

**Statement of Laurian Unnevehr, Acting Administrator,
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United States Department of Agriculture**

**Before the House Agriculture Committee
Subcommittee on Rural Development, Research, Biotechnology, and Foreign Agriculture**

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Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to discuss the Economic Research Service's (ERS) research, market analysis, outlook, and data program. The mission of the Economic Research Service is to inform and enhance public and private decision making on economic and policy issues related to agriculture, food, the environment, and rural development. While the agency's research program is aimed at the information needs of USDA policy makers and programs, ERS information and analysis is also used by the media, trade associations, public interest groups, and the general public. Our research is widely recognized in the research community for its credibility, timeliness, and use of cutting edge data, models, and methods.

Rather than make recommendations, ERS designs its research to demonstrate to its users the consequences of taking alternative policy or programmatic pathways. Reflecting the arms-length role it plays in this regard, ERS is in the Research, Education, and Economics (REE) mission area.

The four REE agencies are complementary and have distinct missions. The National Agriculture Statistics Service (NASS) conducts basic statistically valid surveys to create a body of data that reflects on-the-ground factual information. ERS constructs data series, using data from a variety of sources, to inform its program of research and market analysis. Data collected by NASS are used by ERS for its farm income estimates and research, and in the ERS program of market outlook and analysis. Other data and research in ERS, such as the food security statistics, rely on survey agreements with other Federal agencies such as the Census bureau. ERS provides data, research and analysis that support the wide range of program and policy issues of importance to USDA.

ERS provides social science research and analysis to complement the other scientific expertise of the REE agencies in multidisciplinary research. ERS collaborates with ARS in carrying out research to address the needs of U.S. agriculture, including research and data development to support rural prosperity, agricultural productivity, global food security, food safety, and better diets. ERS coordinates with NIFA regarding extramural funding priorities and identifying promising new areas for research.

ERS data, information and analysis meet the information needs of USDA policy makers and programs, and are used by the media, trade associations, public interest groups, and the general

public. Findings are useful to inform policymakers and for continuously improving the quality of the market information that guides production decisions and risk management.

ERS is also the primary source of statistical indicators that, among other things, gauge the health of the farm sector (including farm income estimates and projections), assess the current and expected performance of the agricultural sector (including trade), and provide measures of food insecurity here and abroad. ERS is one of the 14 Office of Management and Budget (OMB) officially designated federal statistical agencies.

ERS disseminates its research findings, market information, and statistical indicators in a variety of outlets including our website (www.ers.usda.gov), our award-winning magazine, *Amber Waves*, outlook reports for specific commodity sectors, ERS research and information reports, Oral briefings, written staff analyses, and congressionally mandated studies delivered directly to executive and legislative branch policymakers and program administrators, and refereed journal articles, which assure the professional credibility of findings.

There were three research studies requested of ERS in the Food, Conservation, and Energy Act of 2008, Pub. L. No 110-246 (2008 Farm Bill).

Study and Report on Grassland to Cropland in the Northern Plains. Native grasslands in the U.S. Northern Plains, particularly those located in the Prairie Pothole Region, are excellent breeding habitat for migratory birds. The conversion of grassland to crop production could damage this habitat and affect bird populations. House Report No. 110-627 accompanying the 2008 Farm Bill, requested the Secretary of Agriculture to conduct a study of the conversion of native grasslands to crop production. The study examined three questions: (1) How fast are grasslands being converted to cropland in the United States and especially in the Northern Plains?; (2) Can a temporary (5-year) ban on crop insurance purchase for converted grassland slow grassland to cropland conversion?; and (3) What has been the role of crop insurance and other farm programs in grassland to cropland conversion? The study found that: (1) roughly 770,000 acres (1 percent) of 1997 rangeland acreage in the Northern Plains were converted to cultivated crops by 2007; (2) a 5-year ban on crop insurance purchase for converted grassland could slow but is unlikely to stop grassland to cropland conversion; and (3) the benefits of crop insurance, disaster assistance, and marketing loans increased cropland acreage by about 2.9 percent between 1998 and 2007. It is available on the ERS website at: <http://www.ers.usda.gov/Publications/ERR120/>

Study and Report on Food Deserts. Concerned that some areas have become ‘food deserts’—areas with limited access to affordable and nutritious foods, particularly low-income communities—Congress, in section 7527 of the 2008 Farm Bill, requested that the Department of Agriculture conduct a study on the topic. ERS took the lead in conducting this study, with assistance from FNS and NIFA. The study considered the prevalence, causes, and consequences of areas with low access to affordable and nutritious food, as well as possible solutions to reducing their negative impact on diets and health. The study found that (1) according to the 2000 census about 23.5 million people, or 8.4 percent of the U.S. population, live in low-income neighborhoods that are more than a mile from a supermarket or large grocery store. Of that, 11.5 million people, or 4.1 percent of the population who live in these areas are also low income

(below 200 percent of the Federal poverty level). (2) Urban core areas with limited food access have higher levels of racial segregation and greater income inequality. In small town and rural areas with limited food access, the lack of transportation infrastructure is the most defining characteristic. (3) Many studies find a correlation between limited food access and lower intake of nutritious foods. However, the causal links between access and nutritional outcomes are not well understood. (4) The degree of access to affordable and nutritious food depends on supply—costs that stores face—and on consumer demand. Understanding the market conditions that contribute to differences in access to food is critical to the design of effective policy interventions. The final report was delivered in June, 2009. It is available on the ERS website at: <http://www.ers.usda.gov/publications/ap/ap036/>

Study and Report on Animal Manure Bioenergy Operations. Section 11014 of the 2008 Farm Bill mandated a study to evaluate the role of animal manure as a source of fertilizer and its potential additional uses. The study included a determination of the extent to which animal manure is utilized as fertilizer in agricultural operations by type (including species and agronomic practices employed) and size. The potential impact on consumers and on agricultural operations resulting from limitations being placed on the utilization of animal manure as fertilizer was evaluated, along with an evaluation of the effects on agriculture production of increased competition for animal manure use due to bioenergy production, including as a feedstock or a replacement for fossil fuels. The study found that (1) About 15.8 million acres of cropland, equivalent to about 5 percent of all U.S. cropland, are fertilized with livestock manure. Patterns of manure use are driven by the agronomic needs of crops and by transport costs, which limit the distance that manure can be moved and create close links between types of livestock and certain crop commodities. (2) Higher commercial fertilizer prices also favor the use of manure as fertilizer. However, manure is not a complete substitute for commercial fertilizer, and farmers who use manure therefore reduce their use of commercial fertilizer but rarely eliminate it. (3) Livestock operations can comply with nutrient management plans by spreading manure on more of their own cropland, by removing manure to other farms for spreading, by altering feed mixes to reduce manure production, or by developing herds or flocks with reduced manure production. (4) Estimated costs of compliance with nutrient management plans vary sharply with the degree to which excess manure needs to be disposed of and the willingness of nearby farmers to accept manure for application to their cropland. With a limited willingness to accept manure, the study finds that production costs, including those for manure management, would likely rise by 2.5-3.5 percent for large operations. Such increases are unlikely to alter the emerging structure of livestock production. (5) Manure-to-energy projects are not currently in widespread use; currently, the costs generally exceed the revenues that most farmers can receive from electricity production. But because such projects use existing resources, they could provide society with benefits if manure replaces newly mined fossil fuels in energy production, and if methane, a greenhouse gas, can be captured. (6) Currently envisioned manure-to-energy projects are not likely to impose substantive constraints on the use of manure as fertilizer. The final report was delivered in June, 2009. It is available on the ERS website at: <http://www.ers.usda.gov/publications/ap/ap037/>

ERS also co-authored two other studies that were requested in the 2008 Farm Bill.

Analysis of the Planting Transferability Pilot Program. Section 1107 of the 2008 Farm Bill requires the Secretary of Agriculture to periodically evaluate the effect of the 2008 Planting Transferability Pilot Program (PTPP) authorized in that section, which relaxes the planting restrictions placed on vegetables destined for processing. This study was produced for the Farm Service Agency (FSA). It provides an overview of the market for processing vegetables and uses farm-level data from FSA to evaluate PTPP's effect on the supply and price of processing vegetables. Using a simulation model representing the national market, the study found that the PTPP entices a very modest increase in processing vegetable production and a very modest decline in processing vegetable prices. The quantity of processing vegetables supplied was projected to increase between 0.1 and 0.6 percent, and prices decline by 0.3 to 2.8 percent. The study did not find that PTPP has an impact on fresh fruit and vegetable markets. It is available on the FSA website at http://www.fsa.usda.gov/Internet/FSA_File/fv_plantg_rstricts_rpt_120210.pdf

Analysis of the Limited Base Provision of the 2008 Farm Bill. Section 1101 of the 2008 Farm Bill included a provision to suspend payments to farms with 10 base acres or less (base-10 provision). Congress included this provision in the 2008 Farm Bill as a cost saving measure. Not only would the provision eliminate the payments to farms with limited base acres, but also reduce the number of farm payments processed. The 2008 Farm Bill mandated that USDA evaluate the effects of suspending payments under this provision. At the request of FSA, ERS evaluated the impact of eliminating direct and counter-cyclical and ACRE payments to farms with 10 base acres or less as required by the 2008 Farm Bill. The study examined the number and location of farms impacted by the provision, the characteristics of those farms, and the amount the government could save due to the suspension of program payments under this provision. The evaluation included information about farm characteristics and production as well as an assessment of the provision on specialty crop producers. The study found that (1) The base-10 provision affects a large number of farms but had little effect on total payments. In 2009, nearly 371,000 FSA farms became ineligible for payments under this provision, with prohibited payments equaling an upper bound of \$29.1 million. (2) The east coast is more affected by the base-10 provision than the Heartland and West Coast. (3) Adverse effects on the fruit and vegetable sector are not expected as a result of the base-10 provision. (4) FSA farms for which payments were prohibited are generally part of larger operations. (5) Budgetary savings would accrue from reducing administrative costs. The study estimated \$3.5 million in personnel cost savings to FSA and \$0.2 million in mailing and paperwork savings associated with the base-10 provision. Combined with the reduction in payment outlays to farms of a maximum \$29.1 million, the budgetary savings from prohibited payments is estimated to total as much as \$32.8 million for 2009. The study is available on the FSA website http://www.fsa.usda.gov/Internet/FSA_File/base_10_rpt_copy_ltrs_6744901.pdf

The Economic Research Service has also conducted a number of studies on programs, policies, and issues raised by the 2008 Farm Bill. Among these include the following:

- ERS published the web-based *The 2008 Farm bill Side-by-Side Comparison*—a comparison of the 2008 farm bill with previous legislation. It offers a time-saving reference to farm bill provisions. In addition to key provisions and details by Title, the side-by-side includes links to related ERS publications and to analyses of previous Farm Acts.

- Economic analyses of commodity programs, including revenue-based commodity support, factors influencing the Average Crop Revenue Election (ACRE) program enrollment and the effect of ACRE program payments on risk reduction.
- Economic analysis of conservation programs, including the impacts of regional equity provisions on conservation program outcomes, participation in conservation programs by beginning, limited-resource, and socially disadvantaged operators, and the implications for program eligibility of alternative definitions of U.S. agriculture's basic unit, the farm.

We would be happy to brief the Committee members and staff on the results of any of our research projects, as well as our ongoing program of research, market outlook, and data analysis.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions that the Subcommittee may have.