And what we find oftentimes is that our scientific body and theirs actually find the same outcome; theirs maybe takes longer. They also have an additional political layer oftentimes on approval of some of these pesticide residues or if it is certain food safety washes that we use in the United States. So the food safety part of it, we often come to the same result.

Mr. YOHO. Okay. Thank you.

Mr. Dolcini, let's see here. What kind of concerns are you hearing from the FSA offices in the Cotton Belt with the price of cotton right now?

Mr. DOLCINI. Well, we are hearing quite a few concerns, as I expressed to Mr. Kelly. Our offices throughout the Cotton Belt, from Texas all the way over to Florida, are very busy working with cotton growers to help them restructure their loans and identify other sources of credit that might be applicable to their operations.

Mr. YOHO. Are you using the microloan program for that, or maybe you need a macroloan?

Mr. DOLCINI. The microloan program may be a little small for that, sir. Right, the loan sizes need to be a bit larger. But we are really pulling out an all-of-the-above strategy when it comes to providing credit to our growers.

Mr. YOHO. Okay.

Have people expressed a concern about an oilseed program for cotton? And if so, is that something you can implement?

Mr. DOLCINI. Well, no, sir, I don't believe that we can. The Secretary was up here several weeks and made clear what the limits of the USDA authorities were with regard to oilseed. That said, we are working quite closely with the industry, and the Secretary has directed his whole team to work to try and identify a path forward within our legal authorities.

Mr. YOHO. The way we understood it or I understood it up here is that they are authorized to go ahead and do an oilseed program because it says *other oilseeds* and doesn't specifically say one over the other. So if there is something extra you need on that, it would sure help our peanut producers out and cotton producers. If you could get back with us on that.

Mr. DOLCINI. Thank you, sir.

Mr. YOHO. Let's see. I need my glasses. There is currently a push for the commercial lending institutions to increase the authorized loan level of the FSA guaranteed loans to \$2.5 million. Is that a high enough increase in the loan value? I think they are, what, at \$½ million now?

Mr. DOLCINI. Yes, the guaranteed limits are at \$1.3 million.

Mr. YOHO. Okay.

Mr. DOLCINI. An increase in the limit is a conversation that we have been having with industry and the Farm Credit Council and the American Bankers Association. Other grower groups, commodity organizations have come to the agency to say maybe it is time that Congress look at increasing the limits there. And we are happy to come back up to the Committee and speak with staff and economists and others about our experience.

There is an incremental increase that the guaranteed program sees year over year. Sometimes, though, it doesn't really make that dramatic a difference. But there would be a statutory change needed to—

Mr. YOHO. Okay. You need a statutory change. That is what I am getting at. And if so, we can look at that, and I am sure the Chairman will.

I am out of time, and I will yield back. Thank you for your time.

Mr. DOLCINI. Thank you.

The CHAIRMAN. The gentleman yields back.

Mr. Rouzer, 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman.

I want to touch on tobacco and TPP. I just can't help myself on this since it came up a little bit earlier, and everybody knows how I feel about this. And I am just going to make a comment, and then I am going to go to a very different question.

Tobacco would be very, very supportive of TPP if one simple thing happened, and that was it was no longer excluded from the investor-state dispute settlement. Every other legitimate and legal product is protected by law except for tobacco. And when you take away legal protections for one product, you are basically opening up the door for discriminatory action against another product at a future point in time, future trade agreement.

So, anyhow, enough said on that. I said it for the record, and everybody knows where I am.

I have a question for RMA Administrator Willis. I am curious about the recently released reports as it relates to poultry, particularly as it relates to disease, catastrophic disease. I am curious what your reports are showing.

Mr. WILLIS. The farm bill had a handful of requests for requirements to do some studies, mostly for sectors of agriculture where crop insurance is currently not available. The studies were to evaluate the effectiveness of crop insurance in that sector.

What we do with those usually is we contract with the private-sector, with individuals who have experience in crop insurance and understand how Federal crop insurance works. What they do is they meet with people in the field, growers, experts, *et cetera*, and come back with a report.

That specific report, the common theme with that report and a few others indicates there are some hurdles, to be very frank, to

overcome to offer these types of crop insurance for those types of situations. Some of the hurdles are a lot of the growers in the poultry and swine, as well, industries are contract growers, and they oftentimes do not have an insurable interest. Obviously, they raise them, but they don't actually own the livestock. The Crop Insurance Act, as it stands today, requires them to have insurable interest.

There is another issue with natural causes. Sometimes poultry business interruptions is not a natural cause. That would also be a hurdle as far as the Crop Insurance Act is concerned. There is also a current cap within the Crop Insurance Act of \$20 million for livestock.

All this the report said it might not be feasible at this point in time. That doesn't mean conversations cannot continue. That doesn't mean that at some point in time it might not be possible. But it did point out there are some real hurdles before we have a viable program.

Mr. ROUZER. Well, thank you very much for that. And that definitely is something we have to continue to think about and work on. I appreciate the update.

I yield back my time, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Let me claim a little bit of that time.

Brandon, those contract growers, is there a business interruption concept that would be appropriate for those guys? It is a little different model than what you are used to putting in place, but that is basically what they have done, is they have interrupted their business.

Mr. WILLIS. Yes, for a business interruption for catastrophic loss or for a business interruption—

The CHAIRMAN. No, for pork and chicken guys who are just intermediaries, don't have an insurable interest, they do an insurable interest in their business.

Mr. WILLIS. Yes, that is one area, and the report did allude to that specific issue. I think that is one where some detailed conversations probably need to take place on that. And I also think part of that conversation needs to be talking about the cap that currently exists. Because one would hate to have a very useful product that would actually work and then you hit the cap every time you try to operate it.

The CHAIRMAN. All right. Thank you.

Mr. Moolenaar, 5 minutes.

Mr. MOOLENAAR. Thank you, Mr. Chairman.

And thank you for your testimony today.

I want to ask you about a few different things, and whoever is the best person can feel free to talk about it.

I want to start with Cuba. There has been a lot of discussion about Cuba. What currently can agriculture do to sell into Cuba, and what can it not do right now?

Ms. TAYLOR. Well, I will talk a little bit what USDA cannot do. What we cannot do, and it is because of the embargo, we cannot use any of our market development funds that I was talking about a little bit earlier to promote U.S. product there in Cuba.

U.S. agriculture can sell products and foodstuffs to Cuba. They have been able to for quite some time. However, there are restrictions around financing and how they can extend terms of credit. So they can sell, but it is much more difficult than it is selling to any other market in the world.

Mr. MOOLENAAR. And are there any other countries where we can only sell—it is only cash to Cuba. Are there any other countries like that?

Ms. TAYLOR. I am not sure if there are any other countries with those same restrictions. There are different restrictions for some other markets that we have various embargoes or restrictions on. But the restrictions around Cuba are unique to Cuba.

Mr. MOOLENAAR. Okay.

And then if, let's say, someone were to sell beans in Cuba and it was opened up to a credit basis or whatever and the terms were not met in Cuba, that they did not fulfill the contract, who would be in charge of enforcing that?

Ms. TAYLOR. I believe it would be based in Cuba and their rule of law, the way it would be anywhere else, if someone is selling beans into Japan and there was an issue on them getting payment or not. But if I could follow up on that exactly for you, Congressman, for the record, I would appreciate that.

Mr. MOOLENAAR. Okay. Because, yes, there are concerns about the rule of law in Cuba, and that is one of the questions I have for you.

I wanted to also shift gears a little bit to the International Year of the Pulse. Are there any projects or any initiatives you have going on around the world with respect to pulse crops?

Ms. PALMIERI. Thank you for that question. I was honored to be able to attend the U.S. North American launch of the International Year of Pulses in New York City with a lot of farmers from the western part of the country. And the efforts around these kinds of activities is highlighting the nutritional value, the uses of pulses. And it is an education campaign in general.

The U.S. and in FAS in particular, we are working with our commodity buys and particularly in our McGovern-Dole Program for using that education effort to increase our ability to have pulses be a part of the program.

I can't give you exactly what that is going to look like after this year, but we know that it has been helpful. The research is really strong. I saw the presentations in New York. And I am a believer that we need to be pushing these kinds of nutritional products for—

Mr. MOOLENAAR. And is that something you could share with my office or even the Committee, some of the information that you have on that and what you are doing in that regard?

Ms. PALMIERI. Clearly. And, also, our sister agency, NIFA, Sonny Ramaswamy was there with me. So we know that there is activity in connection—

Mr. MOOLENAAR. And what is that? NIFA?

Ms. PALMIERI. The National Institute of Food and Agriculture.

Mr. MOOLENAAR. Okay.

Ms. PALMIERI. They will be here this afternoon, I believe.

Mr. MOOLENAAR. Okay. All right. Thank you.

With that, Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. LaMalfa, 5 minutes.

Mr. LAMALFA. Thank you, Mr. Chairman, and for panelists for appearing with us here today.

Coming back to the TPP, some of my colleagues expressed some concern or even a little dismay at how that has gone with some of other crops, as well. And we have a very major rice-growing industry in northern California that is very disappointed with the outcome, as well. Rice and a few other crops feel like they are always the tail end of the dog being wagged here, that are the afterthoughts in trade negotiations, and feels that way to them this time as well.

When in a 21st-century trade agreement we see that new access for rice is less than one percent of existing numbers, that is quite an under-performance there in negotiations. USA rice creates more than an eighth of a million jobs, \$34 billion in our national economy. We could have done a little better in securing a bit stronger market share for that industry, especially with how much we get dumped upon us in this country here from those areas.

So what can I go tell my growers in this, that we can say that the USDA will be doing to help address these shortfalls to make a more palatable deal should it come to that for the industry?

Ms. TAYLOR. Thank you for that question, Congressman.

First, I would like to say rice was not treated as an afterthought in the negotiations. They were a priority for the U.S. Government in negotiating. Rice is a highly sensitive issue in many of these markets. When you look at Japan specifically, they have actually excluded rice in every FTA they have ever done. So TPP is the first time that they have ever opened market access for rice.

And I would say it is actually meaningful, valued, we estimate, somewhere between \$43 million and \$60 million in additional sales at the current prices. So there is that immediate benefit to our rice industry today once TPP is passed.

But then there are also benefits in the future that will come as other countries, and there has already been a whole list of other countries already kind of knocking at the TPP door, as I would like to say, that have said that they want to come in. And the U.S. being in TPP gives us even more influence and leverage to say: You want to join TPP? We need serious access for all agriculture products—

Mr. LAMALFA. Well, let me cut in there a little bit. They may say it is a sensitive issue to them in Japan, but the stuff they sell us may be a sensitive issue as well. I mean, their consumers would like to buy this product. The barriers are put up by their government and lobbying. And so it is sensitive to our growers as well. So, at some point, they need to be held accountable for a tiny amount of new access that, if I remember the amount of tons that would be newly accessible, five large growers could meet that need, okay? Five large rice—or maybe six in California could meet the new access amount that was actually negotiated.

And I know there is some talk out in the ether of maybe allowing some more in the future, but, when you go to your banker, you have to be able to put your finger on being able to actually produce.

And with the price of rice going down as much as it is, whether they felt like an afterthought or not, at the end of the day, the growers don't feel like the TPP did hardly anything to help them.

So, again, I want you to take that thought back with you, that the additional access was something that could be done inside one county of northern California's growing area.

Ms. TAYLOR. I appreciate your comments, Congressman. So there is the market access piece. As I was saying, there are future countries who are going to be coming in who we will have more leverage to ensure that that market access continues to grow. But, specifically, in Japan, the access in TPP was starting at 50,000 tons, growing to 70,000. As I said, that is worth \$60 million to producers. I think that is not nothing. I think that is meaningful, particularly today, in today's farm economy.

But also we were able to secure many improvements to how Japan operates their tariff rate quota to make it more streamlined so we are able to sell more directly to the consumers, as you said, in Japan, who have a desire for the quality product that our producers produce here in the United States.

Mr. LAMALFA. Just for perspective, you said 50,000 tons. My farm can grow 10,000 tons, okay?

The CHAIRMAN. The gentleman yields back.

We will do a second round, so I will recognize myself for 5 minutes.

Ms. Taylor, on the food aid shipping costs, studies are showing that the international freights are down, costs are down from 29 percent to 23 percent, yet internal costs have gone from five to 25 percent. Can you talk to us, a couple things, about what has happened that it costs so much more to move the food around once it is in country? And what are you doing with respect to these lower commodity prices to perhaps reposition things that would allow better use of the money?

Ms. PALMIERI. I will take that question.

The CHAIRMAN. Okay.

Ms. PALMIERI. Thank you. Some of this I will need to get information from our colleagues at USAID to give you precise numbers. But what I know from their operations, we were working with them last year on wheat shipments to South Sudan, and the ability for them to get food into the remote areas around some pretty insecure barriers was very, very expensive. So USAID is dealing with a lot of these types of situations and crises, which has put their internal transportation costs at a very high level.

For our own programming in McGovern-Dole and for Food for Progress, we are seeing less of those increases. So I would like to work with our colleagues at USAID to get you some precise numbers.

The CHAIRMAN. Okay. I appreciate that. We have this ongoing conversation about what those levels ought to be, and I am just trying to make sure we understand those programs.

I don't know who to address this question to, but I have had a long-running gentleman's disagreement with Secretary Mabus, Secretary of the Navy. He is a great guy, a gentleman. I respect his work a great deal. We just have a disagreement about algae-based jet fuel.

My understanding is that he worked with somebody at USDA to create a fund that would fund a refinery to do biofuels, and we are doing an investigation on that. We want to make sure we understand who we need to address our questions to because I wear two hats. Obviously, biofuel would be beneficial to production of agriculture, but by the same token, we have tremendous stresses on the operation and maintenance side of the Department of Defense, and they are being used to develop things that are really better left up to the Department of Energy and/or something else.

In the NDAA we passed for this year, there is a restriction on the Navy to not buy unconventional fuels at a price that exceeds what you could buy the equivalent gallon of conventional jet fuel for, as an example. I want to make sure that USDA is not backside funding this effort to draw down the price per gallon of this fuel in contravention of the NDAA.

So, Ms. Taylor, does that fall under your area?

Ms. TAYLOR. Congressman, this does not fall under the FFAS mission area, but I have been told that you have sent a letter, an oversight letter, and questions for the record. We are working quite quickly to get you a response to those.

The CHAIRMAN. Okay. That does it. I just want to make sure it does not get lost in a shuffle, because this is important to me. I have conflicting interests because on the ag side, obviously, it helps producers who are on this business; but by the same token, we have incredible strains on the Department of Defense budget. As big as it is, it doesn't make a lot of sense to buy jet fuel for \$25 a gallon or \$15 a gallon when the market is \$3 or \$4 a gallon. And that is just a gentleman's disagreement, because I do have a great deal of respect for Secretary Mabus.

With that, we will go to, Mr. Lucas?

Anybody else want a second round?

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Just a real quick follow-up on the trade. And one of the criticisms I have heard, that we hear about, about MAP and FMD funding is that it goes to large companies. Any idea how many corporations receive MAP and FMD funding? What is the distribution of folks that are benefiting, growers that are benefiting from this?

Ms. TAYLOR. Congressman, we actually are quite public on who our cooperators are. We put lists on our website. There are about 80, and the range is quite diversified. As agriculture has evolved over the years and has become diversified, so have our cooperator partners.

I was just at the Gulf Food Show in Dubai, in the UAE, and the Intertribal Ag Council had several Native American businesses there. I have talked to folks from our Organic Trade Association who have been a cooperator and looking at using these funds to get into more trade shows and more export markets.

So I would say our cooperators and the size and the scale are as diverse as U.S. agriculture is.

Mr. THOMPSON. Very good. Thank you.

Mr. Chairman, I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Yoho.

Mr. YOHO. Ms. Palmieri, the annual International Food Assistance Report, a joint product of the USDA and USAID, is due April of each year, April 1. And to my knowledge, we have yet to receive the IFAR report. That was due almost 12 months ago. Why is it so late, and when can we expect it?

Ms. PALMIERI. Thank you for that question.

Mr. YOHO. Are you sure?

Ms. PALMIERI. We do some things really well at FAS, and we are not as good at selling our successes. And this is one of those reports that is crucial to report in on all that we have been able to accomplish. I checked on it this morning. It is in the last stages of clearance, and I hope to have it to you as soon as possible.

Mr. YOHO. This is from a year ago, right?

Ms. PALMIERI. This is the 2014. The 2015 is in draft. So I know we are going to be working to get that here on time this year. It is important to me.

Mr. YOHO. And you said we can expect that when?

Ms. PALMIERI. On time is what I am hoping for.

Mr. YOHO. So that will be last year and this year's, 2014 and 2015?

Ms. PALMIERI. Yes, both of them are in the works.

Mr. YOHO. All right. And you understand the reason, because we can't do accountability if we don't get those reports. And again, with the budget crunches that we have, it is imperative that we get it. So I would implore you to do that.

And, again, I want to kind of talk about the European Union and the process of implementing pesticides, that it seems to be out of step with the science-based regulatory approach followed by the U.S. and nearly every other country in the world.

What is the Administration doing to ensure that the new EU policy does not become a barrier to the U.S. ag exports? And again, it was kind of what I had asked about before. I have read several reports on the neonics and the EU that they are banning them not based on science, but based on political pressure.

Ms. TAYLOR. I appreciate that question, Congressman. As I said before, I do think they have a scientific committee that oftentimes finds the exact same outcome as our regulators find on the safety of a product or the appropriate levels to use products at or similar.

But sometimes they have this additional political layer. It is something we spend, I personally spend a lot of time on talking to my European counterparts. Secretary Vilsack does as well. And it is certainly a priority.

So on specific issues as they arise, we are working on them outside of kind of alongside T-TIP, but not really as part of it. But we are working on regulatory coherence between our two governments as part of T-TIP as well.

Mr. YOHO. Okay. I was asking Ms. Palmieri too. I would like to get her to weigh in on that. Do you differ from that?

Ms. PALMIERI. No, sir, I do not.

Mr. YOHO. Mr. Wills, on crop insurance, as the ARC programs increase and increase coverage to different crops, it will cost more to fund these crops at the Federal level. What do you anticipate as far as meeting those extra expenditures as far as the cost of the crop insurance? Will that go down on the Federal side? Will the

farmers be more responsible for paying more of the crop insurance? Or do we need to raise taxes or fund the program more from a Federal level, the anticipated growth in the program?

Mr. WILLIS. Can I just make sure I understand the exact question?

Mr. YOHO. Sure.

Mr. WILLIS. Is the question the impact upon crop insurance with ARC, or is the question more the impact of ARC upon the Federal budget? I just want to make sure so—

Mr. YOHO. Well, they kind of tie in together, because as we increase more coverage to different crops, the specialty crops, like blueberries in my state, when it first came out it covered five counties. But we grow it in a lot of the other counties, and now most of the other counties are covered. So it was an increase in coverage. The farmers are paying a percent and the Federal Government is paying a higher percentage of the coverage.

So as that grows, there is going to be funding shortfalls. So what do you anticipate 5 years down the road in the increased coverage, and where do you recommend that funding comes from?

Mr. WILLIS. Well, if we look at history, what we see is, while the cost of crop insurance may increase slightly, we see that there is not a need for other, more costly forms of assistance, such as *ad hoc* disaster, *et cetera*.

So in the long run, we have over the last 30 years really, we have seen a slow and a steady growth of crop insurance. But since 2007, I believe, we haven't seen the *ad hocs*, which were a very costly form of disaster assistance. We also see farmers staying on the farm.

One of the things we often forget is we don't read stories about farmers after 2012 who are leaving the farm. A lot of that was because of crop insurance and the impacts that we don't talk about because they didn't happen. And that is a good story in and of itself.

Mr. YOHO. It is, and I agree.

Ms. TAYLOR. If I could just add one thing to that, Congressman Yoho.

Mr. YOHO. Yes, ma'am.

Ms. TAYLOR. The way Congress really worked on the new ARC and PLC programs, they were done in a way to complement the crop insurance programs and not supplement crop insurance, *per se*. And so that is what we are seeing, is ARC and PLC are part of the safety net, but so is crop insurance. And we haven't seen a shift from producers buying less crop insurance because of ARC repeal.

Mr. YOHO. All right. Thank you. I am out of time.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Benishek.

Mr. BENISHEK. Thank you, Mr. Chairman.

I just have a couple quick follow-up questions and one that Mr. Yoho brought up. How is it that you are able to get the 2015 USAID report done on time but the 2014 report is a year late? Now, is there a particular problem with that? Are there two parallel teams working on it? Just tell me briefly why the situation is.

Ms. PALMIERI. Well, some of what happened during the Fiscal Year 2014 reporting was there were some new laws that were implemented, and the way those were dealt with in the report took a little bit more time.

We are working with our colleagues at USAID because this is the International Food Aid Report, so there are back and forths with the teams in both agencies pulling this together. We have a system now that works more smoothly, and that is what I am counting on to get—

Mr. BENISHEK. And then I just wanted to follow up a little further about this Canadian-American Softwood Agreement. Who in your Department would know about that? I just want to make sure that we get this follow-up. Who would know about that?

Ms. PALMIERI. We have a softwood team back at FAS, and I will check in with them as soon as we get back.

Mr. BENISHEK. But you don't know a person?

Ms. PALMIERI. I don't have that name on the top of my head, no, sir.

Mr. BENISHEK. Okay. All right. I will yield back, Mr. Chairman. The CHAIRMAN. Thank you.

Mr. ROUZER.

Mr. ROUZER. Thank you, Mr. Chairman.

One item I want to bring up, and it is critically important but doesn't always have the political urgency behind it, and that is research. Tell me where we are with our research programs, any highlights that we have. I know the funding has stayed relatively stagnant, probably in the past 10, 20 years or so, and I just want to see if you had any highlights on that.

Ms. TAYLOR. Congressman, I believe my colleagues from the REE mission area are testifying later today, and they would be the appropriate mission area that oversees all of the various research efforts going on at USDA.

Mr. ROUZER. Follow-up unrelated to research. T-TIP. You mentioned it earlier. What is our timeline on that? What exactly are we expecting to get out of that? What are our major challenges going to be?

Ms. TAYLOR. Well, on timing, we are committed to allowing substance driving the timeline. And one thing I believe, that a strong agriculture package in TPP and a strong vote in TPP from the agricultural community and agricultural members will help drive a strong, comprehensive agricultural package.

The Secretary has often said that agriculture on its own might not be able to pass an agreement, but it certainly can prevent one from passing Congress. And that correlation is going to be important. But I won't speak to the timeline. We are obviously committed in making this a priority for this year, but really we need the substance across the economy to be there and certainly agriculture is part of that.

Mr. ROUZER. Thank you, Mr. Chairman.

The CHAIRMAN. Anyone else?

Mr. LaMalfa.

Mr. LAMALFA. Thank you. I will be brief on that.

Just so I can take this back home and clarify on the TPP and market access there for rice. California's rice production, more or

less, on acres is about 2 million tons a year. What they had sought was 100,000 tons of new access there and came away with a figure that shows about one percent of new access. And so you want me to report that home as a win, right?

Ms. TAYLOR. Well, Congressman, we walked away with 70,000 tons of new access into just the Japan market, with the ability to grow further as others, like South Korea—

Mr. LAMALFA. How long will it take to get to the 70,000 figure?

Ms. TAYLOR. I don't know the exact, I can't recall the exact tariff phasing schedule, but I can certainly get that to you.

Mr. LAMALFA. Please. Because my understanding is it comes in at 50,000 and all the rest is pixie dust.

Ms. TAYLOR. It grows over time over certain years to get to that 70,000. I don't know the exact time to grow there.

Mr. LAMALFA. All right. Well, I will be looking at my "USA made" label rules real carefully over time as well. So thank you.

The CHAIRMAN. The gentleman yields.

I want to thank the panel. We are going to let you off a little early. We said you need to be here an hour and 15 minutes. As I told the previous panel, I am sure you prepared a lot of answers for questions that we didn't ask this morning.

I want to particularly thank you, this panel, because with Mr. Dolcini's FSA group and Brandon's RMA group, you probably have the most customer contact with production agriculture, broadly speaking, of anybody in USDA. And your team does a great job across the board helping implement new farm bills, all those new provisions, working year in and year out with the producers that rely on your programs. And your team gets up every day and does a great job, and I want to just thank you for that. Please express that to them.

As I told the other panel, if we have disagreements, it is about policies. Don't let that morph into thinking that we don't appreciate what you do and how well you do it. So I want to thank everybody on the panel and let you off, get out early. So thank you all very much for being here.

We have lunch available in 1302, and so we will take about a—I don't know if the other panel is ready yet. We are a little bit ahead of schedule. So lunch is in 1302. We will be back here at—what time are we supposed to start the next panel? 11:45?

Okay. Let's be back in here at 11:50.

[Recess.]

The CHAIRMAN. Good morning still, I guess, for a couple minutes. Let me gather our team back up. We were having a quick bite. And there is food in 1302. When you all transition out, there are a lot of sandwiches and stuff. You are welcome to them as they come in.

I will briefly start our introductions. So this third panel will be led by the Honorable Catherine Woteki, who is the Under Secretary for Research, Education, and Economics at the USDA. She is joined by Chavonda Jacobs-Young, the Administrator for Agricultural Research Service; Sonny Ramaswamy, who is the Director of the National Institute of Food and Agriculture; Mr. Joseph Reilly, the Administrator of the National Agricultural Statistics Service; and Ms. Mary Bohman, who is the Administrator for the Economic Research Service.

So thank you all very much for being here this afternoon.
And, Dr. Woteki, you have the floor.

STATEMENT OF HON. CATHERINE E. WOTEKI, PH.D., UNDER SECRETARY, RESEARCH, EDUCATION, AND ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY CHAVONDA JACOBS-YOUNG, PH.D., ADMINISTRATOR, AGRICULTURAL RESEARCH SERVICE, USDA; SONNY RAMASWAMY, PH.D., DIRECTOR, NATIONAL INSTITUTE OF FOOD AND AGRICULTURE, USDA; JOSEPH T. REILLY, ADMINISTRATOR, NATIONAL AGRICULTURAL STATISTICS SERVICE, USDA; MARY BOHMAN, PH.D., ADMINISTRATOR, ECONOMIC RESEARCH SERVICE, USDA

Dr. WOTEKI. Well, thank you very much, Chairman Conaway. And good morning, distinguished Members of the House Agriculture Committee. My colleagues and I are very pleased to appear before you today and provide an overview of the work that we do in research, education, and economics. I am going to briefly summarize our written testimony and request that that be entered into the record, the full testimony.

The CHAIRMAN. Yes, ma'am.

Dr. WOTEKI. We in the United States, as well as actually around the world, are facing some critical problems and opportunities as they relate to the productivity of agriculture. Investments in research are an important factor in surmounting these challenges and also creating new opportunities for farmers and ranchers here in the U.S.

Our work is based on the premise that the Federal Government has a role in advancing scientific knowledge to promote our nation's social and economic well-being, and the agencies in the mission area do that by investing in areas in which the for-profit industry does not invest.

This is research our country needs to keep our food supply safe, secure, and abundant; to ensure the profitability of farmers and ranchers; to improve nutrition and food safety for lifelong health; to reduce pollution and improve the environment through climate-friendly agricultural practices; to safeguard the sustainable use of our natural resources, including an abundant and safe water supply; and to address our nation's energy needs. Under-investment in the food and agricultural sciences depletes the foundational knowledge base and affects our nation's global preeminence and economic well-being.

I would like to provide a few brief examples that are the results of our research programs, starting with the Agricultural Research Service.

Since 2009, ARS scientists have received 391 patents for their research and were also responsible for over 31,000 scientific publications. Last year, ARS scientists developed and transferred to industry an effective vaccine against the highly pathogenic avian influenza strain that killed more than 45 million chickens and turkeys in the U.S. last year.

NIFA measures its success through the impacts that its grants have on the public good. And scientific advances resulting from

NIFA-funded research, education, and extension activities contributed more than \$9.5 billion over the years 2009 to 2015.

One example of this is the coordinated agricultural projects that focused on improving wheat and barley for changing environments that yielded more than 100 different commercial varieties with over \$1.8 billion in production value. These grants also trained more than 100 students, preparing them to fill some of the very important high-tech jobs that are available in the agricultural industries.

Despite their relatively small size, the remaining two REE agencies, the National Agricultural Statistics Service and the Economic Research Service, have an outside impact. They provide an essential service to policymakers, regulators, markets, as well as to the academic community every day.

As principal Federal statistical agencies, NASS and ERS provide data that is relevant to policy issues as well as program decisions that USDA agencies make every day. And in doing this, NASS and ERS must maintain credibility among data users, maintain the trust and the confidentiality of data providers, maintain independence from political and other external influence.

NASS' mission is to provide timely, accurate, and useful official statistics and service to U.S. agriculture, and with the 2014 Farm Bill implementation, the Farm Service Agency relies on NASS' county estimates to enable administration of the Agriculture Risk Coverage Program as well as the Price Loss Coverage Program.

And ERS studies are widely recognized in the research community for their credibility, timeliness, and use of cutting-edge data, models, and methods. And some of ERS' recent research has been focusing on trade agreements and examining the potential impact that these agreements have on producers and also showing the implications long-term for the health of U.S. agriculture.

So we have made some very significant strides, we believe, but in research there is always more to be done. Moving forward, we really are looking to having a sufficient continued investment in developing our scientific talent as well as funding research that is going to be addressing those challenges facing producers across the country.

We thank you very much for the opportunity to testify today, and my colleagues and I look forward to answering your questions.

[The prepared statement of Dr. Woteki follows:]

PREPARED STATEMENT OF HON. CATHERINE E. WOTEKI, PH.D., UNDER SECRETARY, RESEARCH, EDUCATION, AND ECONOMICS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Chairman Conaway, Ranking Member Peterson, and distinguished Members of the House Agriculture Committee, I am pleased to appear before you to provide an overview of the activities of the Research, Education, and Economics (REE) mission area of the United States Department of Agriculture (USDA), highlight some of our recent success, and share some insight on the priorities for the coming years.

I am accompanied by the leaders of our four agencies: Dr. Chavonda Jacobs-Young, Administrator of the Agricultural Research Service (ARS), Dr. Mary Bohman, Administrator of the Economic Research Service (ERS), Mr. Joseph Reilly, Administrator of the National Agricultural Statistics Service (NASS), and Dr. Sonny Ramaswamy, Director of the National Institute of Food and Agriculture (NIFA).

The United States and the world are facing critical problems and opportunities. Global population is expected to reach nine billion people by 2050, an increase of almost two billion people in about 34 years. At the same time we are seeing the impacts of climate change, impacts that will only get worse. Investments in research

are a critical factor in meeting these and other challenges and opportunities. REE's work is based on the premise that the Federal Government has a role in advancing scientific knowledge to promote our nation's social and economic well-being, and the agencies do so by investing in areas in which for-profit industry does not invest. The REE mission area agencies support the critical research our country needs to keep our food supply safe, secure, and abundant, ensure farm profitability, improve nutrition and food safety for lifelong health, reduce pollution and improve the environment through climate friendly practices, safeguard sustainable use of natural resources, including an abundant and safe water supply, and address our nation's energy needs. Under-investment or the absence of investments in food and agricultural sciences diminishes the needed foundational knowledge-base and impacts our nation's global preeminence and economic well-being, and may put us at a competitive disadvantage with other nations, such as China, which is making significant increases in their investment in public sector research. While the private-sector's commitment to agricultural research in the United States remains strong, many of the most important agricultural research companies are large international corporations that invest and outsource significant research dollars overseas, and China, India, and Brazil have begun making large public investments in agricultural research. Although private industry will play an important role, many of the challenges are in the public domain, and the waning public investment in agricultural research in the United States contributes significantly to the risk of losing its international leadership in agriculture.

The following are examples of the results of USDA research. Take for example the efforts of ARS, which conducts research to develop and transfer solutions to agricultural problems of high national priority to ensure high-quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole.

Since FY 2009, ARS scientists have had 391 patents issued and were responsible for over 31,224 scientific publications. Furthermore ARS scientists developed and transferred to industry an effective vaccine against the highly pathogenic avian influenza (HPAI) virus strains that killed more than 45 million chickens and turkeys in the United States during 2015. ARS scientists also developed and licensed the world's first molecular foot-and-mouth disease (FMD) vaccine for cattle, the most significant scientific accomplishment in FMD vaccine development in the past 50 years and the first FMD vaccine that can be manufactured in the United States. On the plan side, ARS scientists significantly advanced methods to detect and control the Huanglongbing (citrus greening) disease by increasing reliability of the standard assay tests, training dogs to detect greening and canker (currently the only detection method that is effective prior to symptom development), and evaluated promising bactericidal compounds that reduce the level of disease and improve tree vigor in field trials. Crop and animal protection is a key research investment in ARS totaling \$287.6 million in Fiscal Year 2016.

ARS maintains one of the world's oldest and largest plant genetic resource collections at 19 locations situated around the United States. These gene banks, which hold materials from both cultivated plants and their wild relatives, presently safeguard 218 plant families, 2,378 genera, 14,851 species, and more than 569,000 accessions. During the last 5 years, the ARS gene banks distributed more than one million samples to researchers and breeders, most of who lived in the United States. In addition, in 2014, ARS plant breeders and researchers developed and released 398 new plant varieties and enhanced germplasm lines that are part of an effort to help create new markets and enhance economic opportunities for rural America.

An example of the use of such a treasure is seen in the battle against wheat stem rust strain Ug99, which threatens wheat production worldwide. ARS scientists used a gene derived from a wild wheatgrass species to develop a new line highly effective at resisting Ug99 wheat stem rust that will help wheat breeders throughout the world develop more durable varieties for production. ARS invested \$51.2 million in preserving plant and animal genetic resources in Fiscal Year 2016.

Salmonella and *Campylobacter* are the most commonly reported bacterial pathogens causing foodborne illness in the United States. ARS scientists developed a novel probiotic method targeting these bacteria in poultry which has been licensed and developed by a start-up company, now marketed in 16 countries and dosing approximately 300 million birds. On the nutrition side, ARS scientists discovered that flour made from chardonnay grape seeds (a waste byproduct from wine making) prevented increases in weight gain in hamsters fed a high-fat diet. ARS invested \$198.7 million in food safety and nutrition research in Fiscal Year 2016.

In the same vein, NIFA measures its success through the impacts of its grants on the public good. Through the integration of research, education, and extension, NIFA ensures innovative solutions to problems in agriculture, food, the environment, and communities go beyond the laboratory, into the classroom, and to people who can put the knowledge into practice. Scientific advances resulting from NIFA-funded research, education, and extension—more than \$9.5 billion from Fiscal Year 2009 through 2015—enhance the competitiveness of American agriculture, ensure the safety of the nation’s food supply, improve the nutrition and health of the populace, sustain the environment and natural resources, and bolster the U.S. economy.

For example, through NIFA funding, the Triticiceae coordinated agricultural project (T-CAP), and its predecessor Wheat and Barley CAPs, focused on improving wheat and barley for changing environments. Like many of NIFA’s CAPs, the T-CAP bridges the gap across the academic research, industry, and farming communities in order to produce higher yielding crops and support sustainable farming. The more than 100 commercial varieties developed through the T-CAP and its predecessor CAPs have a \$1.8 billion production value. The Wheat, Barley, and T-CAPs have trained more than 100 students, preparing them to fill some of the projected annual openings of 57,900 jobs in agriculture-related fields between 2015 and 2020. The T-CAP also has had a positive impact in fostering international collaborations.

Peanuts are the 12th most valuable cash crop in the U.S., and allergies to peanuts are among the most severe of all food allergies, affecting some 2.8 million people in the U.S., including 400,000 school-aged children. Under an Agriculture and Food Research Initiative NIFA grant, North Carolina Agricultural and Technical State University (NC A&T) scientists discovered a way to remove up to 98 percent of the allergens. The process does not affect flavor, and treated peanuts can be eaten whole, in pieces, or as flour in various products. NC A&T officials expect hypoallergenic peanut products to be available commercially soon. Finally, as part of NIFA’s commitment to local and global food supply and security, the University of Georgia horticulturists received NIFA grants to develop several varieties of blueberries that are specialized as early- and late-season crops, as well as larger berries at a higher yield. As a result, blueberry production has increased from 3,500 acres to more than 20,000 acres in recent years.

These are just a few examples of results from two of the largest REE mission area agencies. Despite their relatively smaller size, the remaining two REE agencies—NASS and ERS—provide an essential service that policymakers, regulators, markets, and academics rely on every day. As principal Federal statistical agencies both NASS and ERS provide data relevant to policy issues, maintain credibility among data users, maintain the trust and confidentiality of data providers, and maintain independence from political and other external influence.

NASS’s mission is to provide timely, accurate, and useful official statistics in service to U.S. agriculture. NASS achieves this through two separate appropriated program areas: the Agricultural Estimates program and the Census of Agriculture and its follow-on studies. The Agricultural Estimates program issues over 400 reports annually, of which 46 are Principal Federal Economic Indicators, providing U.S., regional, and state estimates on a wide range of crop and livestock commodities, in addition to estimates of environmental issues, economics, and demographics. With the implementation of The Agricultural Act of 2014, the Farm Service Agency relies on the NASS County Estimates to enable administration of the Agriculture Risk Coverage (ARC) Program and the Price Loss Coverage (PLC) Program. During calendar year 2016, NASS published special reports on Organics, and the Census of Horticulture and Tenure Ownership and Transition of Agricultural Land (TOTAL). As the only source of detailed information on agricultural land ownership characteristics and economic data, TOTAL provided important statistics to government, academia, the farming industry, and others regarding agricultural land ownership for planning, policymaking, research, and market analysis. Results from the 2014 TOTAL Survey showed that 91.5 million acres are expected to change ownership in the next 5 years.

The Economic Research Service also reaches far beyond the borders of USDA. The mission of ERS is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development. Although ERS research programs are aimed at the information needs of policymakers, its information and analysis are also used by the food and agricultural sector, academic researchers, trade associations, public interest groups, the media, and the general public. ERS studies are widely recognized in the research community for their credibility, timeliness, and use of cutting edge data, models, and methods.

For example, ERS carefully tracks and projects the state of the farm economy to better understand the financial condition of agriculture. ERS data show how resil-

ient American farmers have been and how well they managed their savings and expenses during the recession. These core statistical indicators can guide policymakers, lenders, commodity organizations, farmers, and others interested in the financial status of farms. ERS also has determined the location and derived the characteristics of areas with low food access—places where grocery stores do not exist or are not easy to reach—and these ERS research tools help national, state, and local governments target food access investments so that Americans with low access will have better choices and better health in the future. ERS's research on trade agreements examines the potential impacts of these agreements on food and agricultural production and trade and shows the implications for the health of U.S. agriculture. Finally, ERS research demonstrates the benefits of agricultural research and the importance of public agriculture research spending for continued productivity growth. ERS research finds that every dollar invested in public agricultural research generates at least ten times that amount in benefits to society.

Mr. Chairman, I would like to round out my discussion with a word on current initiatives and a look forward at agricultural science in the coming years. The REE agencies continue to meet head on the existing and emerging challenges of the agricultural community in innovative ways through consolidations and partnerships that increase flexibility and maintain critical mass needed for research on pressing problems. Here are three such examples.

In the last few years, the issue of antimicrobial resistance (AMR) has emerged as a serious health threat to both animals and humans. The action plan for combating AMR takes a voluntary, comprehensive, systems approach to surveillance, research and development, and outreach activities. In implementing this action plan, USDA intends to provide researchers, producers, and consumers science-based, quantitative information about drug use and resistance in food animals and their relationship to livestock management practices.

Over the next decade we face diverse challenges stemming from a changing climate. In order to maintain the viability of their farms and ranches and respond to the growing demand for food around the world, U.S. producers have to prepare for, and mitigate and adapt to the impacts of climate change and the severe weather. REE continues to develop innovative climate solutions and tools that can be applied on the farm. ARS researchers will: (1) identify and evaluate management practices that maximize the genetic potential to achieve optimal yield and quality with climate change; (2) advance the understating of climate change effects on pests and beneficial insects; (3) develop the means to reduce vulnerability to water variability; and (4) determine the relative degree of production sensitivity among different animal and cropping systems to projected changes of climate. By working with our network of regional Climate Hubs, our research can be disseminated to meet regional conditions and help producers implement climate-informed management practices.

The Pollinator Health Initiative will focus on the decline of honey bees and other pollinators. The continued loss of commercial honey bee colonies stands to have profound implications throughout the food and agriculture enterprise. In collaboration with the U.S. Environmental Protection Agency, university scientists, and private-sector partners, the Pollinator Health Initiative will make advances in our understanding of the complex factors contributing to the decline—factors like poor bee nutrition, loss of forage lands, parasites, pathogens, and exposure to pesticides—and provide a path forward to arrest continued pollinator losses.

Of course all of us are aware of the increase in demands on our water resources and areas that have and continue to experience droughts. REE is meeting the challenge of providing a sufficient level of safe water for agricultural purposes through investments in both ARS and NIFA, including additional funding in ARS for the CA area drought, for the Great Basin and for the use of non-traditional water.

REE also has led the charge to better coordinate global agricultural research efforts. In 2012, REE advocated for, and was instrumental in forming, the establishment of the G20 Meeting of Agricultural Chief Scientists (MACS). Thus far, we have met three times. MACS seeks to promote collaboration among the major public funders of agricultural research. The MACS forum also has proven instrumental in identifying key global challenges, like the development of animal disease vaccines, which have a significant impact on global food security and would benefit from collective solutions. Identifying key global challenges can be particularly helpful to the developing world as key research is pursued among the G20.

Finally, I want to highlight the critical importance of competitive peer-reviewed research. REE is proposing to double the funding for the Department's flagship Agriculture Food and Research Initiative (AFRI) to the authorized level of \$700 million. While a portion (\$25 million) of the increase is included in the discretionary request that we have submitted, the remainder will be proposed through authorizing legislation.

Mr. Chairman although REE has made significant strides, there is still much to be accomplished. Our storied legacy of discovery, innovation, and international leadership in agricultural research, education and economics was achieved through a steadfast approach to our overall goals. Moving forward, sufficient investments in man-power and funding will be a challenge we must all rise to meet. I look forward to redoubling our efforts together in the coming year. Thank you.

The CHAIRMAN. Well, thank you, ma'am.

And in an exercise of the Chairman's prerogative, I am going to reverse the order and start with Mr. LaMalfa for 5 minutes.

All right. Then Mr. Moolenaar. Nope.

How about Mr. Rouzer?

Mr. ROUZER. Thank you, Mr. Chairman.

I got ahead of myself at the last panel asking about research, so I am eager to see you. Research is one of those areas that is so critically important but oftentimes doesn't have the political urgency. I know funding has been relatively, I am trying to think of the right word here, *flat*; maybe *stagnant* might be an adjective as well.

Talk to me about the needs that we face, any exciting advancements. Obviously, we have a growing world population, less and less farmland all the time. We have to be able to produce more on less. And this is a great opportunity to share with the Committee and get it on the record exactly what the needs are and how we could be helpful, moving forward.

Dr. WOTEKI. Well, Mr. Rouzer, you are very much on target to describe our funding situation as flat. In fact, if you look at the buying power currently of the appropriations to these four agencies, and adjusting for inflation, the current level of support is less than it was in 2010.

And in addressing that, we have certainly been looking to reduce any opportunities for duplication of effort and actually have been reporting, as required in the 2014 Farm Bill, annually about our efforts to reduce those duplications where they do exist. And, in fact, at this point we believe there is very little that is going on within our agencies with respect to duplication. Quite the contrary, the programs are very complementary, and also complementary with those that are conducted in the private-sector.

We have also been looking for ways to increase the use of our information, and one of those steps has been to make our research publications, as well as the data underlying them, open and accessible in machine-readable form. So the agencies, for example, the research agencies are committed to that. And, for example, some of the genetics and genomics databases that ARS is a major developer of are enormously helpful to plant breeders in academia as well as in private companies.

So we are pursuing a variety of different ways to make the best use of the funds that are made available to us.

Mr. ROUZER. What areas in particular do you think we need a real shot in the arm? Is there a specific area of research in terms of priorities and prioritizing funding where you think we really need to focus?

Dr. WOTEKI. Well, I can start off by just naming two, and I am sure that Dr. Jacobs-Young and Dr. Ramaswamy will have some additions that they would like to add.

But one of the areas that has been of top priority for us has been to increase the amount of competitive grants funding that the National Institute of Food and Agriculture has. The flagship grants program is called, for short, AFRI the Agriculture and Food Research Initiative. And we are requesting in the 2017 President's budget request essentially to double the appropriation to AFRI, to the fully authorized amount of \$700 million.

So that would be one area that I would flag, increasing the funding that goes to universities, because that has actually a double benefit. It produces new knowledge and it also trains students, undergraduate and graduate students, to move out into the workforce.

The second area that I might highlight is also in this year's budget request, and it relates to antimicrobial resistance. This is a problem that affects animal health, and it also affects public health, and for which the agencies in REE play really a key role in the development of alternatives to the use of antibiotics in livestock feeding operations.

So we feel that this is an area that really we need to be investing more in and are requesting an increase of \$22 million in the Agricultural Research Service 2017 request for that purpose of examining and developing alternatives to the use of antibiotics.

Mr. ROUZER. Thank you, Mr. Chairman. My time has expired.

The CHAIRMAN. The gentleman yields back.

Mr. Yoho, for 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman, and I appreciate it.

And since we are on the topic about antibiotic resistance, the research I have read—I am a veterinarian by trade, and I have practiced for 30 years, food animal production specifically. And for the last 35 years, the research I see when I talk to people like Dee Griffin, the veterinarian that works with a lot of feedlots, we talk about how much antibiotic residuals are in meat carcasses that they test, and it is less than 0.001 percent, which is $\frac{1}{1,000}$ percent, which is virtually none, or $\frac{1}{100}$ of a percent, which is virtually none.

And we have seen other countries and done studies in the European countries where they have taken preconditioning antibiotics, like Aureomycin, and those out of the preconditioning, and they have seen their production yield decrease. They have seen their sickness in the animals increase. The overall production costs go up. Yet, there has been no change in the antibiotic resistance. In fact, they still see it.

So the correlation I don't see tied to the science that I would like to see to go on with the VFD, the veterinary feed directive that just came out. And we are getting a lot of producers saying it is an onerous rule. And I would like to hear your comments on that.

Dr. WOTEKI. Well, we agree that the industry has been terrifically successful at reducing the amount of antibiotics that are being used and that the residue levels in meat are actually very low. The issue is, though, that by continuing to feed antibiotics there is the development of resistance to those antibiotics in the gut microflora that can be transmitted.

Mr. YOHO. I understand. I understand all that. I really do. I have a great background on that. But, again, without the use of those, your production costs go up, and we have not seen the correlation

of the antibiotic resistance. We are talking about tetracycline that has other benefits too. It does stimulate the immune system, is one of the benefits of that.

In conjunction with a good backgrounding program of vaccinations for the respiratory diseases and the clostridiales, it is an imperative tool in the arsenal of the producers. And what we are seeing, in my opinion, is it is an overreach of the Federal Government regulation that is solving a problem that is not really at the root of the problem.

I go to the human doctor so many times, and they will want to put me on a Z-Pak, which is one of the most powerful antibiotics you can get, without doing sensitivity and culture and all that and the blood work ahead of time. Whereas in veterinarian medicine, we are doing that. And you said you have done a good job at reducing the antibiotic levels. When you are down to $\frac{1}{1,000}$ percent or zero percent, it is virtually no residue. And if you look at hormone levels, like estrogen, cows will have more estrogen just from grazing green grass than they do from the supposedly implants that we see.

And so sometimes this gets hyped up in the media and it is not based on science. And we are spending a lot of money on research in the ag sector, and we need to have a real strong program of educating the public on these things, and I would like to see more effort in that.

Dr. WOTEKI. Well, we certainly agree on the need for educating the public. And we also, from the research agency's perspective, our role is to be providing that information base that is going to inform good public policies.

It is also our responsibility to be looking to develop alternatives to the use of antibiotics. And there are a lot of very promising research directions, prebiotics, probiotics, to improve the immune system of animals, improve vaccines, wider spectrum of vaccines being available, bacteriocins, lytic enzymes, a whole range of different approaches. So that is the direction to support our livestock industry that we see our research going in.

Mr. YOHO. And I appreciate the research you are doing.

And I don't want to steal Chairman Lucas' thunder on citrus greening, but coming from Florida, we thank you very much for that. And if we have a second round of questions, I will ask something on that.

And I will yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. Kelly.

Mr. KELLY. Ms. Secretary, how does REE guarantee or guard against duplication of research?

Dr. WOTEKI. Well, we have a variety of different approaches that we take in planning our research programs that are our primary way of assuring that the research that we undertake is unique and important and is going to be addressing the needs of agricultural producers.

In all of the agencies that are represented here, they have a cycle of planning that goes in the Agricultural Research Service to the program and project level, within the National Institute of Food and Agriculture they take what they call a portfolio approach, and

in ERS and NASS planning cycles also, all four agencies, involving stakeholder input.

So as part of these planning cycles, they consult with the scientific community as well as with commodity organizations, the scientific societies, to identify what the needs are, the unmet needs, the big questions. Those are also then taken into account in developing a plan of work that goes through further discussion and refinement.

The project proposals then are developed within the intramural agencies by the specific investigators in line with the priorities that have been identified. And at the end of each of these cycles of planning, the entire program that was conducted under that is reviewed with that broader stakeholder input. So all of it is very much informed by consultation with the external community.

Internally, we make sure through a variety of consultations that there is coordination that is going on among the agencies. And we have also, in response to a directive from Congress in the farm bill, in 2008 developed an overall roadmap for agricultural research and an action plan that guides the overall priorities of all of the agencies. And we report on what we have conducted under that each year. So that action plan gives kind of an umbrella to the work that all of the agencies undertake.

Mr. KELLY. And, Administrator Reilly, what is the fundamental difference between Agricultural Estimates and the Census of Agriculture programs?

Mr. REILLY. Well, the Agricultural Estimates is our annual program measuring basically acreage production and yield of the different commodities across the country, which is done by a series of probability-based samples of producers and farmers.

The Census of Agriculture is an enumeration of the entire farm population, the 2.1 million farms out there, which is used more as a complete baseline that we adjust in our samples and design our 5 year program based on the results of the Census.

Mr. KELLY. And why do some farmers feel that NASS contacts them so frequently and asks personal questions, are personal-in-nature questions: Why do they feel like these? And I know that we had oversight on that. And we just have to be very cautious that the questions that we ask are agricultural based in getting the answer. Can you comment on that, please?

Mr. REILLY. Well, we go through, in any survey that we do, as Dr. Woteki talked about, we engage stakeholders across the country, both within government and on the public side, of what data is needed. So we try and we do every effort we can to make sure whatever questions we ask have a legitimate need for some type of policy discussion.

Why we contact farmers and they perceive that we are contacting them repeatedly is that there is a growing need for agriculture information, and some of the farm operations are, through consolidation, are so large and so impactful that if you are trying to produce reliable estimates or whatever data down to a local level, you have to sometimes go back to those same large producers in many of our programs. Regrettably, that is just the nature of the game.

Mr. KELLY. Mr. Chairman, my time has expired.

The CHAIRMAN. The gentleman yields back.

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Mr. Chairman.

Thanks to all of you once again for your leadership and your service and for being here today.

I want to start out asking about the Specialty Crop Research Initiative. It is an important issue, obviously, in U.S. agriculture, and we broke some new ground here.

So, Dr. Ramaswamy, one of the provisions in the 2014 Farm Bill included greater input from the specialty crop industry when awarding projects and allocating funds in the competitive grant programs, including AFRI and the Specialty Crop Research Initiative.

Can you tell us how NIFA has been implementing this provision and ensuring that the money being spent through AFRI and SCRI is going towards industry-supported research.

Dr. RAMASWAMY. Good morning, and thank you very much, Mr. Thompson, for that question.

And yes, sir, we now are through the third round of undertaking the two-step review process. The first step is an industry relevancy evaluation that is undertaken by representatives of the industry. And they make a recommendation. They also provide us a rank order of the ones that should be going forward to the next round, which is the scientific merit review, and they also provide a rank order.

And that information, along with the comments that have been made, is provided verbatim to the scientific review panel. We also try to bring in some members from the industry relevancy panel on to the scientific review panel itself as well. The chair of the industry review panel also serves as the chair of the scientific review panel, at least in the last year, and this year, again, we are going to be proposing to do that.

And so that information is utilized. And then there is a full-fledged scientific review process that is undertaken, and that group will incorporate the information from the first review as well, and then make recommendations on what projects are going to be funded.

And the NAREEEE Board has a subcommittee that actually looks at whether we are or are not doing the right things, and they give us some feedback as well. So based on that sort of a feedback over the last now, as I said, the third round, we have iteratively improved the whole process.

Mr. THOMPSON. That is very much appreciated, procedural leadership in that area.

Dr. RAMASWAMY. Thank you.

Mr. THOMPSON. We are under more and more pressure, and appropriately so, from constituents and the citizens wanting to know what our outcomes are, our effectiveness, and making sure we are doing the right things based on sound data. And so that has grown in importance.

So, Administrator Reilly, and I don't think this helps, the fact that in inflation-adjusted terms the NASS budget has really been flat over the last 10 years despite the fact that, from a citizen perspective, there is more accountability. They are actually paying at-

tention now, which is really a good thing. I think the founders would be pleased.

And yet, we are not adjusting to provide increased support for getting the data. And we have seen several examples where NASS will drop important reports, such as the July *Cattle* report was canceled. How has the number of surveys and reports administrated by NASS changed over time?

And I recognize the need for better resourcing, but with the resources you have being flat for 10 years, which is really a decline with the increasing need, what mechanism do you use to prioritize what you get done?

Mr. REILLY. That is a very good question, because we are always looking to prioritize. And what we tried to do is look at what data is needed for whatever policy decision and are there other sources of it, or *in lieu of* eliminating a report completely, we look at how often we have to release that information and how often we could provide it.

So, for example, for the July *Cattle* report, we realize that that was kind of something that we didn't have the funds to do. But in looking around, we realized that we do a very extensive January *Cattle* report, we do ongoing monthly cattle on feed information, and then we work with the Food Safety and Inspection Service and publish all the slaughter information on a regular basis.

So for the cattle industry specific, we made sure, yes, it was another important data point, but it wasn't void of eliminating something completely. And that is what we attempt to do as much as possible.

Mr. THOMPSON. Thank you.

Thank you, Mr. Chairman.

Dr. WOTEKI. If I might just add a little bit. NASS has also taken a number of steps to reduce the cost of the data collection and processing, automating the interviewing process, centralizing their telephone interviewing. And that has enabled them to maintain as many of the surveys as they have been able to do.

Mr. THOMPSON. Any idea what, and I don't know if you can capture that somehow, but that increase in efficiency, like over 10 years ago, how you would quantify that? Because I assume it has probably been leaps and bounds given the technology that is available.

Mr. REILLY. Well, one of the key measures, as I look just at our overall staffing level, we are down about 15 percent staffing level just of where we were a couple years ago and we were able to do that by standardizing our processes, introducing more automated steps, and eliminating and centralizing some of our functions to do it more efficiently.

We opened up a new operating center out in St. Louis, Missouri, and we do a lot of our extensive telephone data collection out of there. And all of our forms that are filled out by the respondents come back there for sort of a centralized data capture operation, which we could do much more efficiently, rather than through a distributed fashion.

Mr. THOMPSON. Thank you for your efforts.

The CHAIRMAN. Mr. Lucas, 5 minutes.

Mr. LUCAS. Thank you, Mr. Chairman.

One of the issues that caught my attention, of course, as Mr. Yoho noted, is very important to a lot of the Members of this Committee, the wonders of this thing called citrus greening. And, Dr. Ramaswamy, earlier this year, the NIFA awarded several projects for Citrus Disease Research and Extension Program through that. Do you feel like the selected projects can effectively address the threat posed by citrus greening?

Dr. RAMASWAMY. Congressman Lucas, thank you very much for that question. Good to see you again, sir.

Yes, sir, I believe that the projects that were selected by NIFA are going to have very significant impacts. NIFA projects tend to have a longer timeline in looking at the return on investment, but I will give you a couple of examples of something that is happening right now.

One of those is the University of Central Florida received funding to develop nanopesticides, it is a zinc compound, it is called zinc oxide, and that has demonstrated phenomenal efficacy against the pathogen and the insect itself as well, both. And so it is undergoing tests, and we hope that will be undergoing field tests and deployed here in the near future.

A second example is the development of tools, *pesticidal tools*, against the genetic mechanisms of the insect itself, and it is called RNAi. You are interfering with the inheritability process. And that has some really outstanding possibilities as well.

So those are a couple of examples of things that are happening that we believe will in the longer-term provide us that sort of a return on investment.

Mr. LUCAS. Not having any citrus in my district in Oklahoma until we got into this process a few years ago, I didn't appreciate potentially how devastating an issue could be and literally could bring an industry entirely to an end in this country. So it got the attention of the Committee and we worked very diligently.

One last question, though. The industry has prioritized funding projects related to trees genetically engineered to resist the citrus greening. And some observers have indicated that funding was denied because of a concern related to how the consumers might potentially accept the final result. Why has your agency not funded this project?

Dr. RAMASWAMY. So the answer is actually yes and no. Funding is being provided for looking at genetic engineering approaches to deal with this devastating pest, as you said. Over 75 percent of the Florida citrus industry has now been impacted, and it is found in California and Texas as well. So we are providing funding for genetic engineering.

But, again, it is peers that come together that are providing the input in reviewing these projects as well. And, in fact, the Agricultural Research Service has some really cool stuff that is going on in regards to genetic engineering, and I am going to let Dr. Chavonda Jacobs-Young refer to that.

Mr. LUCAS. Please.

Dr. JACOBS-YOUNG. Yes. So I will tell you that we are undergoing the research on the genetically engineered tree there in Fort Pierce, Florida. And in 2014, we released seven new rootstocks that are tolerant to HLB. And we are working cooperatively with the

State of Florida, the University of Florida, and we are running field trials right now and we are seeing some excellent results.

We have shown that other therapies, like thermal therapy, is important to put some of the trees into remission. But the key is early detection. And early detection is where we can have our best options for saving the trees. And believe it or not, the dogs have been very important in helping us be able to detect the disease early enough to come in with some sort of antimicrobial or thermal treatment.

Mr. LUCAS. Thank you both.

I yield back, Mr. Chairman.

The CHAIRMAN. Thank you.

I now recognize myself.

This is a two-part question. And one is that earlier I questioned the Forest Service and others about use of, Dr. Jacobs-Young, your agency's studies on Bighorn Sheep and domestic sheep and the impacts that has had, and the great work you are doing trying to figure out what is happening. And yet, it doesn't appear the agency uses that information in making some of the decisions.

And then broadly, how do we do a better job, NASA bragged on Teflon as a way to say that here is how these research dollars, in addition to putting a man on the Moon, helped everyday Americans.

So how can we do a better job, all of us, in communicating the successes that you are having and the actual pocketbook, day-to-day impact on consumers, as an example, and then your own sister agencies or other agencies within the government taking advantage of the science that you are coming up with and the answers you are coming up with, and then that factors into the other policy-making things that go on?

It is a broad-based question, and anybody that wants to weigh in, I would appreciate it.

Dr. JACOBS-YOUNG. So could I start with just the Forest Service question in terms of the grazing allotments? And in Dubois, Idaho, we are still allowed access for the Forest Service allotments for our grazing. And so we have been working with them. They are doing an environmental assessment for us. And so we are in constant communication with the Forest Service.

We do have some new research findings. And when I saw your question earlier today, I reached out to my scientist to ensure that we touch base with the Forest Service on our new findings in terms of this interaction between the Bighorn and the domestic sheep in terms of immune systems and deficits in immune systems. And so there are some research findings that we want to make sure that we want to keep on the front burner for our service agencies.

Well, we have been working with NOAA and NASA around climate change and soil moisture and global measurements to help us make better decisions. And you are right, we don't do a great job telling the stories of the impacts that we have had. We think about cotton, just the outcome of some of the work we have done in cotton. Permanent press cotton, for those of us who travel a lot, are very thankful for that discovery. That originated out of agriculture.

The avian influenza pandemic, is what I like to call it, it could have been much worse had it not been for science, being able to

come in and being able to diagnosis the situation, being able to help mitigate the situation. In fact, now that we have seen another case of it, we have been quickly able to isolate and we don't have what we experienced in the past.

And so you are right, we need to do a better job of really telling people the impact that science has on just the everyday way of life.

So I am going to let my Under Secretary have it.

Dr. RAMASWAMY. I will let her, and then I will respond as well.

Dr. WOTEKI. Each agency has a different approach taken from the fact that they are all quite different in their missions and their constituencies.

But on the broader level, we are blogging, we are tweeting, we are putting out podcasts from ERS and the other agencies. We are using the new media.

And at the same time, we are continuing to put out into the scientific literature, which is the main way that we have of communicating, literally tens of thousands of peer-reviewed scientific articles that are the result of the research investment in the intramural agencies and in the university scientists and students that are funded by NIFA.

And last, we have the enormous advantage of having the partnership with Cooperative Extension in the land-grant universities that is a way of providing the research-based solutions directly to the people. So that partnership is very strong and is one key way that we continue to get the science-based solutions out to the users.

Dr. RAMASWAMY. If I might pick up on Dr. Woteki's response here. Indeed, extension, as you know, is in every one of our 4,143 counties, boroughs, and parishes in America, and there is a way to get knowledge and information in there.

And all the tweets and all the Facebook postings and all the social media and things like that really are part of this overall approach to conveying what is happening on the ground, as Chavonda just said. There are impactful things that are happening.

If you look at wheat production in America, products that have been funded by NIFA have resulted, if you look at America, about 15 percent of the wheat acreage is based on the varieties developed by funding that we provided across multiple universities. That translates into about \$1.8 billion of added income to farmers, and that translates into about 15,000 jobs as well on the ground.

And so what we are doing is working through multiple media to get that information out. I like to say that we need to remove the shroud of secrecy that surrounds this amazing enterprise that we have in the world of agriculture.

Dr. BOHMAN. One of the things we do at ERS is to measure the impact of technologies on farmers, consumers, and U.S. agriculture as a whole. And we annually produce measures of agricultural productivity, which show on average about three percent growth. And this is all from technology and better management by farmers. It is not from added inputs.

So this allows us to show how land resources have been saved, how there are fewer chemicals being added because of new technologies. And that is something we continue to invest in and have a scientific review of the methods to make sure that the public has confidence in what we are finding.

We also do sector studies. We published a report on structural change in the dairy industry a few weeks ago which shows—and I can't remember the time period—over recent years that there has been a 19 percent decrease in the average cost of production in the dairy industry. So this leads to lower consumer prices and benefits all Americans.

And we plan to continue to invest in these studies. And they rely heavily on the information we get from our sister agencies ARS and NIFA on science and the data and statistics from NASS. So it really is an integrated effort to do this.

The CHAIRMAN. Well, we will do our second round here in a second. I appreciate that. But we all need to do a better job of trumpeting your successes in a tangible way that in 2018 will help us get another farm bill done, because I am a little self-serving here, but we are going to need all the help we can get to get that done.

And the more consumers can understand where their food comes from and how it gets there and the successes that are there, which always translates into less food costs that they are enjoying. And they don't understand all the great work that you do. They don't understand how that translates through the extension service that Dr. Ramaswamy talked about. All of that just happens seamlessly, and we do it really, really well, but we don't brag on it enough.

And you have a great story to brag on. There is nothing wrong with helping consumers understand that, whether it is permanent press clothes or whatever it might be, that that is coming about as a great work that—in partnership between your agencies, your sister agencies, as well as production agriculture and all the kind of reciprocal folks that are doing research and everything else that is going on.

So you have a terrific story to tell. We just, all of us, need to do a better job telling it, and by 2018 we need to really do a good job.

Dr. Ramaswamy?

Dr. RAMASWAMY. Yes, I just wanted to add, one of the things that I have been pushing with the grantees, the people that we give the money to, to make sure that they make the connection between the public investments and the public good that is derived as well. They do a lousy job of making that connection.

The Federal Government, the state government, and the local governments are also investing in these things. They have to remember to make sure that they are making that connection as well, in the press releases that they do, the radio and television interviews they do, the tweets that they do as well. Once we start making that, the public gets it as well.

The CHAIRMAN. Amen. I agree.

Who wants a second round?

Mr. BENISHEK. Well—

The CHAIRMAN. Oh, I am sorry.

Mr. BENISHEK. Mr. Chairman?

The CHAIRMAN. Mr. Benishek, 5 minutes.

Mr. BENISHEK. I didn't have a first round, so I just wanted to make sure that I have my 5 minutes in before you started again.

The CHAIRMAN. Sorry about that.

Mr. BENISHEK. That is okay.

I just want to ask a couple brief questions on the Economic Research Service. And apparently there are people in the Department that specialize in regions around the world that are important for agricultural trade. And what is the focus of that research?

Dr. BOHMAN. So we cover developments in international markets in two dimensions.

One is through our contributions to USDA's World Agricultural Outlook Board and the monthly interagency commodity estimates. And ERS has experts who go to those meetings and, with the Foreign Ag Service and our other USDA colleagues, assess the impacts of developments. And you see those in the numbers that come out every month. So we are behind those numbers with our international assessment.

We put out every year a 10 year baseline in conjunction with the Office of the Chief Economist, but we have the models that do the heavy lifting in that. And that looks forward in terms of taking assumptions about macroeconomic developments, population growth, and puts together a set of forecasts that help industry and agriculture look forward.

We also do special studies that is more motivated by this work. And we identify these issues through our work with the World Agricultural Outlook Board, where are the big uncertainties, where are the issues. We also consult regularly with stakeholders to bring in topics, and we welcome input from your staff on issues you think are important.

Recent examples include work we did last year on China's cotton policies and the impacts of their accumulation of stocks on global markets, impacts for the U.S. We looked at potential implications of trade with Cuba. As Under Secretary Woteki mentioned, we published work on the bigger trade agreements, on TPP implications and T-TIP.

So this two-pronged approach is really necessary because the U.S. exports between 20 and 30 percent of our production depending on who measures it, so we are highly integrated and dependent on world markets.

Mr. BENISHEK. Thank you. I appreciate that answer.

I just want to ask Dr. Ramaswamy a question, and I am hoping to touch on it in the next panel too.

We have this bovine TB issue in Michigan. I know you worked at Michigan State at one point, and I know that they are implementing kind of a new program for dealing with these infected herds. But since you are talking about research, I talk to these farmers that were involved, and they have been apparently doing everything that they are supposed to do to prevent this TB, and they still get the TB.

So I know it has been around for a long time, but can you tell me do you know the vectors? I mean, people think it is just wild animals and everything. Can you go into that a little bit?

Mr. RAMAWSAMY. I am actually going to defer to Dr. Jacobs-Young because the Agricultural Research Service actually has significant work going on in that area.

Mr. BENISHEK. Well, good. Tell me about it.

Dr. JACOBS-YOUNG. Absolutely.

We have determined that it is being transmitted by wild deer to the cattle. And so we have identified the transmission mechanism. And we have actually worked to develop an assay to help us detect infected animals. And so this assay, in addition to the human skin test for TB, we have been able to enhance our ability to determine if the deer are in fact, and our cows are in fact, infected.

Now, in terms of vaccines, we are actually using a human TB vaccine to start with. And so we are going to be developing a more robust animal vaccine from that point, but we are using a human vaccine to actually vaccinate the wild deer and not the cattle. So we are working from the point of—

Mr. BENISHEK. How are you going to get a hold of a wild deer and vaccinate it?

Ms. JACOBS-YOUNG. I have not personally been involved in—

Mr. BENISHEK. Let me tell you, that doesn't seem like an easy thing to do.

Dr. JACOBS-YOUNG. *Very carefully* is what my colleagues say.

So we are working with the vector. And so we would be happy to follow up with you with some—

Mr. BENISHEK. Well, I would appreciate that, because I have had a couple of visits to farms within the last year that have had pretty agonizing situations occur. And I understand that it is not only in Michigan, but Texas also has this problem too. So it would be good to work with you because these problems seem like they are ongoing, and—

Dr. JACOBS-YOUNG. Yes, they are.

Mr. BENISHEK.—I want to put a stop to it.

Dr. JACOBS-YOUNG. And as soon as we solve one issue, there is something else.

But this is an example of where human science and animal science have to be in communication, right? So we have learned a lot from human TB in order to be able to manage this.

Mr. BENISHEK. Okay. Thank you.

The CHAIRMAN. Well, Dan, since I skipped you, would you like to start the second round? Dan? Benishek? Since I skipped you, would you like to start the second round?

Mr. BENISHEK. No, that is okay. Go ahead, Mr. Chairman.

The CHAIRMAN. All right.

Mr. BENISHEK. I will wait my turn. I just want to be—

The CHAIRMAN. You are just going to sit over there and pout. Is that what you are going to do? You are going to sit over there and pout?

Mr. BENISHEK. Well, no. I am good with these folks. I will hopefully start the next time.

The CHAIRMAN. Okay.

Who would like a second round with this panel?

G.T., 5 minutes.

Mr. THOMPSON. Thank you, Chairman.

Once again, thanks.

And I am not really looking for an answer on this now, but it has to do with research. When we did the farm bill, we had what I would call milk wars in terms of the dairy program of what we were going to do. And we wound up doing something I supported, the margin insurance.

And so I am assuming, I guess you never assume, but I am hoping that something that we will be able to look at the effectiveness of that. Because we need to know how we have done, whether it is good or bad news. And that is one in particular because of how our dairy farmers struggle.

So it is pretty early, so I don't know if there is any preliminary data on the outcome of that, or is that something you are tracking?

Dr. BOHMAN. So yes and yes.

So I mentioned the report we published a couple weeks ago looking at structural changes in the dairy industry. That concludes with a preliminary look on the MPP-Dairy program.

Mr. THOMPSON. Okay.

Dr. BOHMAN. And we have research underway doing just what you asked for. And we expect to have results coming out over the next couple years and in time for people to use in thinking about the next farm bill.

Mr. THOMPSON. Excellent. And I would love to look at it just as kind of a cross-section of how well we are doing, I appreciate it.

I really appreciate the land-grant universities were mentioned. I bleed blue and white. I am a Penn Stater. I am a product of Penn State. And I love our extension agent services that we have, 67 counties in Pennsylvania. Some of those are closing right now. And it is not our fault, it is not your fault, we have a governor, and it is our number-one industry in Pennsylvania, but we just have a governor that is holding that hostage. And these are Federal dollars that we have appropriated back in the end of June last year, and he just refuses to release those.

The question I have, and I don't know whether you know the legal answer to this question. Because it is federally appropriated, and most of it is not matched by state dollars, I don't think he has a legal leg to stand on for withholding that funding, which is hurting our people and hardworking men and women that are working today that benefit from that technical expertise in so many different ways. And they are actually looking to discontinue our 4-H and FFA programs. That is our next generation of farmers.

And so I don't know if you have any insight into whether that money can legally be held up and held hostage, but I would just love to get your opinion on it.

Mr. RAMAWSAMY. Yes. Congressman Thompson, yes, sir. In fact, the folks from Penn State, the President and the dean—

Mr. THOMPSON. Dr. Barron.

Mr. RAMAWSAMY. Yes, sir.

Mr. THOMPSON. Good guy.

Mr. RAMAWSAMY.—Barron and Rick Roush, the dean as well, they have been in touch with us over the last several months, as a matter of fact, since last summer, when this whole thing got started. And, indeed, I have also heard from various farm groups and others within the Commonwealth of Pennsylvania, as well, about the significant challenges. Just last week, I was talking to folks that do mushrooms in that state. Again, they were asking me about this situation.

And, yes, there is a legal requirement on the match. But, for every dollar that we provide, there has to be a state dollar on it. And, as I understand it, within the legislature and between the

Governor and the legislature, there is some movement on coming to some sort of an agreement, and we are waiting to see how that comes about. But we are going to be following up on that, as well, in regards to making sure that the match is being met by the state.

Mr. THOMPSON. Yes. Well, I can tell you it passed the House and the Senate, I believe, yesterday, but the Governor has threatened to once again veto it. And he has a line-item veto. I don't understand that.

I yield back.

The CHAIRMAN. Anyone else, Ted, 5 minutes.

Mr. YOHO. Thank you, Mr. Chairman.

And, again, I want to thank you for the work you guys have all done on citrus greening in our state. We went from about 400 million to 450 million boxes down to under 100 million boxes. And it is just devastating in Florida without oranges. It is like *Wal* without *mart*. They just kind of go hand-in-hand.

And the research you are doing on that, especially with the GMOs and the bactericides that you had mentioned if you catch it early, those are great, but if we can't market, it is for naught. And that is what we saw in Florida with the ringspot virus on the papayas, that the GMOs were created at the University of Florida, IFAS, approximately 12 years ago. The EPA approved them, the FDA, the USDA. But it is just now coming to where it is coming to market.

Is there a way to enhance that marketing aspect of that as you are doing the research and start letting people on a public education level know, maybe it is documentaries, how you produce this product and the outcome of that? What are your thoughts on that?

Dr. RAMASWAMY. Well, I will take a shot at it, and then Dr. Bohman there, from an economist's perspective, might be able to provide some insights as well.

So, yes, indeed. In America, we have a situation where in the marketplace there is a significant reluctance to consume, *genetically modified crops* and papayas and things like that. Never mind all the science points to the fact that there is nothing wrong, there is no difference between a GM crop and a non-GM crop. And, to your point, IFAS, the Institute of Food and Agriculture at University of Florida, is indeed trying to figure out how to change the mindset of the consumer and the public.

And so we are in a situation where we are trying to react to the situation that we have. And so a number of land-grant universities that we have provided funding to are undertaking research on how to get consumer behavior to change as well, going back to the question that the Chairman asked, as well, about the impacts of things like that. So we are working with IFAS and other institutions to figure out the best path forward on enhancing knowledge in the consumer, and, therefore, that they are able to go ahead and purchase and consume.

Last, the genetic modification that is going on has now gone beyond the transfer of genes from unrelated species to manipulating the genetics inside of the same organism itself. And we have to do a really better job of explaining to the consumer that that sort of changes that are taking place is not unlike the selection and breeding that we have done over the millennia as humanity.

Mr. YOHO. When you say *we*, are you talking about the USDA? And do you have a marketing campaign or budgeted for a marketing campaign to utilize the research that you are funding so that the public does know about this so we dispel a lot of the misinformation out there?

Dr. WOTEKI. We do not have something like what you have just described for the research and education agencies.

Mr. YOHO. Okay.

Dr. WOTEKI. The primary way that we have for communicating with the public would be through NIFA programs, cooperative extension, which has over the years had good science-based information about genetic engineering, its applications in agriculture, and what this means. NIFA has programs for curriculum development, grants programs that Dr. Ramaswamy administers, that also can be used for development of curriculum for high schools as well as at the university and the graduate level.

So that is the primary way by which we would be communicating about this science, what it means for the consumer, what it means for safety. But we don't have authorization or marketing—

Mr. YOHO. Would you need authorization from us, or is that something you can do internally?

Because if you look at, Dr. Borlaug with genetically modified wheat back in the sixties, that accounted for a billion people being saved, and India, they have a statute of him over there. Those kind of documentaries, I don't know if it is best through you or through the big ag farm companies or a correlation between you two, to get that word out there. Because there is just so much misinformation and confusion on that, and we need to promote the benefits of these products if we are, and we are growing to nine billion people on this planet and we need to be able to utilize these products.

I yield back. Thank you.

The CHAIRMAN. The gentleman yields back.

Anybody else would like another round? Any comments for this particular panel?

Well, Dr. Woteki and the rest of the panel, thank you all very much. Your agencies do great work. You typically labor in anonymity, for the most part. And we thank you for all of the work you do.

And, as we said, all of us, including yourselves, need to do a better job of bragging on your successes. The way we can best do that is convert what you do into the pocketbook impacts on consumers and that kind of thing. If there is a way we can start talking better about that, because they, as we all say often, enjoy the most affordable food supply in the world, and it is driven by a lot of moving parts, including what you and your agencies do and the men and women who get up every day and try to make this world a better place to live in. So thank you for what you do. We appreciate that.

We will take a brief 15 minute break while we get the other panel here. We were a little early, but I want to thank you all for very much for the preparation done. And thank your backbenchers back there for all the questions that they prepared you to answer that we didn't ask. So thank you all very much.

Dr. WOTEKI. Thank you, Mr. Chairman. We appreciate your support.

The CHAIRMAN. Yes, ma'am.

[Recess.]

The CHAIRMAN. All right. Let's go ahead and start back up.

It is now my pleasure to welcome our fourth panel to the witness table today, led by the Honorable Ed Avalos, who is the Under Secretary for Marketing and Regulatory Programs at USDA. Today, Mr. Avalos is accompanied by Elanor Starmer, who is the Acting Administrator for Agricultural Marketing Service; Kevin Shea, the Administrator for Animal and Plant Health Inspection Service; and Larry Mitchell. He is the Administrator for the Grain Inspection, Packers and Stockyards Administration, a proud Charleston State grad and, I understand they bragged on you at the Charleston academic forum this past fall as being one of their better graduates. So we are glad you are here with us this morning, Mr. Mitchell.

With that, Mr. Avalos, 5 minutes.

STATEMENT OF HON. EDWARD M. AVALOS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.; ACCOMPANIED BY ELANOR STARMER, ACTING ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE, USDA; KEVIN SHEA, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, USDA; LARRY MITCHELL, ADMINISTRATOR, GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION, USDA

Mr. AVALOS. Mr. Chairman, Members of this Committee, I am pleased to have an opportunity to discuss activities of USDA's Marketing and Regulatory Programs' mission area, including APHIS, GIPSA, and AMS.

American agriculture directly and indirectly supports over 16 million jobs. At USDA, we have some very dedicated, very hard-working and talented people. I applaud their work that they do for farmers and ranchers in our rural communities.

The MRP agencies must cultivate strong relationships and partnerships with industry groups, state agencies, sister Federal agencies, and foreign governments. Expanding and maintaining agricultural trade is a priority for the Administration and so important to our farmers, our ranchers, our shippers, our packers, our feeders, and so many, many, many more stakeholders.

The MRP mission area plays a vital role in developing and facilitating the exports of livestock, meat, poultry, and agricultural products throughout the world. APHIS addresses animal and plant health issues that many times are used to restrict trade. GIPSA inspects and certifies almost all grain that is exported. AMS issues export certificates to verify and certify that products meet specific export requirements for countries around the world. So much of the market access and market share that we enjoy today is due to the work of this mission area.

Mr. Chairman, Members of the Committee, thank you so much for the opportunity to be here with you today. This is my last year as Under Secretary. After my service here in D.C., I plan to return home to New Mexico, to Las Cruces, to the Mesilla Valley. It has been an honor to serve our nation's farmers and ranchers and our many, many rural communities. I enjoyed working with the Com-

mittee, Mr. Chairman, and I thank all of you for your hard work in supporting and protecting American agriculture.

So now my team and I are ready to answer any questions you might have.

[The prepared statement of Mr. Avalos follows:]

PREPARED STATEMENT OF HON. EDWARD M. AVALOS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C.

Mr. Chairman and distinguished Members of this Committee, I am pleased to appear before you to discuss the activities of the U.S. Department of Agriculture (USDA) Marketing and Regulatory Programs (MRP) mission area, including the Agricultural Marketing Service (AMS), the Animal and Plant Health Inspection Service (APHIS), and the Grain Inspection, Packers and Stockyards Administration (GIPSA).

With me today are: Mr. Kevin Shea, Administrator of APHIS; Ms. Elanor Starmer, Administrator of AMS; and Mr. Larry Mitchell, Administrator of GIPSA. They will answer questions regarding specific agency activities.

Agriculture is an engine of growth and prosperity, directly or indirectly supporting 16 million jobs. MRP programs have contributed significantly to the success as well as the development of domestic markets in a variety of ways. For example, both AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. AMS also facilitates marketing by reporting essential market data, upholding strong organic standards, and supporting the ongoing growth of local and regional food systems. GIPSA also works to help ensure that livestock, meat, and poultry producers have a fair and competitive market environment. APHIS also protects the health of plants and animals, enhancing the competitiveness of U.S. producers by keeping production and marketing costs low. All three agencies help resolve international issues to maintain and open markets around the world for U.S. products, thus supporting American families.

As you can see, each of our agencies has unique responsibilities, and today my colleagues and I are here to and discuss the important work our agencies are engaged in and how each contribute to the success of American agriculture.

APHIS

APHIS' primary mission is to safeguard the health and value of U.S. agricultural and other plant and animal resources. The Agency's programs directly protect livestock, poultry, and crops worth an estimated \$193 billion in 2015 (based on data collected by USDA's National Agricultural Statistics Service) and the well-being of 2.5 million animals under the Animal Welfare Act. APHIS employees come to work, every day, across the country and around the world, to serve a diverse array of customers and stakeholders and respond to challenges and threats as they arise—as they have with their response to the outbreak of Highly Pathogenic Avian Influenza (HPAI). The customers APHIS serves include ranchers, farmers, poultry producers, citrus producers, licensed animal dealers, importers and exporters, and ultimately the general public.

Several core beliefs form the foundation of APHIS' mission. First, healthy and profitable agriculture is good for America; it provides food and clothing for countless people worldwide and is a key pillar to a thriving economy. Second, as a Federal agency, APHIS' role is to take actions that no one state or individual entity has the capacity to take on their own. Last, APHIS has a special role to carry out in caring for vulnerable animals. APHIS accomplishments over the last year demonstrate our commitment to these principles, our mission, and to our customers. I'm pleased to share a few of the Agency's most notable accomplishments with you now.

Highly Pathogenic Avian Influenza

In FY 2015, 21 states had positive cases of notifiable avian influenza, affecting 232 premises (211 commercial, 21 backyard) and more than 48 million birds. At its largest point, APHIS' response team included 3,200 individuals, including Federal employees, state employees, and contractors. The response team worked diligently to contain and eradicate the disease, safely dispose of infected materials, and ensure the virus was eliminated so affected farms could safely return to production. Throughout the experience, APHIS continuously improved its response capabilities to provide the most effective and efficient services possible. All affected premises from those outbreaks have resumed operation.

Based on conversations with states and industry groups and the lessons APHIS identified from the FY 2015 response, the Agency prepared a comprehensive and updated emergency response plan for a potential return of notifiable avian influenza. APHIS also learned that it needs to rebuild response capabilities for large-scale events such as this one, and developed a plan to move in that direction including the development of multiple level coordination groups in APHIS and USDA.

Therefore, when HPAI was detected in Indiana in January 2016, APHIS took immediate action to identify the disease and launch response activities per the Agency's updated HPAI emergency response plan. APHIS depopulated the infected flock as well as other flocks at premises in close contact with the affected flock. It appears that this was an isolated incident where a low pathogenic virus mutated into the highly pathogenic form—a different strain from the one that caused the 2015 outbreak—and it does not necessarily indicate the beginning of a larger outbreak.

All told, USDA has received nearly \$1 billion in Commodity Credit Corporation (CCC) funding to address these outbreaks. This has allowed it to help producers recover from the outbreak, with over \$190 million directly compensating them for the loss of the poultry and related equipment. It has funded the depopulation and disposal of infected poultry, as well as cleaning and disinfection of premises. Funding also has allowed the Agency to increase staffing to address the outbreak, conduct planning activities and to do extensive surveillance so there is early warning of where the virus may strike.

APHIS is prepared for any return of the disease and its preparedness and quick response to the Indiana outbreak likely helped prevent further spread of HPAI in the region. APHIS will continue to work with its state and industry partners to identify and address any additional outbreaks should they occur.

Biotechnology

APHIS continues to make significant progress with its biotechnology petition review process. In recent years, this process was taking more than 3 years, adding to a growing backlog of petitions. To address this situation, APHIS undertook a business process improvement review and for petitions received in 2015, is now meeting its goal of 13 to 15 months to review petitions that do not require an environmental impact statement (EIS). When the process began, APHIS had a backlog of 23 petitions. The Agency has reviewed 22 of those with just one still pending.

Most recently, APHIS announced that it is developing a draft EIS to evaluate a range of alternatives the Agency can take as it works to update its biotechnology regulations. APHIS is considering amending its biotechnology regulations to reflect lessons learned from regulating biotechnology products since 1987, reflect advances in biotechnology and address comments and suggestions raised by stakeholders. This update to the regulations would increase the efficiency and precision of our regulations. As we do so, we will continue to ensure that our business process improvements to the regulatory process will continue as well.

The proposed revisions APHIS is considering could align the range of risks that may be considered under APHIS' biotechnology regulations with both the plant pest and noxious weed authorities of the Plant Protection Act, to ensure a high level of plant health protection, improve regulatory processes so that they are more transparent to stakeholders and the public, and provide regulatory relief so that unnecessary regulatory burdens are eliminated.

Feral Swine

In FY 2014, APHIS requested and received funding from Congress to initiate the National Feral Swine Damage Management program. These animals cause damage estimated at \$1.5 billion annually and pose risks to agriculture, natural resources, property, animal health, and human health and safety. APHIS' goal is to reduce damage by suppressing populations in states where feral swine populations are large and widely distributed. In states where feral swine are emerging or populations are low, APHIS will cooperate with Federal, state, Tribal, and local entities to eliminate them. The Agency will also target feral swine emerging in urban areas where they pose a danger to people and property, and the Agency will also conduct research to develop and evaluate new and emerging tools to further reduce damage inflicted by feral swine.

Plant Protection Issues

USDA appreciates Congress' support of the Huanglongbing (HLB) Multi-Agency Coordination group (MAC). The MAC is working diligently with the citrus industry to find near-term practical tools and solutions for the industry to use in combating HLB. It has brought unprecedented coordination and cooperation across Federal and state agencies and industry in an effort to speed progress on methods to fight this disease. With support from Congress, the HLB MAC has been able to approve \$20

million in more than 30 HLB-related projects to put practical tools to work in the field now while longer term solutions are developed. Some of the tools being developed include delivering thermal therapy to citrus trees (to kill the bacteria that causes HLB) on a grove-size scale, increasing production of biological control agents to manage Asian citrus psyllid populations (which spreads HLB), and training detector dogs to find trees infected with HLB. We would also note significant progress in field trials for the use of antimicrobials that attack the disease and stop its spread. In addition, in FY 2016, with Congress' support, APHIS was able to commit more than \$48.8 million to Citrus Health Response Program activities with an emphasis on HLB and Asian citrus psyllid.

APHIS also has made significant progress in addressing a variety of plant pests, including our very successful work with the State of California and industry to keep the European grapevine moth (EGVM) from establishing a foothold. APHIS detected more than 100,000 of these moths in FY 2009, the first year of the program. In FY 2015, APHIS and its partners did not detect a single moth, and it may be able to remove all EGVM quarantines by the end of this fiscal year.

APHIS has also used the funding provided by the Agricultural Act of 2014 (2014 Farm Bill) to continue to enhance plant health through two important programs, Plant Pest and Disease Management and Disaster Prevention and the National Clean Plant Network (NCPN). Since 2009, APHIS has funded more than 2,600 projects in 50 states and two U.S. territories, strengthening the Agency's abilities to protect U.S. agriculture and natural resources from foreign pest threats. Cooperators across the country put innovative ideas into action with farm bill funds. APHIS just announced its \$58.25 million FY 2016 funding plan, which will support 412 projects suggested by states, universities and other partners. Projects include \$890,000 for old world bollworm survey and response activities; and \$157,000 for bark beetle and other wood boring beetles that affect important forests in Oregon. Farm bill funding has also allowed APHIS to commit \$3.4 million to eradicate gypsy moth infestations in Washington and Oregon; over \$2.2 million to support eradication of the giant African snail in Florida; \$1.6 million for coconut rhinoceros beetle in Hawaii and Guam; and over \$1.6 million to address spotted lanternfly in Pennsylvania. In support of the NCPN, which provides reliable sources of pathogen-free planting stock of high-value specialty crops, APHIS and cooperators have also provided funding and other support to 22 clean plant centers and associated programs in 17 states representing specialty crops including fruit trees, grapes, citrus, berries, sweet potatoes, roses and hops.

Assisting and Expanding Exports

The ability to export is key to the growth, profitability, and continued success of U.S. farmers and ranchers and related agricultural businesses, and is an important contributor to our balance-of-payments. For some crops, 50 percent or more of our production is exported, including 80 percent of U.S. cotton, 70 percent of tree nuts, and 50 percent of wheat and rice. According to USDA's Economic Research Service, the value of U.S. agricultural exports has nearly tripled in value. U.S. agricultural exports totaled about \$140 billion in FY 2015. The strong showing demonstrates continuing world-wide demand for high-quality U.S. grown products.

APHIS plays a significant role in continuing to help U.S. farmers and ranchers access new markets. In January 2015, APHIS reached a historic agreement with China to allow all U.S. grown apples into the Chinese market. These efforts result in high quality, fresh U.S. apples being available for consumers in China and a significant boost in sales for American apple producers. Exports of U.S. apples to China through November 2015 were valued at nearly \$22 million. Last year, APHIS, in cooperation with other agencies, successfully negotiated and resolved 171 sanitary and phytosanitary (SPS) trade-related issues involving U.S. agricultural exports, with an estimated market value of more than \$2.5 billion. This includes continuing our efforts to eliminate all remaining bovine spongiform encephalopathy (BSE)-related restrictions on U.S. cattle and beef. Based on our efforts, 14 countries removed all BSE restrictions on U.S. beef and beef products in FY 2015. Together these markets have a potential value of \$180 million for our exporters. We were able to retain important markets for U.S. poultry like the European Union (worth \$111 million) by providing scientifically sound information on our efforts to contain the outbreak of highly pathogenic avian influenza. APHIS also successfully intervened in 293 situations where U.S. cargo was held up at foreign ports-of-entry, which prevented the rejection of shipments worth more than \$25 million.

Animal Welfare

APHIS' Animal Care program carries out activities designed to ensure the humane care and treatment of animals covered under the Animal Welfare Act (AWA)

through inspections, enforcement, and education. The program ensures that proper care is provided for certain animals that are: exhibited to the public; bred for commercial sale; used in medical research; or transported commercially. Facilities using regulated animals for regulated purposes must provide their animals with adequate housing, sanitation, nutrition, water and veterinary care, and must protect their animals from extreme weather and temperatures.

AMS

AMS's mission is to facilitate the strategic marketing of agricultural products in domestic and international markets, while ensuring fair trading practices and promoting a competitive and efficient marketplace to benefit producers, traders, and consumers of U.S. food and fiber products. AMS also provides the agriculture industry with valuable services to ensure the quality and availability of wholesome food for consumers across the country.

AMS carries out a wide range of programs under the authorization of the Agricultural Marketing Act of 1946, as well as over 50 other statutes. More than ½ of the funds needed to finance AMS activities (excluding commodity purchase program funds) are derived from voluntary user fees. AMS also provides services for private industry and state/Federal agencies on a reimbursable basis. In addition, AMS conducts several appropriated program activities through cooperative arrangements with State Departments of Agriculture and other agencies.

AMS employees work every day to support the country's diverse agricultural operations. The Agency's workforce includes marketing specialists, commodity graders, economists, *Market News* reporters, scientists, and analysts who support the marketing of American agricultural products and work in industry-specific processing plants, terminal and shipping point markets, production facilities, and office environments. AMS provides services and awards millions of dollars in annual grant investments that create opportunities by supporting economic development in small towns and rural communities across America.

Much of the agency's support for agriculture is provided through commodity-specific efforts, such as its Dairy; Fruit and Vegetable; Livestock, Poultry and Seed; and Cotton and Tobacco Programs. AMS also oversees the National Organic Program; Science and Technology Program; and the Transportation and Marketing Program. Further, AMS provides oversight for over 20 research and promotion programs, also known as checkoffs, which are responsible for well-known advertising campaigns such as "Got Milk" and "Beef: It's what's for dinner." In addition, AMS enforces other Federal regulations such as the Perishable Agricultural Commodities Act (PACA) and the Federal Seed Act.

Within five of the twelve titles of the 2014 Farm Bill, there were nearly 30 provisions related to AMS. The agency has made great strides toward implementation including the timely awarding of grants, providing several reports to Congress, establishing the Unprocessed Fruit and Vegetable Pilot in eight states, and moving to a hearing on a proposed California Federal Milk Marketing Order.

Market News

One of our most widely used programs is *Market News*. Last year marked the 100 year anniversary of AMS' *Market News* which provides agricultural stakeholders with the information they need to evaluate market conditions and trends, make purchasing decisions, and assess movement of products across the nation and the globe. *Market News* covers approximately 700 products on a daily basis and issues more than 250,000 unbiased reports per year, attracting more than 53 million views from stakeholders. The reports increase market transparency and help farmers and ranchers identify opportunities by ensuring that all farmers, traders, and agribusinesses have equal access to information.

Market News is constantly evaluating the evolving needs of the agriculture industry to better serve our stakeholders. For example, AMS has increased the reporting of pricing data relevant to small and mid-sized fruit and vegetable producers and participants in emerging sectors such as grass-fed, organic, and local foods.

Commodity Procurement

Another key AMS activity is commodity procurement. AMS purchases a variety of domestically produced and processed foods, providing an outlet for surplus products, supporting American agriculture, and providing food to Federal nutrition programs administered by the Food and Nutrition Service (FNS). Annually, AMS purchases about 2 billion pounds of domestic foods with funding from Section 32 and FNS funds appropriated for the Federal nutrition programs, through legislation such as The National School Lunch Act and The Emergency Food Assistance Act of 1983. These purchases are an important outlet for surplus products and provide the National School Lunch Program with food for 31 million school children daily,

in addition to making available 930 million pounds of food for food banks, disaster relief, and soup kitchens.

In 2015, AMS conducted significant outreach to small business entities, in particular minority-owned, service-disabled veteran owned, and women-owned small businesses, as well as those operating in historically underutilized business zones, to inform them about opportunities to sell to USDA. AMS approved 20 new vendor applications, and the program attained a small business contracting rate of more than 38 percent, for over \$1 billion in purchases.

Grants

AMS grant programs also play an important role in facilitating marketing. The Federal-State Marketing Improvement Program (FSMIP) provides matching funds to states to assist in exploring new market opportunities for U.S. food and agricultural products, both locally and internationally. Recent FSMIP projects have supported efforts to bolster local and regional food systems through farmers markets and community supported agriculture operations, while other projects have focused on building international markets for pine lumber, pork, and more.

With the Specialty Crop Block Grant Program, AMS helps states strengthen markets for their specialty crops, such as fruits, vegetables, tree nuts, horticulture and nursery crops. In FY 2015, AMS awarded \$63 million to 755 Specialty Crop Block Grant Program projects nation-wide. AMS expects to award approximately \$62 million in FY 2016. These grants address issues ranging from food safety to research needs to increased access to fruits and vegetables, all benefiting specialty crop producers and consumers across the country. With additional funding from the 2014 Farm Bill, we are able to do even more to help specialty crop growers increase profitability and sustainability.

Farmers' Market and Local Food Promotion Program grants are available annually to support local and regional food systems through two competitive programs: the Farmers Market Promotion Program (FMPP) and the Local Food Promotion Program (LFPP). FMPP grants fund farmer-to-consumer direct marketing projects such as farmers markets, community-supported agriculture programs, roadside stands, and agritourism. LFPP grants fund local and regional food business enterprises that serve as intermediaries to process, distribute, aggregate, and store locally or regionally produced food products. Projects also provide technical assistance and outreach, including planning grants for local food businesses. In Fiscal Year 2015, AMS awarded approximately \$25 million in competitive grants to expand marketing through these two programs. A similar amount will be available in Fiscal Year 2016.

Local

As demand for and sales of local food continue to grow—topping \$11.7 billion in 2014 according to industry estimates—AMS plays a key role in helping stakeholders throughout the supply chain tap into growing consumer demand for locally-grown food. Secretary Vilsack has identified strengthening local and regional food systems as one of the four pillars of USDA's work to help revitalize the rural economy and create jobs.

In 2015, AMS created three new online local food directories that provide public listings of food hubs, on-farm markets, and community supported agriculture (CSA) operations. Similar to the National Farmers' Market Directory, which now includes about 8,500 market locations, each new directory provides vital information about listed enterprises, including a mapped location, operating hours, months of operation, the types of products available, the number of producers at each market, and the accepted forms of payment. These directories allow household shoppers and wholesale food buyers to quickly identify nearby suppliers of local foods, while producers and distributors of local foods are able to take advantage of emerging opportunities in direct-to-consumer and wholesale markets.

Organics

AMS' National Organic Program (NOP) facilitates market access for organic agricultural products and conducts compliance and enforcement activities that protect the integrity of the organic label to ensure consumer confidence. NOP establishes national organic regulations and accredits 79 third-party organic certifying agents worldwide. Those certifiers oversee an organic industry that experienced 11% growth in the U.S. in 2015, with 21,666 certified organic operations (up from 19,474) and 24% growth around the world, with 31,020 operations (up from 25,008).

To facilitate the international trade of organic products, AMS works with the Foreign Agricultural Service and Office of the United States Trade Representative to establish equivalency arrangements. Over the last 5 years, AMS has established five (Canada, European Union, Japan, South Korea, Switzerland) such arrangements

that make it easier for U.S. organic businesses to access a \$65 billion global organic market.

Another achievement worth noting is AMS' launch of the first release of the Organic INTEGRITY database at the end of 2015. Developed with funding from the 2014 Farm Bill, this database is a major upgrade that provides more current information on certified operations, deters fraud, increases market and supply chain connections, and supports the development of new markets.

GIPSA

The core mission of GIPSA is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA plays an integral role in ensuring the economic viability of America's farmers and livestock producers, and in turn, of rural America. GIPSA administers two programs that are very important to American agriculture: the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS).

Packers and Stockyards Program

Under the Packers and Stockyards Act (P&S Act), GIPSA's P&SP regulates businesses that market livestock, poultry, and meat. Congress passed the P&S Act in 1921 to address serious concerns of unfair and deceptive practices in the meatpacking industry. Over the years, Congress has amended and supplemented the P&S Act to keep the Act relevant to the changing livestock, poultry and meat industries. For instance, in 1976, Congress added authority for the Secretary to assess civil penalties for violations. In 1987, Congress added financial protection for poultry producers, and as recently as 2008, Congress added the right of producers growing poultry or swine under contract to decline arbitration clauses in the contracts and established the forum for resolving disputes.

Today, the P&S Act promotes fair and competitive marketing in livestock, poultry, and wholesale meat for the benefit of American agriculture and consumers. By fostering fair competition, the P&SP helps assure that meat and meat products are available to consumers at fair prices. Fair competition, payment protection, and prohibitions against deceptive and fraudulent trade practices in livestock markets assure producers that they will receive competitive prices and timely payment for livestock.

By protecting fair-trade practices, financial integrity, and competitive markets, GIPSA promotes marketplace fairness for livestock producers, buyers, sellers, swine contract growers, and poultry growers for the benefit of all market participants and American consumers.

Federal Grain Inspection Service

FGIS facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing official U.S. grading standards, as well as methods to assess product quality; maintaining the integrity of the marketing system by enforcing the United States Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA); and administration and oversight of America's national grain inspection system, a network of third-party Federal, state, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the USGSA and the AMA. Grain standards established under the USGSA and AMA and maintained by FGIS are used to facilitate the marketing of approximately 309 million metric tons of grain, rice, and pulses, in domestic and export markets. Of the total tonnage volume, approximately 133 million tons were exported by way of ships, trucks, rail, and containers, worth approximately \$41 billion. This amounted to approximately one out of every eight rows of corn raised in the United States, one out of every two rows of soybeans and two out of every five truckloads of wheat. In 2015, there were more than 3.4 million inspections by the national grain inspection system.

FGIS is recognized worldwide as the gold standard for grain inspection. In FY 2015, FGIS grain inspection accuracy was 96.5 percent based on a review of 5,258 samples covering a total of 8,962 quality factors. Inspection accuracy is determined by a quality assurance review of the original grain inspection and factors that are grain characteristics that have been determined to be important to the commercial value of the grain. During the first 4 months of Fiscal Year 2016, FGIS grain inspection accuracy was 97.1% based on a review of 1,510 samples covering a total of 3,109 factors.

FGIS facilitates foreign trade by assisting countries with the development of standards that are consistent with U.S. grain standards. FGIS personnel frequently meet with delegations visiting from other countries to brief them on the U.S. grain marketing system and the role of FGIS, our national inspection and weighing sys-

tem, U.S. grain standards, the various services offered to our customers under the USGSA and AMA, explain the importance of using the same inspection methods and procedures at destination, importance of maintaining equipment accuracy, and FGIS quality control programs.

During FY 2015, GIPSA personnel met with 74 teams from 43 nations. Additionally, in FY 2015, FGIS inspectors traveled to China and closely worked with the Chinese Government on U.S. grain moving into China, as well as Columbia and Algeria to conduct workshops on U.S. inspection methods for corn, soybeans and wheat. These activities foster better understanding of the entire U.S. grain marketing system and enhance purchasers' confidence in U.S. grain. In 2015, China purchased 1.85 billion bushels of soybeans representing 58.3% of all U.S. soybeans which shows the importance of maintaining these critical relationships with our trading partners.

Conclusion

In closing, MRP strongly supports the Department of Agriculture's key role in growing the rural economy and supporting producers and consumers across the nation. As Federal agencies tasked with regulating and facilitating the agricultural industry, MRP agencies must perform this work at the speed of commerce. To do this, AMS, APHIS, and GIPSA must have strong relationships and partnerships with state agencies, industry groups, universities, and other Federal agencies, among others. Further, we are constantly seeking new opportunities to leverage the capabilities of other USDA mission areas to meet the needs of producers and consumers.

Mr. Chairman and Members of this Committee, this concludes my statement. Thank you for the opportunity today and I look forward to continuing to work with you. At this time, my colleagues and I will be glad to answer any questions you may have regarding the MRP mission area.

The CHAIRMAN. Well, I thank you, Ed. I appreciate that, and I appreciate your service and all those years.

We will reverse the order, and Mr. LaMalfa would be first.

Mr. LAMALFA. Thank you again, Mr. Chairman, and, Mr. Avalos, Under Secretary, for your appearance here today. And congratulations on your decision to go back to beautiful New Mexico, where living is good. So I hope you enjoyed your time and your service in a difficult place.

I will just home in on it here with a major issue that affects a lot in California as well as consumers across the country. Earlier this year, CBS had a *60 Minutes* report about the pervasiveness of the olive oil and the fraud that is found within the olive oil in its labeling, its designation, whether it is extra-virgin or even actually 100 percent oil in those containers.

Experts stated that U.S. annual imports of tainted and adulterated and fraudulent olive oil is significantly high, including blending small quantities of extra-virgin oil with large quantities of either old, low-quality oil or other types, such as sunflower, and getting away with a label of extra-virgin for all of that in order to keep the price up for extra-virgin oil values.

Of course, it is a major issue for customers, who so many of them don't even know what really good oil is like. And it has become a pretty strong industry in California now with the wonderful oils that are being produced there under an extra-virgin label. So, obviously, with this mislabeling or inaccurate labeling, it hurts our domestic industry and producers and also consumers, who might be overpaying for fraudulent products when they could be buying good product at maybe similar prices.

California, again, produces about 99 percent of the olive oil that is produced in this country and represents less than one percent of the total global consumption. So they need a little help and a little protection from USDA, who my understanding is they have ex-

panded their quality monitoring program to include extra-virgin olive oil, but there is still no Federal requirement or standard.

So, as you are aware, the manager's amendment in the farm bill directed USDA, among other agencies, to work to remove obstacles that are preventing the domestic oil industry from reaching its potential. What do you see lately that USDA has been doing to help achieve a solution to protect our domestic producers as well as consumers, who would like to believe what it is on the label?

Mr. AVALOS. Well, Congressman, I am familiar with the issue that you brought up. And I am really glad you brought it up in this hearing because I have had growers in California come in to see me about this very issue, very concerned about the imports that come in and that are maybe misrepresented.

So, anyway, at USDA it is not all our issue; it is also an FDA issue. But we are continuing to have the conversation with the California growers. We have had discussion with them about a possible marketing order. So, at this time, the discussions are ongoing and have nothing else to report as to progress made. But we will continue to work on this, because I know how important it is to those folks in California.

Mr. LAMALFA. Do you see a stronger enforcement mechanism over fraud on the oil that is imported under false pretense?

Mr. AVALOS. Congressman, to be honest with you, I don't know if we have that jurisdiction or not. But if there is anything we can do that is within our realm, we will.

Mr. LAMALFA. All right. Well, please keep my office and this Committee abreast of how those conversations are going and what we can do to help ensure that olive oil is as it is labeled. If people want choices, they want lower-quality blends, that is fine, but they need to be able to see what is in there. And, well, I think we all recognize that. So thank you.

Mr. AVALOS. We will. Yes, sir.

Mr. LAMALFA. And congratulations, and enjoy New Mexico, sir.

Mr. AVALOS. Thank you.

The CHAIRMAN. The gentleman yields back.

Mr. Rouzer, for 5 minutes.

Mr. ROUZER. Thank you, Mr. Chairman.

I want to get some clarification and explore a little more on this issue related to the pork trademark. And it is perhaps an understatement to say that there has been a little commotion about all this. Just last week, the pork industry voted unanimously in opposition to USDA's actions related to the pork trademark.

And so I have several questions here to try to get at the bottom of this. Explain to me exactly who is conducting the review. Is it AMS?

Mr. AVALOS. Congressman, I am going to ask my Administrator at AMS to address your questions because she has been working on this almost on a daily basis.

Mr. ROUZER. Very well.

Ms. STARMER. Thank you, Congressman. Do you want to ask all of your questions and then I can respond, or do you want me to respond to each?

Mr. ROUZER. I would like for you to respond to the first one first.

Ms. STARMER. Sure.

The independent evaluation is being conducted by an external entity that was recommended to us. We did consult with the National Pork Board in selecting that independent evaluator. And they are going to be conducting the valuation of the trademarked phrase.

And then they will supply that information to our office, at which point information that has been provided by NPPC as well as by the Humane Society will be packaged up with the independent evaluation and sent on to the Secretary for a decision.

Mr. ROUZER. So who is paying for that review? Is that AMS?

Ms. STARMER. The National Pork Board, sir.

Mr. ROUZER. Was the National Pork Board consulted in terms of seeking that outside consultant?

Ms. STARMER. We did bring the recommendations to the National Pork Board and worked closely with them in determining which to select, yes.

Mr. ROUZER. Did they approve that outside consultant?

Ms. STARMER. They were ultimately responsible for the selection of the independent evaluator.

Mr. ROUZER. So did they vote on that?

Ms. STARMER. I don't know, sir.

Mr. ROUZER. What authority would the Pork Board have to end the review?

Ms. STARMER. I know that we have some more detailed information coming to you on that, but I do not believe that they have authority to end the review.

The case is between the Humane Society of the United States and independent pork producers, brought against USDA for our determination to allow the sale of the trademarked phrase to go forward. So, under our jurisdiction to oversee financial transactions by the board, the claim that was brought by the Humane Society was that we erred in our allowing that sale to go forward.

So the industry is not a party to the suit, and, therefore, they don't have standing. But USDA has been—we agreed to have the independent evaluation conducted. We sought information from NPPC and from HSUS, and we will come out with the recommendation. The litigation has been stayed pending that independent evaluation.

Mr. ROUZER. Is the contract legal or not legal?

Ms. STARMER. Which contract are you—

Mr. ROUZER. The contract between the two entities in terms of transferral of the trademark.

Ms. STARMER. Well, I believe that is the subject of the suit that was brought. So that is pending litigation.

Mr. ROUZER. So they are alleging that it is not legal.

Ms. STARMER. We can certainly get you details on the specific allegations. But they alleged that we should not have approved the sale and that the value of the trademark that it was overvalued. And so that is why we have agreed to conduct this independent evaluation that will provide both USDA and the industry with a current-day value for that trademarked phrase.

Mr. ROUZER. So who is going to make the decision whether to breach the contract or maintain the contract? Will that be AMS, or will that be the Pork Board?

Ms. STARMER. Once we get the independent evaluation back, we will be issuing a decision that will come through the Office of the Secretary. And that decision we have committed to issuing that by May 2. And that is going to be informed by our independent judgment and the evaluation and the submissions that we receive from the industry and from HSUS.

The litigation itself has been stayed until we come out with that recommendation. So, depending on what that recommendation says, we will see what happens with the litigation process.

Mr. ROUZER. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. Yoho, 5 minutes.

Mr. YOHO. Me?

The CHAIRMAN. Yep.

Mr. YOHO. Sorry.

I have been following that case, and it just, to me, it is crazy. If I were to buy a house from Mr. Rouzer and we agree on a price and I agree with it and I pay it and then a third party comes along and says, "You paid too much for that," and then they get a lawsuit that goes into that, it just seems like it is meddling in an affair that they have no standing in.

And do you see this as a frivolous lawsuit that shouldn't even be litigated?

Ms. STARMER. Well, sir, the lawsuit was brought against USDA related to our authority and our responsibility under the law to approve financial transactions of the National Pork Board. And so the suit alleges that we erred in our approval of that financial transaction.

So that is our responsibility. And I believe that after we complete the independent evaluation we will be in a good position to be able to provide all parties with information on the current value of that.

Mr. YOHO. Any idea what the cost of that litigation is and all this before you get a settlement, that it is costing the USDA?

Ms. STARMER. I do not know that, sir.

Mr. YOHO. In the millions?

Ms. STARMER. I couldn't say, sir.

Mr. YOHO. Okay.

Let's move on to something else that is probably not less controversial. It is biotech labeling. We passed that bill here in the House, went over to the Senate, and, the way I understand, the Senate is going to send it back to us.

Correct me if I am wrong. With the biotech labeling bill that we sent over there, it would be like setting standards kind of like they set for gallons of gas or pounds, weights for doing commerce. Is that pretty much what we sent and decided here, a certain standard at the Federal level that would allow each state to designate voluntarily how they wanted to label products?

Secretary Avalos?

Mr. AVALOS. Well, Congressman, first, I just want to acknowledge that the House and the Senate have put a considerable amount of effort into this topic.

Mr. YOHO. We sure did.

Mr. AVALOS. I know. And I know it is a very, very important issue. And at USDA, in this mission area, we are still ready to continue to provide any technical support you might need.

Now, to try to answer your question, I am going to answer it with a statement that Secretary Vilsack has said many, many times. He has made it very clear that a patchwork of rules is not functional and would not work. So it is an important issue that we hope Congress will continue to address.

Mr. YOHO. Well, again, we were talking about this in the last Committee hearing we had, just right before you guys, about the marketing strategy. And I made Secretary Vilsack's blood pressure go up the last time he was here, not intentionally. But we spend all this money in research that we fund through the land-grants, and we come up with a product, and then it seems like it gets stuck in the marketing chain.

And there is a lot of misinformation out there. And we were talking about is there a marketing program or is there authorization for a marketing program that we can tell how a GMO is created and how it goes to market and show the peer research behind it to answer these questions so that we can utilize the research that we have done. And USDA does a phenomenal job on this.

But, with the GMO, when we passed this bill here, we were getting hammered in our districts that: How dare you pass something like this? And we were trying to set a standard on the Federal level so that each state could voluntarily decide what to label a GMO.

Do we have a program that you are aware of, or do you need authorization to do a different marketing program? I don't want to say you are not doing a marketing program, but a different marketing program.

Mr. AVALOS. Congressman, I am going to ask our Administrator, Elanor, to respond.

Ms. STARMER. Thank you, Congressman.

So, without express authority from Congress, EMS cannot set a standard for GMO or non-GMO labels. We can, however, through our Process Verified Program, use government auditors to assure that a company is meeting its own standard.

We have done that for one company for a non-GMO claim. And so the way that that program works is the company develops its own standard, we post that to the website so it is transparent, and then we have auditors to ensure that that standard is adhered to.

Mr. YOHO. All right. I appreciate it.

And before I go, I just wanted to give a shout-out to Administrator Shea for all the help you have given us on the PAST Act (H.R. 3268, Prevent All Soring Tactics Act of 2015) and the clarification and the guidance you have given us, and I thank you.

I yield back.

The CHAIRMAN. The gentleman yields back.

Mr. Benishek, 5 minutes.

Mr. BENISHEK. Thank you, Mr. Chairman.

Mr. Shea, I have a question that I kind of brought up in the last panel. And I appreciate you all being here today. But my district has an issue with bovine TB. Some of the producers have had positive herds this year, and their experience has been difficult. The indemnity fund was overwhelmed with this avian flu thing.

And, apparently, there is a new way of dealing with TB so that states are going to be more involved with this. And I am happy that states are more involved, but I just have a few questions about it.

There is a concern among the farmers that there is not going to be a clear way of negotiating the bureaucracy with states, and the Feds, to get the help they need when they have to depopulate. Can you kind of go into that a little bit?

Mr. SHEA. Congressman, we are looking at new rules for tuberculosis and brucellosis as well to bring the program more into modern times. And one of the things we want to do is make sure that we are not overpenalizing states when they do have a few positive herds.

Mr. BENISHEK. Right, right.

Mr. SHEA. In terms of your State of Michigan, in the case that happened last year, let me just say right up-front I do apologize, and I regret that it took too long to get the depopulation funding back to that owner. As you mentioned, we simply were overwhelmed last year with too many tuberculosis herds between Texas and Michigan, and it took us some time to find all the money we needed. And then there was some negotiation about the actual price.

But we will do better the next time. We hope there aren't a lot of next times, but we will certainly do better. And we have a good relationship with the state. As you know, in Michigan, we have a specific problem with TB in wildlife, and particularly in that part of Michigan.

Mr. BENISHEK. TB what?

Mr. SHEA. TB in wildlife.

Mr. BENISHEK. Right, right, right, yes. Well, that was the question I had for the last panel, is how are they going to fix that. I am not sure of every case, but I know I talked to one farmer, in particular, where they weren't sure, their dairy was separate from the wildlife, or they kept them inside, and they weren't sure of the vector. You know what I mean? And making sure of the vector is kind of important for solving the problem. And if it is the wildlife, great. But I am not sure what the proof is, if they had the same exact strain of TB that was found. I don't know exactly the proof situation.

But I have had two separate herds now in my district that had to be depopulated, and it is pretty traumatic for the whole family, the whole area. Everybody gets nervous. You know what I mean? They don't know what the situation is. So I just want the process to be smooth and really worked on to solve this problem.

Please give me your comments for the time I have left.

Mr. SHEA. Well, we will certainly do everything we can to make that process smoother, going forward. We will work very closely with any affected herds to reach a common agreement on the value of a heard before we depopulate it so it doesn't stretch out too long.

But you are right. As long as the disease is in wildlife, there is a problem. And, of course, there doesn't necessarily have to be direct contact between the wildlife and those dairy cows for them to get infected.

Mr. BENISHEK. Right, right.

Mr. SHEA. Someone or something could come in contact with the deer and spread it into the dairy farm, just as we saw avian influenza spread by things and people even though initially it came in through wildlife.

Mr. BENISHEK. Right. Okay. Well, I appreciate your interest in this because it is pretty dramatic when it happens, and there is a lot of angst over the whole situation. I just want the new process, the new rules to make sure that everything works smoothly, because there is a little bit of fear about how that is going to work in the future. So I appreciate your comments.

Mr. SHEA. Thank you.

The CHAIRMAN. The gentleman yields back.

Mr. Kelly, 5 minutes.

Mr. KELLY. I am going to start, and I am going to ask the Acting Administrator here, Ms. Starmer? I can't see from here. My eyes are not what they used to be.

Ms. STARMER. Starmer.

Mr. KELLY. Okay. Thank you, ma'am.

I am going back to Congressman Yoho from Florida about the GMOs. Each state can determine what a GMO is, a genetically modified organism. However, it gets a bad rap by the use of that name, and if each state can determine the labeling on that, how far back do we go?

I know my grandfather was a farmer, and he would have Angus cows, and he would have Hereford cows, and if he bred those together, that would be a genetically modified organism, right? Because you have two different subspecies which we just called them whiteface, where I was from. But you modified that cow.

You go back to horses. You have recreational K9s that people have that are different breeds, like a Labradoodle or those type of names. All those things, the grafting of an orange plant with some root system which will more naturally hold up and keep the root system so it can grow longer and sustain the growth. Vegetables, how far back do we allow—it is your duty at some point, number one, to market what a GMO is or to name it something that applies.

And number two is to say how far back. Because I doubt that there are very many original species left from when this world was created. And so anytime that we modify anything, or any cross-pollination. Do you understand what I am saying?

There are a lot of things that a state can say, "I don't want a cow from Mississippi, so I know that in the past they have bred Herefords and Angus together and that is a GMO, so we are not going to take any beef from Mississippi." Or they bred Longhorns from Texas with some other breed of cattle, so that is a GMO, and so we are no longer going to take beef from the State of Texas.

I think we have to be very careful. And that is part of our marketing and your duty to define what a *genetically modified organism* is rather than just using the term where it can apply in states. Can you comment to that, please?

Ms. STARMER. Sure. Thank you, Congressman.

As I did mention earlier, without statutory authority provided by Congress, we can't define *GMO* or *non-GMO* through a standard. But if Congress provides us with that authority, as they did, for ex-

ample, with the National Organic Program to define what *organic* means, then we would engage in the rulemaking process to define that term. And that would go through public comments. Then it would fall on FDA and FSIS to determine truth in labeling as to how those products were labeled to ensure that they conform to the standard.

So there are a number of different players engaged in this, but with statutory authority provided by Congress, we would develop a standard through the rulemaking process.

Mr. KELLY. I understand that. But on a very basic level, would you not agree that there are certain things—I don't know that we have any pure species anymore in this world, anywhere in his world in any type of thing, because nature does that in and of itself. And there is a huge perception out there that we have scientists that, for the most part, in all these things that are being called GMO, are doing these things outside of the realm of natural science, that they don't understand it is the same things that we did in the 1930s and the 1940s and the 1950s and the 1880s.

And is there any way or anything you can do, even if it is not defining what a *GMO* is, just to say what is not a *GMO*? Or is there any timeframe which you can do? Because, otherwise, I do think, if a state wanted to, they could actually not allow anything or any produce into their state other than what they grow in their state.

Ms. STARMER. At this point, we are limited to auditing companies' own standards through our Process Verified Program, as I mentioned. With statutory authority, we could define the term. And you have touched on the fact that that would be a very complicated process that would obviously require and, I am sure, elicit a lot of public comment. At this point, though, it is FDA and FSIS that are looking at the truth-in-labeling question when they look at claims on the labels.

Mr. KELLY. And just very briefly, how do you ensure the MRP is coordinating appropriately with other Federal agencies such as FDA and EPA?

Ms. STARMER. On the *GMO* issue specifically?

Mr. KELLY. On any issue.

Ms. STARMER. Do you want to speak to that, sir?

Mr. AVALOS. At USDA and this mission area, whether it be APHIS or AMS, we routinely, regularly coordinate with other sister Federal agencies, like FDA, EPA, FSIS within USDA. This is ongoing and is part of our responsibility because our work overlaps and complements each other.

Mr. KELLY. Thank you.

And I yield back, Mr. Chairman.

The CHAIRMAN. The gentleman yields back.

Mr. Thompson, 5 minutes.

Mr. THOMPSON. Thank you, Chairman.

Under Secretary Avalos, congratulations on your upcoming retirement.

And I wanted to follow through on the biotech labeling issue, as well, from the standpoint of the FDA has stated that the only reason a label would be mandated is if a new variety, the language

they use, *materially different*, is materially different from a conventional counterpart.

Do all applications of genetic engineering technology result in material differences and new plant varieties which would necessitate a government-mandated warning label?

Mr. AVALOS. Congressman, I don't have an answer for you, but I am going to turn to Kevin Shea to help me out a little bit.

Mr. THOMPSON. Okay. Sure.

Mr. SHEA. Congressman, of course, we in APHIS regulate plant biotechnology—

Mr. THOMPSON. Right. And that is what I am talking about.

Mr. SHEA. And, well, I think you are getting at a good point here. Biotechnology has evolved quite a bit over the last 30 years, which makes our current regulatory scheme a little archaic, frankly. So we are working with FDA and EPA, who are our partners in the consolidated framework, to make some changes. And we recently published a notice of intent to do an environmental impact statement that would make some changes.

But to your very specific question, certainly there are many applications of biotechnology now that don't turn something from one species into another. And maybe some of the questioning here gets to that point—

Mr. THOMPSON. And, yes, you got where I am zeroing in on. It is the language where it says that it should only be mandated if it is a new variety materially different from a conventional counterpart.

Mr. SHEA. That is right. I think that often there is not a material difference anymore.

Mr. THOMPSON. And I agree with you. And if not, then why would USDA propose a government-mandated warning label on all new plant varieties derived through biotechnology or genetic engineering or whatever you want to call it?

Mr. SHEA. Well, Congressman, if I could say, I don't think that anyone at USDA has any intention of proposing a mandatory label of any kind. In fact, our role in regulating biotechnology is simply to say whether or not a new event, as they call it in that world, would indeed cause any plant pest or disease. And once we pass that threshold, we are finished. We don't think there is any need to have a label to point to that.

Mr. THOMPSON. Well, I would agree with you, but your boss' boss actually has come out with a statement in favor of a mandated labeling program. And so maybe it is a miscommunication. I hope it is, because I agree with your perspective and not what Secretary Vilsack has commented on and released.

So maybe that is something we could go back and get a clarification on. Hopefully there is some miscommunication at a higher level, because I certainly agree with your perspective on that.

Mr. SHEA. Well, maybe I am parsing words a little bit here. You used the term *warning label*. I don't think that Secretary Vilsack has ever used the term *warning* for a label. There is obviously some good-faith dispute about whether or not there should be a label for consumer awareness purposes, but I don't think that is the same as a warning label.

Mr. THOMPSON. Well, mandatory labels, what other purpose would they be for? I mean, it is a warning label.

I think that is just something, if you could go back and get some clarification, I would appreciate it. Because, like I said, I actually respect and agree with your perspective on that.

Administrator Starmer, in the biotech labeling area, is participation in the National Organic Program voluntary?

Ms. STARMER. Absolutely.

Mr. THOMPSON. All right. Do food producers and processors use the National Organic Program Certification to distinguish their product in the marketplace and only take advantage of those marketing opportunities?

Ms. STARMER. They do. Certainly, we have a number of entities from the farm to the processor that use the organic seal and are certified to be in compliance with the standard.

Mr. THOMPSON. Great. I would love to have your perspective on this, because we just dealt with the country-of-origin labeling, which a lot of people were just confused across the country and thought it was a safety issue, when COOL was really a marketing issue. And we had to take some measures, obviously, after we were found out of compliance by the World Trade Organization a couple times.

Is the organic labeling a safety program, or is it a marketing program?

Ms. STARMER. It is a marketing program, sir. And it is used to verify compliance with a standard, with a set of practices that organic farmers and supply-chain entities comply with.

Mr. THOMPSON. Absolutely. And it has been great for some of my farmers. It is a niche. They are able to get a premium for folks who want to pay a little more for that brand, which is good for farmers and good for consumers who are looking for that.

Thank you so much to all of you.

Ms. STARMER. Thank you.

The CHAIRMAN. Thank you.

A couple weeks ago, maybe all of you or some of you testified in front of the Agriculture Appropriations hearing and were asked about upcoming regulations under the Packers and Stockyards Program. And at least the comment that was conveyed to us is that you all were not aware of anything coming forward yet. Just this last week, Secretary Vilsack had mentioned that in a matter of weeks there will be poultry regulations coming out.

Did you all get double-crossed, or how do you square the answers to the question within such a short timeframe?

Mr. AVALOS. Mr. Chairman, this process on the GIPSA rule, it is ongoing. And right now at USDA, internally, we don't have a commitment as to what these rules are going to look like.

I have been here since 2009, and I remember in 2010 we initiated this rulemaking on the GIPSA rule. Then we were prohibited from working on certain parts of the GIPSA rule. And now this prohibition has been lifted.

So the Secretary, he asked us to look at the GIPSA rule, look at possible modifications, look at possible changes that we could do that would be appropriate, still taking into perspective the concerns that have been expressed in the past.

So, Mr. Chairman, right now, we are in the preliminary stages, and we are going to do our job because we are required to do our job, and we are going to continue some internal discussions. We are going to look at all the comments that we have received in the past, and we are going to take a very well-balanced approach. And at the end of the day, we are going to come out with something that hopefully will be acceptable, and we are going to try to do our job correctly.

The CHAIRMAN. Okay. Well, I guess what was communicated or what was heard was that final rules would be much more quickly coming than that. What you have laid out is the right way to get at it, deliberatively, taking into consideration all the folks that are having conversations. But what was heard from the Secretary's comments is that you were a lot further down the road than that and that you were prepared to release that rule much sooner and in a much more complete fashion than what I hear you saying.

What I just heard you say is the process isn't that far along yet and you are still gathering it up. Am I parsing things out here, Ed? Am I missing something?

Mr. AVALOS. Mr. Chairman, like I said, we are just working on internal discussions. We don't have work plans yet.

The CHAIRMAN. Okay.

Mr. AVALOS. And, we will be working on these.

Now, it is important to note that, once we get a work plan and once we get a rule put together, we still have to go through OMB, and that is 90 days or longer.

And so the earliest that I see having anything for the public to look at and comment on will be summer, early fall.

The CHAIRMAN. Okay. So the answer, then, to the Agriculture Appropriations guys, was it reflective of—did something happen after your testimony there and to where we are now that is different? Or were you in that same frame of just we are processing this through, and you didn't anticipate anything coming to the public's—I am just trying to get squared away here. I don't know what the deal was.

Mr. AVALOS. Mr. Chairman, that is correct. We had just initiated internal discussions.

The CHAIRMAN. Okay.

Mr. AVALOS. So I couldn't really say, yes, we can move forward with this rule. Because at that time when I testified, we weren't ready to go forward with the rule.

The CHAIRMAN. Okay. I gotcha.

I probably should have asked this of the panel before. Is there any shred, any scintilla of evidence that biotechnology is endangering health in our food system? Anybody aware of any?

Mr. SHEA. We are certainly not aware of any in APHIS, although I would say that that is really FDA's purview to determine whether any kind of biotechnology application would be a human health problem.

The CHAIRMAN. Yes.

Mr. SHEA. But certainly we are not aware of any, and we think that biotechnology has been good for everyone.

The CHAIRMAN. Does anybody on the panel see a way forward to feed an additional three billion people over the next 35 years with

the same land mass we have in place under production without using sound science?

Mr. SHEA. Well, the Secretary has been pretty consistent in saying that we need all kinds of agriculture: conventional, organic, and biotech, going forward.

The CHAIRMAN. Gotcha. All right.

Anyone else want a second round?

Mr. Rouzer.

Mr. ROUZER. Yes, Mr. Chairman. Mr. Chairman, thank you very much. I want to follow up on the GIPSA line of questioning there for a second, because I am a little unclear.

This rule, will it be a proposed rule or will it be a final rule? Or do you know?

Mr. AVALOS. Congressman, at this time, like I was mentioning earlier, we are just in the preliminary stages. We are just having internal discussions. So I can't tell you if we are going with a proposed rule, a final rule, because we haven't gotten that far down the road yet.

Mr. ROUZER. Okay. I just wanted clarification on that. I would suggest it would be significantly unfair to issue a final rule, if you are going to go that route, on that.

Mr. AVALOS. Congressman, I need to point out that this has been an ongoing discussion since 2010, and we have many, many, many comments that have been made, from both sides, okay? We have a lot of comments. And in our internal discussions, we are going to look at those comments, and they will dictate how we move forward. Because that is part of the process, and that is what the stakeholders are asking for, and that is why they comment. And that is why the comment period on any rule, whether it be a proposed or final, is so critical.

Mr. ROUZER. Well, you seem to be tipping your hand that you would lean towards a final rule. I think that would be a mistake.

Would the changes be based on the 2008 Farm Bill language, given there was no mention of this, to my knowledge, in the 2014 Farm Bill?

Mr. AVALOS. Any modifications or changes that we do incorporate are going to take all comments that come in into consideration. They are going to take in consideration concerns that were expressed by not only Congress but by other individuals. It is a very thorough internal evaluation.

Mr. ROUZER. Moving back to my original question as it related to the pork trademark, I am a little confounded by this. So the National Pork Board has no standing, yet they are being required to pay for it. Does that seem fair to you?

Ms. STARMER. Well, sir, the National Pork Board is a quasi-government entity, and the Supreme Court has ruled that their speech is government speech. So they administer the check-off program. Under our legal authority, we regulate, oversee, and approve all of their funding expenditures.

And as part of the process of determining the transfer of the trademarked phrase, they are paying for the independent evaluation so that we can find an outcome to this issue.

Mr. ROUZER. You are trying to have it both ways here. Now you are saying that it is a quasi-government, so why don't they have standing?

Ms. STARMER. Well, we will get you and the Committee specific responses to these that will be informed by our lawyers. And I am not a lawyer. But, the Pork Board is represented by the Office of General Counsel at USDA, and so they have representation. And OGC has been engaged in the ongoing litigation process as well as the current process now with the evaluation.

Mr. ROUZER. The fact of the matter is they either have standing or they don't have standing, and if they don't have standing, they shouldn't have to pay for it. By gosh, this is not the Soviet Union, or I hope that we are not becoming the Soviet Union.

This is why people are outraged all across this country. This is a microcosm of why the politics in this country is on fire right now. So, anyhow, that is just my comment.

Mr. Chairman, I yield back my time.

The CHAIRMAN. G.T., any comments?

Well, thanks to this panel for showing up today. I appreciate it. I know you probably didn't have a choice, but I appreciate it. I appreciate all the preparation you did in advance.

Ed, congratulations on being able to move back to the Mesilla Valley, get direct, immediate access to fresh chiles, at least 2 or 3 days fresher than what you get here.

Mr. Shea, thank you for the hard work you and your team did over the last year-plus on your response to the high-path avian influenza deal. And we are blessed to not have to repeat that. I watched and saw you put in place best practices and future-looking things to how to be better responsive and how to be more adaptive to the process. The folks in Indiana were swamped with folks last month when they looked like they might have a case. So you guys and your team did good work, and I appreciate that.

All of you represent goodhearted men and women, decent people who get up every day, as I have told every panel. You just happen to be the ones I get to talk to. And so please express our appreciation to them for the work they do day in and day out. We may disagree from time to time on some of the things that are going on, but please don't ever let that morph into something that says that we don't appreciate what you do, and that production agriculture is better as a result of your team and the folks that you all lead.

So thank you very much for being here.

With that, under the rules of the Committee, the record of today's hearing will remain open for 10 calendar days to receive additional material or supplementary written responses from the witnesses to any question posed by a Member.

This hearing of the Committee on Agriculture is adjourned. Thank you.

[Whereupon, at 1:50 p.m., the Committee was adjourned.]

[Material submitted for inclusion in the record follows:]

SUBMITTED QUESTIONS

Response from Hon. Robert Bonnie, Under Secretary, Natural Resources and Environment, U.S. Department of Agriculture

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

Question 1. Last September, the EPA published Interim Recommendations for environmental standards and ecolabels for use in Federal procurement. EPA's recommendation for lumber excludes several credible standards that are widely used in the United States, including the Sustainable Forestry Initiative (SFI) and American Tree Farm System (ATFS) standards. Across the United States, more than 82 million acres of forestland are certified to either the Sustainable Forestry Initiative (SFI) or the American Tree Farm System (ATFS). This represents more than 70 percent of all certified forests in the United States. These forests provide a renewable timber resource, clean water, wildlife habitats, and numerous other public benefits. They also support thousands of jobs. I was disappointed to learn that this recommendation, along with a prior lumber determination by the Department of Energy, was made without consultation with the USDA. USDA not only has expertise in forest management and forest products, but has publicly stated that SFI and ATFS standards can be used to verify sustainability of forest products. I am hopeful that USDA will engage with DOE and EPA and work with them to change their current programs to recognize all three credible forest certification standards. Hasn't USDA, and in particular, the U.S. Forest Service, as the Federal experts of sustainable forests, already made a determination regarding systems for demonstrating sustainability of forests through the USDA BioPreferred program as well as your green building policy? Doesn't this policy recognize ATFS, SFI, FSC as well as other approaches that meet the ASTM 7612-10? Do you recommend EPA and DOE use this approach?

Answer. The U.S. Department of Agriculture's (USDA) Natural Resources and Environment Office has met with EPA's Office of Chemical Safety and Pollution Prevention to discuss the interim recommendations. EPA's Standards Executive plans to reach out to the Sustainable Forestry Initiative (SFI), the American Tree Farm System (ATFS) and other forestry stakeholders to gather additional relevant input to inform subsequent revisions of the Recommendations of Specifications, Standards and Ecolabels. USDA also plans to provide relevant, existing analysis to inform EPA's determination for the lumber/wood category, going forward.

Question 2. Please provide the Committee with the number and status of Good Neighbor Master Agreements that have been signed. Please include the number of agreements that have been signed since Feb. 2014; the number of acres that have been managed under GNA; and the projected timber outputs from acres under GNA agreements in 2016.

Answer. The agency has entered into 23 Good Neighbor Agreements with 18 States including Alabama, Arizona, California, Colorado, Idaho, Indiana, Michigan, Minnesota, Montana, Tennessee, Texas, New Hampshire, Oregon, Pennsylvania, Utah, Vermont, Wisconsin, and Wyoming. Thirteen of the 23 agreements are master agreements that establish a framework for future project agreements, while ten are project agreements.

Implementation is just beginning, but more than 14,000 acres of management activities are identified to be completed in project agreements, including timber harvest and regeneration, insect and disease treatment, post-wildfire tree planting, range vegetation improvement, prescribed fire, and wildlife habitat improvement. Other activities and coordination of personnel resources are included in Good Neighbor agreements that are not captured as acres of management.

Timber harvest projects are currently being implemented by Wisconsin Department of Natural Resources (DNR) on the Chequamegon-Nicolet National Forest and by Minnesota DNR on the Chippewa and Superior National Forests. To date, Wisconsin DNR has sold approximately 8.2 million board feet (mmbf) of 25 mmbf planned for 2016. Minnesota DNR is preparing to sell approximately 1 mmbf in 2016.

Question 3. How many projects have been completed using the Categorical Exclusions? How many acres are covered by these projects? If you are not doing 3,000 acre projects, can you explain to the Committee what prevents you from maximizing the benefits of this program?

Answer. Approximately twelve project decisions have been approved utilizing the Categorical Exclusion provisions in the 2014 Agricultural Act (Farm Bill). Almost 17,000 acres of pesticide treatment, commercial and noncommercial timber sales, and prescribe burns are covered in the twelve decisions. There are many factors that

determine the size of a project. Each project is designed to achieve specific results for the objectives and conditions in the area. Through our collaborative processes it may be determined that a small project is appropriate and sometimes a larger project is appropriate. In many instances a 3,000 acre project would be considered large and the capability of shrinking staff to plan implement projects is often a limiting factor.

Question 4. How many projects are being done under the Environmental Analysis authority that enables the Forest Service to analyze action and no action alternatives? How many acres do these projects cover?

Answer. There are eight projects utilizing the environmental assessment process under the HFRA, as amended by the farm bill. These eight environmental assessments propose approximately 11,000 acres of commercial and 1,400 acres of non-commercial timber sales, 4,100 acres of prescribe burn, and 150 miles of road work.

Question 5. Does the Forest Service tend to drop acres from management whenever there is a sensitive resource? Does this sometimes hinder getting needed management on the forests?

Answer. Sensitive resources are considered before project development begins and in many instances are addressed at the Forest Plan level. Projects may be adjusted during development to protect or enhance sensitive resources. Conversely projects are also designed to avoid and/or minimize effects to sensitive resources. Considering sensitive resources in the planning of projects is part of sound natural resources management and helps facilitate effective treatments on the ground.

Question 6. Section 8303 of the farm bill allowed the Forest Service to expand the use of designation by description and prescription. Can you update us on the use of this authority? Has guidance been provided to field? Please provide any examples of how it has been used.

Answer. Guidance has been provided to the field on the use and application of designation by description (DxD) and designation by prescription (DxP). An initial letter of direction was issued to the Regional Foresters by the Director of Forest Management. The letter signed by the Director of Forest Management and dated May 20, 2015, specified how to use and apply the authority and included contract provisions for the use of DxD and DxP.

The National Forests of Texas use DxD and specifically, DxSpacing as appropriate and have a long history of use for designating or describing timber to be cut and removed by purchasers from National Forest System lands in East Texas.

While DxD has been used for many years in the National Forests of Texas, the following examples nationally apply the 2015 direction. The Siuslaw National Forest is using DxP to move plantation stands towards late successional reserves within Northwest Forest Plan area. DxP is used on the Siuslaw NF to develop the skips (clumps) and gaps (small openings) in an otherwise uniformly spaced plantation that will allow the stand to trend toward late successional reserve structural conditions. These desired conditions include large old trees with character, variable spacing, and several canopy layers. Because the selection of individual trees is less critical than the end result, DxP is utilized to somewhat randomize the selection and utilize existing structure where it exists more effectively, and for less cost than individual tree marking. Four sales have been sold and two more are planned for this year using DxP on the Siuslaw National Forest.

The Okanogan-Wenatchee National Forest in Washington is preparing approximately 5,000 acres of thinning with DxD (Swauk Pine project) and 1,000 acres with DxP (South Summit 2 Project) to create fire-resilient stand conditions by removing individual trees, clumps of trees, and creating openings (all trees removed). In addition, approximately ½ of the acres being annually prepared in the Four Forests Restoration Initiative (4FRI) Stewardship Contract in Arizona are using DxD and DxP provisions.

Question 7. Do you anticipate meeting the 3.2 billion board foot timber sale goal in 2016 without using personal use firewood in your accomplishment totals?

Answer. The Agency is on a trajectory to meet the 3.2 billion board feet timber sold target for 2016. The 3.2 billion board feet includes the personal use firewood, which has always been included in the Agency's annual accomplishment target.

Question 8. Please provide the Committee with how you allocated funding and volume targets among FS regions.

Answer.

Region	Forest Products FY 2016 Funding Allocation (dollars in thousands)	FY 2016 Timber Volume Target (million board feet-MMBF)
2	\$24,969	286
5	\$28,720	385
6	\$46,791	610
8	\$29,169	592
9	\$35,916	499
10	\$14,490	62

Region	IRR Pilot Regions FY 2016 Funding Allocation (NFRR) (dollars in thousands)	FY 2016 Timber Volume Target (million board feet-MMBF)
1	*\$57,986	360
3	*\$41,461	217
4	*\$47,758	150
Total	*\$147,205	727

	All Regions FY 2016 Funding Allocation (dollars in thousands)	FY 2016 Timber Volume Target (million board feet-MMBF)
NFTM	\$180,055	2,434
NFTM	\$180,055	2,434
NFRR	*\$147,205	727

Note: The Integrated Resource Restoration (IRR) pilot regions—1, 3, and 4—are allocated funding in the Integrated Resource Restoration (NFRR) budget line item. This includes \$65,560 in Forest Products funding (NFTM) transferred to the NFRR budget line item, as well as Vegetation and Watershed Management funding, Wildlife and Fisheries Habitat Management funding, and a portion of Legacy Roads and Trails and Hazardous Fuels funding. **The NFRR budget line item funds a wide portfolio of restoration work producing many outputs and outcomes including, but not limited to, timber volume.**

Question 9. How much volume do you anticipate will come from the Four Forest Restoration Initiative (4FRI)? Are you confident that the contractor there will be able to increase acres treated rather than just acres awarded?

Answer. Implementation of the Four Forest Restoration Initiative (4FRI) continues to accelerate, with the planned timber sale and stewardship offerings in FY16 accounting for approximately 275,000 CCF (33,000 acres). Most of these offerings (approximately 70%) will be outside of the Phase I Contract to existing timber industry in Northern Arizona. 4FRI consists of a wide variety of work across the ponderosa pine forests of Northern Arizona, the Phase I Contract held by Good Earth Power (GEP) is one just facet of the restoration work being accomplished. GEP continues to accelerate its work, and the Agency is cautiously optimistic that the ramp-up in restoration capacity projected by GEP in the coming year will materialize. By diversifying contracting opportunities, the Agency is positioning itself to be successful in the implementation of 4FRI regardless of the performance of GEP.

Question 10. On page 13 of the budget justification, the Forest Service notes they have treated an average of over 4.8 million acres annually to make them “more resilient to a variety of threats, and more capable of delivering benefits to the American people.” Please provide a breakdown for the last 5 years of how many acres: Were treated using prescribed fire.

Answer.

Calendar Year	2011	2012	2013	2014	2015	Total
Acres treated using B Fire	1,108,415	1,177,789	1,279,290	1,367,588	1,060,622	5,993,704

Question 10a. Were treated using mechanical thinning.

Answer.

Calendar Year	2011	2012	2013	2014	2015	Total
Acres treated using Mechanical Thinning	400,008	279,659	263,786	310,851	235,425	1,489,729

Question 10b. When treated, produced merchantable timber.

Answer.

Calendar Year	2011	2012	2013	2014	2015	Total
Acres treated producing merchantable timber	195,217	207,912	206,924	192,562	204,420	1,007,035

Question 10c. Were treated using prescribed fire during fire suppression operations (i.e., backfires, burning of jackpot fuels within the fire perimeter, etc.).

Answer. During suppression operations, use of prescribed fire for burnouts, backfires, or other tactical activities is not measured. The purpose of using fire during suppression activities is to reduce potential fire behavior, by limiting burnable material. The wildland fire agencies do not track acres treated by prescribed fire during suppression activities.

Question 10d. Were treated by allowing wildfires to burn within prescription or to accomplish resource objectives.

Answer. The Forest Services does not track this statistic. The USFS recognizes that every wildfire, regardless of management strategy or objective, has the potential to have burned areas that both enhance and diminish resource values, dependent upon burning conditions. The 2009 Implementation Guidance for Federal Fire Policy provides managers with an adaptive policy that allows for every wildfire to be assessed on its potential to create positive or negative outcomes.

Acres burned by wildfires resulting in desirable conditions as defined by the Land and Resource Management Plan for a particular Forest or Grassland are reported as "Fire Use" acres. At present the USFS only tracks this for naturally occurring wildfires (lightning), and not for human caused fires. The total reported "Fire Use" acres for the last 5 years is found in the table below.

Calendar Year	2011	2012	2013	2014	2015	Total
Wildfire Acres that Met Objectives	418,528	222,272	397,166	276,148	489,207	1,803,322

Question 11. Did any wildfires which were allowed to burn within prescription or to accomplish resource objectives in FY2015 subsequently escape and require additional suppression resources?

Answer. The Forest Service does not collect information on wildfires that would allow us to answer this question. As of 2009, the Forest Service manages all wildfires by first establishing a protection strategy for those values immediately at risk. The strategies used to manage a fire can change as the fire spreads across the landscape, weather conditions change, and often vary on a single fire.

Question 12. The Knutsen-Vandenberg (K-V) Act of June 9, 1930 allowed the Forest Service to utilize revenue generated from timber sales to conduct resource restoration. In the FY 2006 Interior Appropriations Bill (P.L. 109-54), Congress amended the K-V Act to allow the Forest Service to use K-V to pay for "watershed restoration, wildlife habitat improvement, control of insects, disease and noxious weeds, community protection activities, and the maintenance of forest roads, within the Forest Service region in which the timber sale occurred," removing a prior restriction which required that the funds be used within the sale boundary. This gave the Forest Service the means to expand and expedite its restoration efforts in connection with forest management projects utilizing traditional timber sale contracts.

For each region, how much of the revenue generated from timber sales in 2014 and 2015 was available to carry out work under the K-V Act?

Answer.

Region	Fiscal Year 2014 Revenues (\$)	Fiscal Year 2015 Revenues (\$)
R-1, Northern	4,056,395	6,138,319
R-2, Rocky Mountain	3,780,760	4,249,664
R-3, Southwestern	188,616	283,436
R-4, Intermountain	419,183	206,807
R-5, Pacific Southwest	4,752,236	2,767,369
R-6, Pacific Northwest	13,804,251	14,504,640
R-8, Southeastern	15,964,402	20,773,186
R-9, Eastern	9,947,601	12,565,697
R-10, Alaska	51,325	8,691
Total	52,964,769	61,497,809

Question 12a. How much of this revenue was actually collected and used to fund K-V projects?

Answer. \$23,683,398 and \$21,416,473 was used to fund CW KV projects within the sale area boundary during FY 2014 and FY 2015, respectively.

Question 12b. How much of the revenue collected was used to fund K–V projects outside the sale area boundary as authorized by P.L. 109–54?

Answer. \$322,912 and \$478,266 was used to fund Regional Projects (CWK2) outside the sale area, during FY 2014 and FY 2015, respectively. Within the region, the money was collected as authorized by P.L. 109–54.

Question 13. Within USDA, the Agriculture Research Service (ARS), USDA’s intramural science agency, is heavily involved in research to identify the causes and vectors of Bighorn diseases. It seems the Forest Service has chosen to ignore sound science provided by ARS. For instance, there is evidence that there is no single, identifiable pathogen responsible for the most common respiratory diseases in Bighorn sheep that can clearly be tied to contact with domestic sheep on open range. In fact, there are documented Bighorn die-offs in areas far removed from any domestic sheep. The recent development of genetic markers and isolation of the CD14 genetic marker will allow for marker-assisted selection for reduced transmission to Bighorn sheep as well as highlight very important biological and immunological differences between domestic and Bighorn sheep. Yet, the Forest Service continues to ignore this evidence and research. To the degree that you continue down the path of allotment termination, please tell me how you can make land management decisions based on assumptions of disease transmission that are not backed up by the science developed by your sister agency, the ARS? Why do you choose to ignore that science? Is the Forest Service planning further reductions or nonrenewal of grazing allotments for domestic sheep? If so, is the Forest Service prepared to offer comparable alternative allotments for domestic sheep grazing?

Answer. The Forest Service acknowledges that the Agriculture Research Service (ARS) continues to conduct valuable research on diseases affecting domestic livestock and wildlife, specifically domestic sheep (DS) and bighorn sheep (BHS), which can inform our management and policy decisions. The Forest Service will continue our partnership with ARS, and the Animal and Plant Health Inspection Service (APHIS) to work together to better understand the evolving science and its relevant applications. Numerous peer-reviewed scientific publications spanning more than 30 years indicate that BHS are highly susceptible to several highly pathogenic disease causing agents carried by DS which includes *Mycoplasma ovipneumoniae* and multiple strains of bacteria within the *Pasteurella* family.¹ These organisms often co-infect both BHS and DS to produce a ‘poly-microbial pneumonia complex’. Although DS carry (and are infected with) these pathogenic agents without significant disease manifestation, similar infections in BHS often have lethal consequences. There have been instances where BHS die-offs have occurred away from domestic sheep either related to or unrelated to infectious disease events. However, there remains significant published scientific evidence documenting that direct contact between the BHS and DS can be profoundly lethal to BHS.² The Forest Service will continue to consider all reasonable management options available, in partnership with ARS and APHIS who provide their expertise in disease transmission, prevention, management, and control especially at the livestock-wildlife interface.

As new scientific information becomes available, such as ‘CD-14’ or other ‘genetic markers’, the US Forest Service will work closely with ARS and APHIS to interpret

¹ Callan, R.J., T.D. Bunch, G.W. Workman, and R.E. Mock. 1991. *Development of pneumonia in desert bighorn sheep after exposure to a flock of exotic wild and domestic sheep*. JOURNAL OF THE AMERICAN VETERINARY MEDICAL ASSOCIATION 198: 1052–1056.

Cassirer, E.F., L.E. Oldenburg, V.L. Coggins, P. Fowler, K. Rudolph, D.L. Hunter, W.J. Foreyt. 1996. *Overview and preliminary analysis of a bighorn sheep dieoff, Hells Canyon 1995–96*. Pages 78–86 in PROCEEDINGS OF THE TENTH BIENNIAL SYMPOSIUM NORTHERN WILD SHEEP AND GOAT COUNCIL.

Dubay, S., H. Schwantje, J. DeVos, T. McKinney. 2002. *Bighorn sheep (Ovis canadensis) diseases: a brief literature review and risk assessment for translocation*. PROCEEDINGS OF THE BIENNIAL SYMPOSIUM OF THE NORTHERN WILD SHEEP AND GOAT COUNCIL 13: 134–152.

Foreyt, W.J. 1989. *Fatal Pasteurella haemolytica pneumonia in bighorn sheep after direct contact with clinically normal domestic sheep*. AMERICAN JOURNAL OF VETERINARY RESEARCH 50: 341–344.

Foreyt, W.J., and D.A. Jessup. 1982. *Fatal pneumonia of bighorn sheep following association with domestic sheep*. JOURNAL OF WILDLIFE DISEASES 18: 163–168.

Garde, E., S. Kutz, H. Schwantje, A. Veitch, E. Jenkins, and B. Elkin. 2005. *Examining the risk of disease transmission between wild Dall’s sheep and mountain goats, and introduced domestic sheep, goats, and llamas in the Northwest Territories*. THE NORTHWEST TERRITORIES AGRICULTURAL POLICY FRAMEWORK AND ENVIRONMENT AND NATURAL RESOURCES, GOVERNMENT OF THE NORTHWEST TERRITORIES, Canada. 139 pp.

Goodson, N. J. 1982. *Effects of domestic sheep grazing on bighorn sheep populations: a review*. PROCEEDINGS OF THE BIENNIAL SYMPOSIUM OF THE NORTHERN WILD SHEEP AND GOAT COUNCIL 3: 287–313.

²[Supra] fn. 1.

the relevance and potential application of this information. The recent publication describing ‘CD-14 markers’ refers to surface markers on white blood cells (WBC) that indicate differences in host immune responses to infectious agents.³ This recent study demonstrated that BHS have a greater number of ‘CD-14 markers’ on their WBC, compared to DS, causing a severe, lethal immune (inflammatory) response to the “poly-microbial pneumonia complex” pathogens in BHS but causing only a mild response in DS to the same infection. This supports the pre-existing published evidence that BHS are highly susceptible with fatal consequences to this shared disease while DS remain infected but are asymptomatic. The Forest Service appreciates these scientific advancements in disease immunology (*e.g.*, CD-14 markers) to help inform management decisions.

The Forest Service will continue to gather the necessary data and information that will help to inform our decisions on the potential for disease transmission between the BHS and DS species. We will be developing and implementing management actions as part of the National Environmental Policy Act (NEPA) process for sheep allotment management planning and Forest Plan revisions. Where allotments or portions of allotments have been identified with unacceptable risk, the Forest Service will use best efforts to identify and implement best management practices to help mitigate the potential for high-risk of disease transmission; or where possible, relocate domestic sheep to other allotments, with minimal disruption and displacement of permittees. We will continue to use the best scientific information available as it relates to disease prevention and control including vaccines, inoculations, and genetics that will assist us in the management of this issue. Finally, the Forest Service will continue to consult with interested stakeholders, including the permittees, prior to decisions being made that may adjust management actions on domestic sheep allotments.

Question Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question. In November the President issued a Presidential Memorandum on mitigation policy calling for agencies to “share and adopt a common set of their best practices to mitigate for harmful impacts to natural resources.” Do you know why this Memorandum was issued and does it change what USDA is already doing? Also, does the Memorandum apply to anything beyond conservation and natural resource programs?

Answer. The Presidential Memorandum was developed and issued by the White House. USDA understands that the Council on Environmental Quality identified an opportunity to increase cooperation and efficiency across and among the Federal land management agencies in their permitting of infrastructure projects. The Memorandum specifically calls for the Forest Service to develop a national mitigation policy and all natural resource trustees, which includes the Secretary of Agriculture for National Forest System lands to develop guidance for the use of mitigation banking as a component of Natural Resource Damage Assessment settlements. The Secretary of Agriculture has delegated the trustee responsibility to the Chief of the Forest Service. The Forest Service had begun to evaluate its mitigation authorities and existing policies in response to the Presidential Memorandum. The Forest Service has been using mitigation to limit the impacts from its activities and those that it authorizes for decades. The Forest Service views the Memorandum as providing an opportunity to clarify the Agency’s approach to mitigation and improve transparency, efficiency and effectiveness.

USDA interprets the specific requirements of the Memorandum to apply to the Forest Service. However, the Memorandum sets expectations for all USDA agencies to appropriately mitigate “harmful effects to land, water, wildlife, and other ecological resources (natural resources) caused by land- or water-disturbing activities, and the ensure that any remaining harmful effects are effectively addressed, consistent with existing mission and legal authorities.”

Response from Jason Weller, Chief, Natural Resources Conservation Service, U.S. Department of Agriculture

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

Question 1. Please provide the Committee with the latest numbers on the backlog for wetland determinations for each state in the Prairie Pothole region.

³Highland, H.A., D.A. Schneider, S.N. White, S.A. Madsen-Bouterse, D.P. Knowles, and W.C. Davis. 2016. *Differences in leukocyte differentiation molecule abundances on domestic sheep (Ovis aries) and bighorn sheep (Ovis Canadensis) neutrophils identified by flow cytometry.* COMPARATIVE IMMUNOLOGY, MICROBIOLOGY AND INFECTIOUS DISEASES 46: 40–46.

Answer. Certified Wetland Determination Request Backlog (As of Apr. 1, 2016 for the Prairie Pothole Region of each State):

Iowa	598
Minnesota	240
North Dakota	737
South Dakota	1,372
 Total	 2,947

Significant progress has been made in reducing the backlog:

- The net backlog of requests that exceeded 11,000 in the spring of 2012 is less than 3,000 today.
- From October 1, 2015 to March 1, 2016 the four states have reduced the backlog by over 1,000.
- NRCS has been using revised State Offsite Methods to complete wetland determinations since July 1, 2015. This is a more efficient method of completing preliminary determinations.

Question 2. As you may know, many in the Prairie Pothole Region have concerns with the off-site wetland determination process. In what other ways is NRCS speeding up the process to address the backlog? Would NRCS be interested in working with the Committee to better leverage third party expertise to help with the backlog?

Answer. The backlog is being reduced in a more expedient manner through:

- Increased efficiencies in the wetland determination process facilitated by the states commitment in establishing dedicated leadership positions for conservation compliance and the use of more efficient systems to track workload.
- Continued dedicated funding to hire temporary staff and redirection of existing resources to service producer requests.
- Continued training efforts to increase and maintain effectiveness and efficiency of staff conducting determinations.
- The procurement or creation of enhanced remote resources including LiDAR and Ecological Site Descriptions tied to hydric soil map units.

As a result, NRCS has completed over 55,000 determinations (over 92% of those requested) in the last 5 years resulting in fewer producers not having a determination. In addition, we have seen fewer requests for determinations as commodity prices and land values have fallen in the last 2 years.

The potential for the use of third parties is affected by the provision added in The Farm Security and Rural Investment Act of 2002, which stipulated that the authority to determine compliance could not be delegated to any private person or entity (16 U.S.C. 3821(e)). So while NRCS accepts data provided by third parties, this data must be independently evaluated by NRCS in making determinations.

Question 3. What is the average time in the past couple years for a producer to get a final determination in South Dakota, for example, including any time spent in the appeals process? Is NRCS required to turn over the notes and documents used to make the determination to the producer if the producer requests it?

Answer. The average time for a producer to get a final determination has been decreasing, however it is difficult to assess due to the different appeal options available to producers and the differing extent and complexity of individual determinations. In 2014 and 2015 the average time for a producer to get a preliminary determination conducted in South Dakota is approximately 5 to 9 months. If a determination is appealed, then a reconsideration site visit must be conducted and the time requirement for this varies greatly based on the number of and complexity of sites that need to be inspected and discussed. There are further appeal options and “levels” available to producers including appeals to the Farm Service Agency County Committee, which requires another field visit by regulation, or the National Appeals Division (NAD). The final option in the administrative process is a request for a NAD Director review, which generally takes over 1 year. The most current data indicates that the appeal rate in South Dakota is approximately five percent. This means that 95 percent of the time, producers should have a final determination within 5 to 9 months.

When the NRCS transmits a preliminary or final wetland determination to the producer, the factual basis is always provided as required by the appeals regulation.

There may be additional documents and field notes in the NRCS case file that are not provided by default, but are always available to a producer upon request.

Question 4. As you know, farmland protection, grassland reserve, and the wetland reserve were consolidated into the Agricultural Conservation Easement Program during the 2014 Farm Bill. However, the Agricultural Land Easement (ALE) component is currently receiving only 29 percent of the funding and far fewer dollars than under the former program. What steps are being taken to ensure a fair and equitable allocation of funding between agricultural land easements and wetlands reserve easements?

Answer. The Agricultural Conservation Easement Program (ACEP) allocation between the program components is based upon demand. NRCS works diligently to allocate program funds to states for the ACEP program components to respond to established demand. Over the course of the 2008 Farm Bill, the predecessor easement programs (the Farm and Ranch Lands Protection Program (FRPP), the Grassland Reserve Program (GRP), and the Wetlands Reserve Program (WRP)) received an average of \$780 million annually, of which approximately 73 percent went to WRP and 27 percent went to GRP and FRPP. The current average annual funding available under ACEP is approximately \$368 million annually, about 47 percent of the amount available under the predecessor programs. As a result, NRCS is able to fund approximately 30 percent of the total ACEP applications received each year.

In FY 2014 and FY 2015, the demand under ACEP, in number of applications and dollars requested, was approximately 65–70 percent for the Wetlands Reserve Easement (WRE) component and 30–35 percent for the Agricultural Land Easement (ALE) component. In FY 2014 and FY 2015, an average of 130,000 acres were enrolled in ACEP each year. This includes 80,000 acres annually of farm and ranch lands protected through new ACEP–ALE enrollments, and 50,000 acres annually of wetlands restored and protected through new ACEP–WRE enrollments, a split of 61 percent ACEP–ALE acres and 39 percent ACEP–WRE acres. The associated funding split has averaged approximately 39 percent ACEP–ALE and 61 percent ACEP–WRE.

While the reduced ACEP funding results in reduced enrollments across the entire program compared to prior years, the reduction in ACEP–WRE enrollments have been disproportionately larger than ACEP–ALE. ACEP–ALE has been allocated funds to enroll 60 percent of the historic average acres under FRPP/GRP, from 132,000 acres annually under FRPP/GRP to 80,000 acres under ACEP–ALE; ACEP–WRE has been allocated funds to enroll 28 percent of the historic average acres under WRP, from 177,000 acres per year under WRP to 50,000 acres per year under ACEP–WRE. Similarly, in FY 2014 and FY 2015, ACEP–ALE received a larger relative proportion of funds than historically received under the predecessor programs. NRCS will continue to work to balance demand, resource needs, and maximizing the benefits of Federal funds invested.

Question 5. Under the Agricultural Conservation Easement Program (ACEP), the two components of the Agricultural Lands Easement (ALE) and Wetland Reserve Easements (WRE) are quite different—ALE protects working lands while WRE largely retires wetland areas. Unfortunately, USDA is prohibiting any Conservation Reserve Program (CRP) contracts, including conservation buffers along rivers, lakes and streams, if the working land is covered by an agricultural land easement. This is creating an unfair situation between farmers with an easement and those without an easement. Why is this being done, and how can USDA fix this problem?

Answer. NRCS encourages the implementation of conservation practices recommended for resource concerns identified in the Agricultural Land Easement Plan. The NRCS ACEP manual provides specific policy guidance and identifies CRP, the Environmental Quality Incentives Program (EQIP), the Conservation Stewardship Program (CSP), the Agricultural Management Assistance (AMA) Program, and the Regional Conservation Partnership Program (RCPP) as possible sources of financial assistance for implementation of the conservation practices identified in the Agricultural Land Easement plan. ACEP does not prohibit the use of those conservation programs but the availability of the programs are subject to the eligibility requirements, policies, and procedures of those programs. NRCS is committed to allowing full participation in any available program as consistent with the purposes of the ACEP easements. NRCS and FSA have worked cooperatively to update and revise to Conservation Reserve Enhancement Program (CREP) policy to allow for ALE participation in efforts to provide needed buffers along rivers, lakes and streams in important areas.

Question 6. In the Agricultural Conservation Easement Program created in the 2014 Farm Bill, Congress directed that an Agricultural Land Easement (ALE) Plan be developed. However, Congress did not say that the responsibility be handed over

to the partnering entity. For most entities, developing the plan would be an area they have little expertise in while NRCS does. This could very well be NRCS's responsibility. What is NRCS doing to engage their own conservation planning expertise to address the need for an ALE plan?

Answer. The eligible entity has the option under the terms of the Agricultural Conservation Easement Program—Agricultural Land Easement (ACEP–ALE) cooperative agreement to develop the ALE plan itself or to allow NRCS to develop the ALE Plan at NRCS cost. This choice provides the full use of the NRCS conservation planning expertise and allows the eligible entity to provide input in the development of the ALE plan on the easement. For eligible entities who opt to develop the ALE plan on their own, NRCS does review those plans and works with the eligible entity to ensure the plan addresses program purposes and the resource concerns for which the easement is being acquired. Under ACEP–ALE policy, the eligible entity, the landowner, and NRCS all approve the ALE plan.

Question 7. The Federal right of enforcement was intended as a backstop for the slight risk of an entity failing to enforce a conservation easement. The interim rule left an open ended liability for entities to repay any and all costs of any Federal enforcement. Entities are being forced to sign commitments to have these open ended liabilities even if the state or local program correctly enforces easement requirements. What is being done to avoid this problem?

Answer. The ACEP regulation and the easement deed outline the circumstances under which the Federal right of enforcement may be exercised. This enforcement right is triggered when the entity violates its agreed-to responsibilities to enforce the terms of the easement. The Federal right of enforcement is not triggered if an entity enforces easement requirements.

All NRCS program participants are required to meet the terms of the program requirements. If a participant fails to meet the required terms of a program, NRCS has the ability and fiduciary responsibility to recover costs. However, unlike the 30 day timeframe given to producers and landowners participating in NRCS financial assistance programs, ACEP–ALE entities are given 180 days to correct any deficiencies prior to a determination by NRCS to take its own action with respect to violations. Provided the entity keeps NRCS apprised of the actions the entity is taking to resolve any enforcement situation, the Federal right of enforcement would not trigger.

The Federal right of enforcement is a backstop that safeguards the Federal investment and protects the natural resources. NRCS must ensure that any limitation on the Federal Government's ability to recovery costs is consistent with principles of fiduciary responsibility. The recovery of costs is authorized specifically by the ACEP–ALE statute and ensures that the entity maintains its role as primary title holder of the easement under the terms of the ALE agreement.

NRCS received 17 comments related to the Federal right of enforcement during the public comment period associated with the February 2015 publication of the Agricultural Conservation Easement Program (ACEP) interim rule. Of these comments, a few respondents recommended that NRCS modify the right of enforcement language to limit or eliminate NRCS' ability to recover any funds in the event that the entity breaches its responsibilities under the terms of the ACEP Agricultural Land Easement (ALE). NRCS is sensitive to the concern expressed by entities concerning potential open-ended liabilities, and is reviewing these comments in the development of its ACEP final rule. In the meantime, NRCS will continue to work with entities, such as State partners, that have specific statutory concerns with respect to the right of enforcement language.

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 1. Mr. Bonnie or Chief Weller—Can you explain how the NRCS Conservation Client Gateway interacts with FSA and RMA? Is the basic data that producers enter, like farm nos., accessible by FSA and RMA as well or can a producer pull what they need from their FSA data to your portal? How many producers are utilizing this on-line option?

Answer. The NRCS Conservation Client Gateway (CCG) is a secure, web-based application that is designed to be used by NRCS clients to request technical assistance, apply for financial assistance conservation programs, manage their conservation plans and farm bill contracts, and track their conservation payments for completed and certified conservation practices from the convenience of their home or office.

As currently implemented, NRCS, FSA, and RMA share a common client database, called the Service Center Information Management System (SCIMS), which is populated from FSA's Business Partners application. In a prior analysis, it was esti-

ated that about 70 percent of the active clients contained within SCIMS are common between NRCS and FSA. For a given client record, NRCS and FSA share common business entity types (*e.g.*, individual, limited liability corporation), demographic classifications, and other client information. Although NRCS's CCG uses common client data, it does not interact directly with FSA nor RMA software applications.

Secure access to CCG by authorized clients is provided through a valid SCIMS client record and a secure login and password provided by an eAuthentication Level 2 record. An account with Level 2 access allows the client to enter CCG with a higher level of security to protect client information.

Land delineation data are similar, but not identical between NRCS and FSA. FSA uses common land units (CLUs), containing farm, tract, and field numbers within Farm+ to delineate client land areas mainly for the purpose of determining crop acreage for commodity programs. NRCS uses planning land units (PLUs), containing farm, tract, and PLU numbers within CCG to delineate client planning areas for purpose of identifying an area for conservation planning for conservation programs. A PLU may be larger than a CLU because PLUs often need to contain field borders and corners that are not in crop production. While very similar in most instances, they are designed for different programmatic purposes.

FSA clients cannot view their FSA acreage information through the NRCS CCG. Clients can import CLUs of their land into CCG through the Import/Export Coverage function, which can then be used to delineate areas for requests for assistance by NRCS.

As of April 22, 2016, nearly 1,000 clients are using the NRCS CCG to conduct some portion of their business with NRCS. The majority of the use is to report completed conservation practices and to request certification and payment of farm bill program contract items for these completed practices, as well as to upload documents to support conservation planning and contract efforts.

Question 2. Chief Weller—Under the cooperative agreements you have with groups like Pheasants Forever, Ducks Unlimited and others, are these TA providers given direction on how they're to provide technical assistance and act on behalf of NRCS? Are they directed not to advocate on anything that may benefit their primary employing organization?

Answer. When a partner signs a cooperative agreement with NRCS to perform technical assistance, the Cooperator/Grantee signs a mandatory Assurance form SF-424b (non-construction) or SF-424c (construction). The forms contain standard language stating that the partner will “establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.”

Response from Alexis Taylor, Deputy Under Secretary, Farm and Foreign Agricultural Services, U.S. Department of Agriculture

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

Question 1. We are hearing from a number of farmers about variability of ARC payments on corn between counties. FSA has made it clear that they started with NASS data when setting ARC guarantees. But, it seems that RMA has the most complete data set for the purpose of providing payments to farmers, since it is based on all insured acres rather than a survey of acres. Can you explain why USDA did not use RMA data as the primary data source in determining ARC payments?

Answer. Under current policy, the yield for ARC-CO is based on data from the National Agricultural Statistics Service (NASS) for the county, if available. NASS yield data is based on long-standing statistical procedures that best approximate yield for the geographic area in question. To publish county or district data, NASS requires a minimum of 30 producer respondent reports (with both harvested acreage and yield) or that the harvested acres from producer reports with positive yields account for a minimum of 25 percent of the current year's harvested acreage estimate for that county or crop reporting district. NASS's statistical procedures ensure that the resulting data published are objective, unbiased, and protect producer information.

In addition to NASS being the only regularly published county-level yield information, it is available several months before comparable RMA yields. Given the time it takes to collect and collate information through the agents and insurance companies, RMA's data is not available until several months after the NASS data. This additional time would have in turn delayed the availability of the information for the university-based producer education tools that were used as a reference even for

some of the early program-related decisions like whether or not to reallocate base acres.

Question 2. The intent of the Biomass Crop Assistance Program (BCAP) is to provide financial assistance to producers to establish dedicated energy crops. To date, how many acres of dedicated energy crops have been created from the program? How much has been spent through BCAP to date?

Answer. Over 49,000 acres across 74 counties in 11 different project areas are currently enrolled, helping over 800 producers with the production and establishment of seven different dedicated energy crops, including fast growing trees, energy grasses, and oilseed crops.

Under the Notice of Funding Availability (NOFA) of 2009, with an apportioned budget of \$535 million, BCAP matching payments totaled a delivery in FY 2009 and FY 2010 of 5.9 million dry tons of predominantly forestry waste from private forestlands and manufacturing wood waste. The BCAP costs include the following below.

BCAP Rental Payments	\$15.67 M
BCAP Cost-Share Payments	\$22.43 M
BCAP Matching Payments	\$277.96 M
BCAP Technical Assistance	\$162,000
Matching Payments date ranges cover 6 years	**

*Note: obligations for these payments were made in 2011, 2012, and 2015.

**October 2009 through December 2012; and January 2014–April 2015. Project Area payments are 2011 through 2015.

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 1. We've heard a little bit about double ditch conservation practices that are very beneficial for runoff and water quality. However, this practice takes up significantly more land than just single ditch practices, causing farmers to take more land out of production. One incentive for some farmers would be to use CRP here, but we are hearing that the double ditch practices are not meeting CRP standards. Can you explain why this isn't qualifying and are you looking into this at all?

Answer. The double ditch, or two-stage ditch conservation practices are not currently an approved practice for CRP. While it may be effective in certain applications, the effectiveness has not been studied in as much detail as other CRP practices. As the technical service provider for CRP, the Natural Resources Conservation Service studies the effectiveness of the practices and adopts a national standard for the practice. CRP only recognizes new practices that have completed this review and approval.

Question 2. Ms. Taylor—NRCS introduced a web portal that allows producers to enter data on their operations. Where do things stand with FSA's option to allow on-line web access to producers to enter information for their operations and check on other items?

Answer. FSA currently allows producers who through FSAfarm+ Eauth level 2 to electronically access their farm and personal information. This includes information such as farmland and cropland information; ARC/PLC bases and yield information; CRP and other conservation program acreage; HELC and WC (Wetland) status information; field boundaries (common land unit); farm imagery; name and address details; membership interest and share information; and contact information.

FSAfarm+ also allows producers to search for and print their farm and tract maps; view and print farm details; and view and export their common land unit (field boundaries).

FSA is exploring ways to expand this opportunity to allow on-line web access to producers through FSAfarm+ including the NRCS portal that is mentioned, along with other customer self-service avenues.

Question 3. Ms. Taylor or Mr. Dolcini—How many instances did you have under the ARC and PLC program where a producer did not complete their sign-up by coming back into their local offices a second time? What have budget cuts meant for the ability of county offices to keep producers up to speed on sign-up deadlines and other reporting requirements? Are they still allowed to mail newsletters?

Answer. Approximately 1.78 million producers signed up for ARC or PLC in crop year 2014. Some producers with bases do not enroll in ARC–PLC for various reasons, including ineligibility such as AGI, or having bases that are 10 acres or less. FSA engaged in significant outreach and educational efforts with producers by: partnering with universities and other stakeholder partners to develop decision tools; participating in more than 5,000 events discussing base reallocation, yield up-

dates, and the ARC–PLC programs; and mailing over five million postcards and other reminders in newsletters or via e-mail through GovDelivery to producers informing them of the deadlines for completing work relative to the base reallocation, yield update, and the ARC–PLC election.

Similar to any other program, if producers did not meet the sign up deadline due to misaction, misinformation or miscommunication from an FSA employee they can contact their county office to seek equitable relief. Under this long-standing process, these relief requests then can be sent forward by the state FSA office to FSA headquarters for review and a decision.

Question 4. Mr. Dolcini—Do you have wildlife biologists on staff who determine cover crop mixes for the CRP? Or do you rely on NRCS? I’m hearing concerns that in some states, the recommended seeding rates may not be enough to ensure that a successful cover gets established.

Answer. FSA does not have wildlife biologists on staff to provide technical advice. FSA establishes the broad eligibility requirements for earning cost share such as requiring a minimum number of species in a seeding mix based on the overall goals of the conservation practice. By statute, NRCS provides the technical services that support implementation of CRP including the specific species to include in the seed mixes. The specific seed mixes are established locally within each state with the advice of the State Technical Committee, which is chaired by NRCS and has various stakeholders as members.

Question 5. Ms. Taylor and Mr. Dolcini—As you may be aware, we’ve had concerns in several counties in Minnesota where groups of producers did not make their third and final trip back to their local FSA offices to sign their ARC or PLC contract for the 2014 and 2015 year crops. Do FSA computers have the ability to flag when a producer has unsigned paperwork or forms that are yet unfilled and alert the county office staff when a producer visits the office? As an example, I’m wondering why some of the producers in my impacted counties weren’t reminded that they hadn’t signed up for the 2014–2015 program while they were in providing their acreage reports.

Answer. Approximately 1.78 million producers signed up for ARC or PLC in crop year 2014. Some producers with bases do not enroll in ARC–PLC for various reasons, including ineligibility such as AGI, or having bases that are 10 acres or less. FSA engaged in significant outreach and educational efforts with producers by: partnering with universities and other stakeholder partners to develop decision tools; participating in more than 5,000 events discussing base reallocation, yield updates, and the ARC–PLC programs; and mailing over five million postcards and other reminders in newsletters or via e-mail through GovDelivery to producers informing them of the deadlines for completing work relative to the base reallocation, yield update, and the ARC–PLC election. While county offices can track enrollment progress and are encouraged to make personal contact such as reminder phone calls when time and resources allow, it is important to remember that it is the producer’s responsibility to enroll in the program.

The vast majority of farmers completed the process successfully and participation was similar to the predecessor direct payment program. With that said, having such a complicated and large program there were some producers that either decided not to enroll or missed the deadline. Similar to any other program, if producers did not meet the sign up deadline due to misaction, misinformation or miscommunication from an FSA employee they can contact their county office to seek equitable relief. Under this long-standing process, these relief requests then can be sent forward by the state FSA office to FSA headquarters for review and a decision. FSA will take into account the pattern of relief requests when considering the cases and pay particular attention if there is a cluster in a particular county.

Questions Submitted by Hon. Randy Neugebauer, a Representative in Congress from Texas

Question 1. Can you tell me how many acres were in the Conservation Reserve Program (CRP) in FY 2015, how many acres are currently in the program and how many acres you expect to be in the program after this year’s general sign-up? Additionally, can you explain to me why you used your discretion to hold a general sign-up for FY 2017 but not hold a general sign-up for FY 2016?

I have heard from several landowners who feel that, through no fault of their own, they are being penalized by the Federal Government for having CRP land expire at the end of FY 2015 rather than FY 2016. They have shown me examples of seemingly similar land where one piece of land is allowed to sign up for CRP while the other is not. Under the current CRP general sign-up, how does USDA treat acres that expired in the previous year when no general sign-up was available?

Are these acres evaluated equally with current re-enrollments that may have a similar EBI? If not, how does USDA justify treating similar acres differently?

Answer. At the end of FY 2015, there were 24.2 million acres under contract, and as of March 2016, enrollment was 23.8 million acres. After October 1, 2016, enrollment is not allowed to exceed 24 million acres. A general sign-up was held from December 1, 2015, through February 26, 2016. The statutory ramp-down of the acreage enrollment cap meant there were insufficient acres to conduct a general sign-up in both FY 2015 and FY 2016.

Since there was no general sign-up in FY 2015, a 1 year contract extension was offered if the existing contract was less than 15 years. By statute, contracts cannot exceed 15 years. Many contracts are only 10 years and these producers could take advantage of the extension. For contracts that were not eligible for the extension, landowners could apply for the recent general sign-up or in some cases they could have applied to enroll the land in a new Continuous CRP practice if the land was eligible or they were willing to improve the habitat.

Question 2. Last spring and early summer, many producers and ag lenders in my area contacted my office with their concerns that the time it took to process loan applications through FSA was too long. As cotton prices continue to strain many producers' cash flow in my district, they are understandably looking more and more at utilizing financing offered through FSA. While this increase in workload for FSA might have been unexpected last year, going into this year, where conditions have not markedly improved, it is my hope that FSA has looked ahead in an attempt to mitigate these long turnaround times. Can you tell me what actions FSA has proactively taken to reduce these delays and address the increased workload that is expected in Lubbock and the surrounding counties? Last year we faced a situation where many producers did not get answers until planting deadlines had passed and I hope we can work together to keep this from happening in the coming months.

Answer. The FSA Texas State office, with National Office support, has taken a variety of actions to address farm loan delivery issues in the Lubbock area. Steps have been taken to address resource challenges—several key positions have been filled which includes the hiring of a new District Director with extensive farm loan experience. In addition, several new loan officers have been hired including three in the South Plains area. The Texas State Office also has plans to make additional hires consistent with available resources, including a District Director-at-Large, to focus on farm loan program operations in the region.

FSA is committed to timely high quality service, and is using a multi-pronged approach to improve service in the Lubbock area and across the entire state of Texas. Overtime has been made available for staff to help cope with the increased workload. The National Office is working to provide additional staff resources from other states to help in Texas. As of date, the Lubbock and surrounding FSA offices (Littlefield, Lamesa and Seminole) have seen a 5.5 day reduction in average processing time for loan requests so far in FY 2016.

FSA National Office will continue to monitor the situation in the Lubbock area and work closely with the Texas State Executive Director in managing available resources to address the issues in the Lubbock region.

Response from Brandon Willis, Administrator, Risk Management Agency, U.S. Department of Agriculture

Question Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question. Are you looking at any benefit programs for producers who are employing certain conservation and soil health practices that are making them less risk-adverse to poor yields? Some conservation and soil health practices such as cover crops and crop rotations help crops perform better in poor weather years and I'm wondering if RMA is taking this into account at all. It seems like this could be a place to provide some incentives to farmers.

Answer. For the most yield and revenue insurance plans, producers that have above-average yields are charged a lower premium rate, and *vice-versa*. To the extent that a conservation practice improves a producer's yield, the current premium rating structure already recognizes this in the form of a lower premium rate.

Response from Hon. Edward M. Avalos, Under Secretary, Marketing and Regulatory Programs, U.S. Department of Agriculture

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

Question 1. USDA has recently indicated recently plans to revisit proposed GIPSA regulations that for years have been repeatedly prohibited by Congress. The Com-

mittee remains deeply concerned about the scope of these regulations and is troubled by the recent announcement they would be revisited.

What is the anticipated scope of the proposed changes?

Answer. Appropriations riders restricted USDA from acting on multiple sections of GIPSA's proposed rule entitled "Implementation of Regulations Required under Title XI of the Food, Conservation and Energy Act of 2008; Conduct in Violation of the Act" (75 *Fed. Reg.* 35,388 (June 22, 2010)). Specifically, the appropriations provisions restricted USDA's activity in five substantive areas including: whether a finding of harm or likely harm to competition is necessary to establish a violation of section 202(a) or (b) of the Packers and Stockyards Act; practices or devices that would be considered unfair, unjustly discriminatory or deceptive in violation of the Act; criteria that the Secretary would consider in determining if undue or unreasonable prejudice or disadvantage has occurred in violation of the Act; a requirement that packers, swine contractors, and live poultry dealers submit a sample copy of each unique marketing arrangement or poultry growing arrangement; and a requirement that live poultry dealers paying growers pursuant to a tournament system pay all growers raising the same type and kind of poultry the same base pay and to rank growers in settlement groups with like house types. As of December 18, 2015, these restrictions no longer apply. GIPSA is working on rules covering these areas except the regulation to require sample copies of each unique marketing arrangement or poultry growing arrangement.

Question 2. Does GIPSA intend to issue a new proposed rule outlining its changes?

If the agency contemplates moving forward as final or interim final all or part of previous proposals without first re-proposing those rules for public comment, does the agency intend to conduct a new economic impact assessment of the proposals? Will the agency allow for public review and comment a current economic impact assessment prior to issuing final regulations, or will the public be denied the opportunity to comment on the implications of proposals that have not been publicly reviewed as they relate to today's livestock markets?

Answer. GIPSA will comply with all requirements of the Administrative Procedures Act, as well as other applicable statutes and Executive Orders 12866 and 13563. The cost and benefits will be assessed of any proposed or final rules.

Question 3. Does GIPSA intend to provide a reasonable comment period, with reasonable extensions as appropriate to allow all parties to submit meaningful comments? How does the agency define "reasonable" in this context?

Answer. The Agency intends to provide for public comment as appropriate.

Question 4. GIPSA has issued letters to some poultry integrators listing a large number of items that GIPSA believes must be disclosed in arbitration provisions in poultry growing contracts. Please identify in the regulations as published exactly what items must be disclosed. Has or does GIPSA intend to take enforcement action based on contracts that meet the terms of the regulation but don't satisfy the expansive guidance?

Answer. Section 210 of the Packers and Stockyards Act requires that any livestock or poultry contract that contains a provision requiring the use of arbitration contain terms that conspicuously disclose the right of the contract producer or grower, prior to entering the contract, to decline the requirement to use arbitration to resolve any controversy that may arise under the livestock or poultry contract.

The regulations prescribe the language that must appear on the signature page of the contract and establish criteria that may be considered to determine whether the grower has sufficient opportunity to participate in the arbitration process and to make an informed decision regarding whether to accept or decline the mandatory arbitration in the contract (9 CFR 201.218). The regulation became effective February 7, 2012.

GIPSA's review of contracts after the regulation became effective revealed that many contracts that require arbitration still lack sufficient information to enable growers to make an informed decision regarding whether to accept or decline the arbitration provision in the contract. Rather than issue Notices of Violation to live poultry dealers and swine contractors regarding the arbitration provision in numerous contracts, the Agency determined that the better course would be to provide all known production contractors with further guidance regarding the appropriate disclosure.

The regulatory criteria includes: "Whether the contract discloses sufficient information in bold, conspicuous print describing all the costs of arbitration to be paid by the poultry grower, swine production contract grower, or livestock producer, and the arbitration process and any limitations on legal rights and remedies in such a manner as to allow the poultry grower, livestock producer or swine contract produc-

tion grower to make an informed decision on whether to elect arbitration for dispute resolution.” The Agency provided contractors with further guidance in the referenced letters as to what information GIPSA believes provides sufficient notice to enable the grower to make an informed decision about whether to accept or decline the arbitration provision in the contract.

GIPSA has worked with individual companies and with the National Chicken Council to resolve questions and concerns about the additional guidance and to identify contract language that the Agency believes provides sufficient notice to the poultry grower or swine contract grower.

GIPSA’s goal is to assure that growers have the information necessary to make an informed decision regarding whether to accept or decline the arbitration provision in growing contracts. GIPSA is working with the industry to bring contracts into compliance rather than focusing on enforcement. However, if a packer, swine contractor, or live poultry dealer does not work with GIPSA to modify its contracts to comply with the statute and regulation, GIPSA will consider initiation of enforcement proceedings.

Question 5. Secretary Vilsack recently suggested that the GIPSA rules were being revisited partly out of concern about payments to contract growers who suffered losses due to last year’s Highly Pathogenic Avian Influenza outbreak.

APHIS already issued an interim final rule in February of this year addressing those payments. The rule took effect immediately and changed the way indemnity payments were handled. Under the rule, indemnity payments for birds lost to HPAI will now be split between the integrator and the contract farmer, with the contract farmer being paid directly by USDA. In its rulemaking, APHIS explained that the change would “ensure that all contractors are compensated appropriately.” If the indemnification rule fixes any potential inequities in the distribution of indemnification payments, why does USDA think that a GIPSA regulation is also required?

Answer. GIPSA does not have a role in providing indemnity payments to owners or growers whose birds are destroyed to prevent the spread of highly pathogenic avian influenza. Secretary Vilsack commented that the Department’s experience with avian influenza reminded the Department of the importance of the relationship between poultry growers and poultry integrators. The Secretary did not intend to imply that GIPSA would be involved in the APHIS indemnity program.

Question 6. The proposed GIPSA rule did not address indemnification payments, and GIPSA does not oversee the HPAI indemnification program. Why does the Department believe that GIPSA is the appropriate agency to address indemnification payments?

Answer. Please refer to the response to *Question 5*.

Question 7. How does GIPSA interpret the Packers and Stockyards Act as providing GIPSA the authority to oversee APHIS’ indemnification payments?

Answer. Please refer to the response to *Question 5*.

Question 8. How would the GIPSA changes interact with the APHIS indemnification rule?

Answer. Please refer to the response to *Question 5*.

Response from Kevin Shea, Administrator, Animal and Plant Health Inspection Service, U.S. Department of Agriculture

Questions Submitted by Hon. Collin C. Peterson, a Representative in Congress from Minnesota

Question 1. Many countries have bilateral agreements with the U.S. regarding how we will address disease reporting issues as well as how those countries will react should a disease outbreak happen. Have you had any success, specifically with HPAI, but with other diseases as well in getting countries to agree to modernizing how they treat an outbreak for example through regional ban? Furthermore, how can we in Congress help you move these bilateral agreements along—it seems countries move a little faster through this process than through OIE’s system.

Answer. APHIS, consistent with international obligations, has long promoted the concept of regionalization with our trading partners so that we can limit the number of producers affected by trade restrictions and to help us reopen international markets to U.S. products as soon as possible after a disease outbreak. We have had some success with this approach. With HPAI, for example, the Agency’s previous legwork in emphasizing the importance of a regionalized approach paid off. When the outbreak began, while some countries curtailed all imports of U.S. poultry, most of our trading partners (those who accounted for about 70 percent of the total value of poultry exports in 2014) limited trading bans to affected states or counties, preserving export markets for the majority of the country. After the outbreak, the Secretary and other USDA and APHIS officials spoke regularly with trading partners,

emphasizing the continued importance of regionalization and urging them to re-open markets as quickly as possible. We remain in regular communication with our trading partners to try to reopen any remaining markets and to encourage them to regionalize in the event of future HPAI or other animal disease outbreaks. We have also modeled this approach for other countries; when they have had disease outbreaks, we have looked to regionalize our response to encourage our trading partners to do the same should disease strike here. We appreciate Congress' support of our efforts.

Question 2. One of the most important missions that APHIS has is to protect U.S. agriculture from invasive pests and diseases. Some of my farmers have expressed concerns about a proposed rule that would expedite access to our market for Polish apples. A full pest and disease risk assessment has never been conducted on Poland as is routine with such requests. This concerns me as I fear granting access without the necessary risk assessment could result in the introduction of foreign pests or diseases. We have seen the devastating impact of the brown marmorated stink bug, Asian long horned beetle and emerald ash borer to name a few. What makes this even more perplexing for my constituents is that the EU has virtually shut out our industry from exporting to their markets due to Maximum Residue Limit (MRL) standards that seem to follow the precautionary principal rather than sound science. Can you please explain the reasoning behind this approach?

Answer. APHIS has rigorous systems in place, codified through the *Code of Federal Regulations*, based on sound science and implemented by experts in risk management to protect U.S. agriculture from invasive pests and diseases. We only make decisions to allow imports when the risk assessment process determines that there are sufficient protective safeguards in place.

APHIS performs pest risk assessments for all commodities requiring market access into the United States. The first step in this process is to develop a list of potential pests that pose a risk to agriculture and that could be transferred with the commodity. If the pests identified during this stage of the pest risk assessment are well known and ones for which we have mitigations in place, APHIS does not prepare a Pest Risk Analysis (PRA) document. APHIS uses PRAs in cases where the Agency needs to inform the exporting country of requirements for market access due to new pests or mitigations which are not already in practice in that country.

On September 29, 2014, the European Commission asked that Poland be included in a market access request for apples and pears, along with several other EU countries. Our decision to include Poland in this risk assessment was based on our evaluation of the technical information they submitted, risk of the potential pathways for pests, and risk reducing mitigations. In response to their request for access, we developed a pest list identifying all of the pests of concerns for the countries wishing to export, and also prepared and published a risk management document to determine what phytosanitary measures should be applied to each of these pest risks.

When APHIS added Poland to the EU market access request, APHIS determined that Poland did not add new pests or mitigations beyond those of the other EU countries. Therefore, the Agency can develop a risk management document using existing information from the pest risk assessment without producing a full Pest Risk Analysis document.

As APHIS has developed the rule to allow market access, we have sought public input on the process. We published the pest list for comment on two separate occasions—from August 2014 to October 2014, and again from December 2014 to January 2015—after Poland asked to be included in the market access request. APHIS sent the pest list to over 78,000 stakeholders.

We published a proposed rule in the *Federal Register* on January 20, 2016, with a 60 day comment period. We extended the comment period an additional 45 days at the request of stakeholders. The proposed rule is based on a systems approach, which is a concept that employs multiple mitigation steps and layers of protection to ensure that the exports can be shipped safely. APHIS will not publish a final rule unless the Agency is comfortable that imports of apples from Poland and the other EU countries can be done so safely, based upon the best available science.