

**AGRICULTURE, RURAL DEVELOPMENT, AND
RELATED AGENCIES APPROPRIATIONS FOR
FISCAL YEAR 2006**

TUESDAY, APRIL 12, 2005

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD-124, Dirksen Senate Office Building, Hon. Robert F. Bennett (chairman) presiding.

Present: Senators Bennett, Cochran, Bond, Burns, Craig, Brownback, Kohl, Harkin, Dorgan, and Johnson.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

STATEMENT OF HON. MIKE JOHANNIS, SECRETARY

ACCOMPANIED BY:

**KEITH COLLINS, CHIEF ECONOMIST
LAWRENCE WACHS, ACTING BUDGET OFFICER**

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. Good morning, all. The subcommittee will please come to order.

We want to welcome Secretary Johannis. This is his first appearance before the subcommittee, and we welcome along with him Dr. Collins and Mr. Wachs, who have been here before.

We appreciate, Mr. Secretary, your changing your schedule to meet our accommodation of time. The full committee schedule has forced us to move this hearing from last week, and we are grateful that you were as flexible as you were.

The USDA request for our subcommittee is about \$15.3 billion. That excludes the Forest Service, which is in the Interior Subcommittee that Senator Burns chairs. And this represents the third year of declining budgets for the Department. It coincided with my assuming the chairmanship of this subcommittee. I do hope there is not a cause-and-effect relationship there. I have said to Senator Cochran that when he moved from this subcommittee to Homeland Security, he took all the money with him. But that does represent a challenge for us, having the third year of a lower number to work with.

The budget eliminates about \$470 million in research and conservation projects, adds \$177 million in new user fees, and trans-

fers \$300 million in Public Law 480 funds currently in the USDA budget to USAID.

The President's budget calls for an increase of \$275 million in WIC, and FSA would get a \$67 million increase for staff support and information technology. Mr. Secretary, I think we may discuss some of those numbers and whether or not there might be some flexibility.

Now, before I turn to Senator Kohl, I would hope that all members of the subcommittee would have any written questions that they might have from this or the subsequent two hearings in to the subcommittee by the close of business on April 22.

So, with that, we will hear from Senator Kohl, the ranking member, after which I would like to open with a round of questions following the Secretary's statement at 5 minutes each.

Senator Kohl.

STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Thank you very much, Senator Bennett. I would like to start by saying how much I am pleased that I will be working with you and your staff again this year. I know the agriculture community recognizes the hard work you do every year on their behalf.

Secretary Johanns, this is your first appearance before our committee, and we welcome you. There is no doubt that you stepped into a difficult job. We all understand that. And we do admire your willingness to take on the many challenges that you will face. So we all wish you the best of luck, and we look forward to a good working relationship.

We would also like to welcome back Dr. Collins, with whom we have worked over the years, and it is very good to see you again here. And we also welcome Mr. Wachs.

Gentlemen, I regret the fact that the budget proposal again will place serious constraints on rural America. You mentioned a need to cut spending, but I must point out that this subcommittee's resources have been reduced, as Senator Bennett has said, every year for the past several years in spite of increased demands.

There are a few highlights in this budget. For example, I am pleased to see increases for the WIC and child nutrition programs. I also want to comment on the President's proposal to extend the MILC program, which is vitally necessary to protect dairy farmers in my State and all across the country from volatile price fluctuations. I look forward to working with you to see that this MILC extension program is reached this year.

However, in this budget there are many programs that our farmers, ranchers, and all of rural America depend on that have been deeply cut, if not eliminated entirely. In rural development, the RCAP program is cut by nearly \$200 million, including a reduction of nearly \$80 million for water and waste grants for low-income communities. Despite the President's campaign to provide broadband services to all communities by 2007, this budget proposes to scale back the loan program by more than \$180 million and eliminate the broadband grant program altogether.

Congressional priorities throughout the bill have been eliminated. Research funding through ARS and CSREES has been cut

by \$370 million. Funding for conservation projects throughout the country is cut by \$190 million. Although it is not unusual for the President's budget to cut congressional priorities, for the first time programs funded through formulas or competitive awards are also being cut.

In addition, this budget includes deeper farm bill cuts than we have ever seen before, and these are only a few examples of the types of cuts found throughout the USDA budget.

It is difficult to conclude that this budget will not be very harmful to many parts of rural America. I am afraid that if these cuts continue, the programs will eventually be not able to function. I remain hopeful, however, that this year is not that time, and I intend to work hard with the chairman to protect the important programs funded by USDA.

So we welcome you here again today, and we look forward to your testimony.

Secretary JOHANNIS. Thank you, sir.

Senator BENNETT. All right. Unless some member of the subcommittee has a schedule problem and wants to make an opening statement before we go to your testimony, I would prefer to leave the opening statements with the chairman and the ranking member and go directly to the witness.

Senator BURNS. Mr. Chairman, I have sort of a time thing.

Senator BENNETT. All right. That is why I—go ahead.

STATEMENT OF SENATOR CONRAD BURNS

Senator BURNS. I will just make a statement on where this budget, I think, is right now pretty much—the way they have allocated their money is a little wrong-headed right now. But we will finally get there.

I know that we have not used a lot out of farm programs the last couple of years because of market conditions. And just like any other bureaucracy and any other department, the monies that we allocate for programs become a ceiling rather than a floor. We look at those dollars as a floor, and you look at them as a ceiling, and we have got to work those things out.

No, we did not use all the farm programs the last couple of years because of market conditions. That is not to say that negative market conditions could not happen in this next year. And I am not willing to see money come out of those programs, your agencies and programs, the Farm Service Agency and the Risk Management Agency, I don't want to see those dollars come out. I want those dollars there in the event that we need them. And I run on the theory that if you have got a healthy rural America, you do not need this other rural development business. That money will be out there. Everything else kind of takes care of itself.

PREPARED STATEMENT

So that is my statement, and if I have to leave early, then I will have some questions to submit to the Secretary, and I appreciate that.

[The statement follows:]

PREPARED STATEMENT OF SENATOR CONRAD BURNS

Mr. Chairman, thank you for holding this hearing today to begin the process of examining USDA's budget for fiscal year 2006. As you well know, this is a tough budget year, and the President's budget includes a lot of difficult choices. I look forward to working with you to make fiscally responsible decisions that treat our farmers and ranchers fairly, and keep the Farm Bill intact.

I do want to briefly touch on a few issues that are of particular concern to me. First, of course, are the proposed cuts to commodity programs. Federal spending needs to be reduced—there is no question about that. But cuts to commodity programs are coming at a particularly difficult time. Montana is entering its 7th year of drought. Diesel prices are well over \$2 per gallon, and the cost of fertilizer is through the roof. Farmers who are relying on Farm Bill programs just can't afford to absorb any more costs. I worked with Chairman Gregg and Chairman Chambliss on the floor to limit the impact of budget cuts as much as possible, and I will continue to work with this Committee to ensure our farmers and ranchers are not unfairly harmed by the need to cut the budget.

Second, I was disturbed to see the substantial cuts proposed for formula funding for land grant universities. Hatch Act and McIntire-Stennis funds are highly valued by Montana's universities. The research conducted at land grant universities contributes greatly to the advancement of science for agriculture, forestry, and rural development. I appreciate the intent of the changes—to bring about performance and accountability through competitive grants. Competitive grants have their place in the larger scheme of Federal research funds, but they can't be the total package. A long-term investment our land grant universities is needed to create high quality, fundamental programs. Competitive grants too often focus on exciting, trendy, cutting edge research, leaving less exciting topics understudied. Formula funds allow universities to engage in long-term planning, and to devote research dollars to "meat-and-potatoes" research that still needs attention, even as the "next best thing" appears on the horizon.

Finally, I am concerned about the direction of USDA's efforts to implement a National Animal ID system. In my opinion, clear goals and expectations are missing. Some funds for pilot projects have been distributed, but it is unclear what those projects are expected to achieve. It is also not clear how the Department expects to connect a patchwork of pilot projects together into a national system. And if a national system is put together, how does USDA intend to protect the confidentiality of data? Will the information be held by the Federal Government, or—as I would prefer—by the States, accessible by USDA as needed in times of disease outbreak? I am not comfortable appropriating funds to a project as murky as Animal ID seems to be right now, and I hope to learn more about the Department's plans during these hearings.

With those concerns in mind, I will conclude. I look forward to hearing testimony today, and throughout the week, on USDA's budget proposals.

Senator BENNETT. Thank you.

Senator Bond indicates he has a conflict as well. Senator Johnson, can you wait for the round?

Senator JOHNSON. Absolutely.

Senator BENNETT. Okay. Senator Bond.

STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you, Mr. Chairman, Senator Kohl, and I do want to hear the Secretary's testimony, but I do have to be someplace at 10:00.

I welcome you to the subcommittee. I think there is a point that needs to be made about the budget. Everybody is talking about, well, we need to cut farm programs, the price support programs. Well, we should not be unilaterally disarming our farmers when we are facing subsidies and competition from our trading competitors who provide similar subsidies.

If the Trade Representative is successful in negotiating away those subsidies from others, then I think that the President's proposed cuts in farm payment supplements can be removed. But I

hope that we realize doing that we have to maintain the quantitative and qualitative edge that our farmers have. And, number one, the most important thing we can do for farmers is continue research—research across a broad area. I have already mentioned to you my enthusiasm for plant biotechnology, and we welcome you at any time you want to come to Missouri and look at that. We need to have the research and we need to have the transportation.

And I hope that you can weigh in with your fellow Cabinet members. This is not going to take money out of your budget, but last week, Mr. Connor testified before the Committee on Agriculture on his nomination to be deputy. My colleague asked him if he would be an advocate in the administration for modernizing our Mississippi and Illinois river locks. His response was, I will. It is not important, Senator. It is absolutely essential. We flat out have to get our agricultural bulk commodities out of the Midwest, down to New Orleans to a point of export, or we are absolutely dead in the water. So I will be an advocate of that within the administration, I assure you.

We heard his answer. We liked his answer. But OMB has not heard it. We have introduced bipartisan legislation. It will be marked up tomorrow in WERDA. The folks in the Corps of Engineers who manage to keep the most efficient, effective means of transporting bulk commodities going into the world market where we enjoy a trade surplus depend upon replacing our 70-year-old locks on the Mississippi and Illinois River that were designed to last 50 years and are leaking worse than sieves. So that area I hope you can help us.

I thank you, Mr. Chairman, for the time.

Senator BENNETT. Senator Craig, we are foregoing opening statements except for those who have conflicts. Do you have a conflict or can you go with the program?

Senator CRAIG. I will forego.

Senator BENNETT. Okay. Thank you.

Senator CRAIG. I am just sitting here thinking: Am I conflicted?

PREPARED STATEMENTS

No, not really. I have problems I want to discuss with the Secretary. I will ask that my full statement be a part of the record, Mr. Chairman. Thank you.

Senator BENNETT. Without objection.

The subcommittee has received statements from Senators Cochran, Craig, and Johnson which will be placed in the record.

[The statements follow:]

PREPARED STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, thank you for holding this hearing on the fiscal year 2006 Agriculture Appropriations programs and I welcome Secretary Johanns to the Committee. Since Secretary Johanns' swearing in on January 21, he has shown great leadership in moving the interests of America's agriculture industries forward.

I am especially pleased by the recent announcement that Iraq will purchase 60,000 tons of U.S. rice. Historically, Iraq has long been an important market for the U.S. rice industry. This purchase is an indication that regaining the export markets in the Persian Gulf area is a tangible benefit of our foreign policy. I want to thank Secretary Johanns and the USDA staff for their help in making this purchase of U.S. rice possible.

I am also pleased to see the recent news that Taiwan will reopen its border to U.S. beef. During Secretary Johanns's nomination hearing before the Senate Agriculture Committee, much discussion centered on reopening U.S. beef export markets to Asia, especially Japan. U.S. cattle producers appreciate the continued effort you have made to reopen these markets and I hope that other countries such as Japan will follow Taiwan's lead and reopen their borders.

An important aspect of the Agriculture Appropriations bill is the funding it provides for agriculture research. This research is a critical part of ensuring U.S. producers remain the leaders in food and fiber production.

I recently attended the opening of the Agriculture Research Service's National Biological Control Laboratory in Stoneville, Mississippi. This is a world class facility that will focus research in perfecting and expanding methods for controlling insects, weeds, and microbial pests by using beneficial control technologies. Although the research conducted at many of the Agricultural Research Service's facilities center on agricultural applications, the research goals of facilities like the National Biological Control Laboratory will touch the lives of almost every citizen. Research focused on the treatment and the control of kudzu, fire ants, subterranean termites, and mosquitoes will be conducted at the laboratory. It is important that we continue to support this research.

Once again, I want to thank Secretary Johanns, for his dedication to America's farmers and ranchers and look forward to the testimony.

PREPARED STATEMENT OF SENATOR LARRY CRAIG

Thank you for appearing before the Committee today to discuss the U.S. Department of Agriculture's fiscal year 2006 proposed budget. In your short time as Secretary, you have already had to tackle some very difficult issues, and I appreciate the resolve and straightforward approach you have given these issues.

We are in a time of restrictive spending where hard decisions must be made. While I am a major proponent of comprehensive spending cutbacks, I am very concerned about the disproportionate cuts to agriculture funding in the President's fiscal year 2006 budget when compared to other areas in the government. Recently, I joined 50 other Senators in a letter to Budget Chairman Gregg and Senator Conrad highlighting this issue.

As you know, Congress is close to conferencing the budget, and I am supportive of the Senate's proposal on agriculture savings. The budget will continue to work its way through the process, and hopefully the outcome will bring agriculture savings to a more proportionate level with cuts in other areas of the government.

Whatever the budget outcome, I would like to point to some important issues I believe are important to my State of Idaho and to our Nation's agriculture industry, food consumers, and rural communities.

Again, thank you for your work over the first few months of your term, and for your willingness to consider some of the items of concern to Idaho.

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Thank you Chairman Bennett and Ranking Member Kohl, it is my pleasure to participate in today's hearing concerning the fiscal year 2006 United States Department of Agriculture (USDA) budget, and I appreciate the Secretary's time and attention to this important subject.

I am deeply concerned for what I perceive to be a sorely inadequate proposed USDA budget. Agriculture is a crucial industry in South Dakota, with sales of agriculture commodities accounting for \$3 billion each year. By this same token, USDA programs and Federal funding are crucial for producers when markets are challenging and prices are depressed. The Farm Bill that was hammered out in 2002 is a contract with rural America, with South Dakota, to ensure adequate safety nets and increased opportunities for rural communities. Numerous members of Congress, as well as agricultural organizations concerned with the President's proposed budget, have pointed out that the Farm Bill has come in at \$16 billion under projected costs because of solid commodity prices. It is astonishing to me, then, that at a time when producers need the contract negotiated by Congress and signed into law by this President, this Administration would propose limiting the benefits promised to producers. We cannot, I repeat, we cannot, balance the national deficit on the backs of our Nation's producers.

We've seen a drastic shift in population concentration in South Dakota, which is reflected in U.S. Census Bureau and the 2002 Census of Agriculture data. While the net population of South Dakota continues to increase, thousands of residents in

rural counties have had to relocate to find economic opportunities. USDA programs are crucial for maintaining status quo, and there are no substitutes for these initiatives.

One especially troublesome proposal is the Administration's treatment of our Federal formula funds. South Dakota State University (SDSU), a land-grant university in Brookings, South Dakota, relies heavily on Hatch, McIntire-Stennis, and Animal Health Federal formula funds. SDSU is especially concerned for the impact of the President's proposed cuts on their research centers and ability to function in an effective manner. The President's proposed budget would cut 45 faculty and staff at SDSU, with a 25 to 50 percent reduction in graduate students. These cuts will result in the closure of at least one SDSU research farm, and at least one SDSU public service laboratory. The Administration's emphasis on competitive grants is a bad idea for our land-grant institutions, and as a member of this subcommittee, I will work with my colleagues to rectify this flawed proposal.

The Resource, Conservation, and Development Program (RC&Ds) are funded at only \$25 billion, a reduction from fiscal year 2005 funding at \$51 billion. RC&Ds are important options in rural communities that foster economic activity, and use resources available to our rural communities to accomplish this. Decreased funding means fewer opportunities for economic growth.

While the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) will see a proposed increase from fiscal year 2005 funding levels of \$5.2 billion to \$5.5 billion for fiscal year 2006, I am concerned that this increase will not actually provide the dollars necessary to ensure our nutrition programs are fully funded. We're seeing a drastically increased need for these types of programs and a marginal increase in funding that doesn't offset that need.

The Commodity Supplemental Food Program (CSFP) that impacts so many of our Nation's seniors, and impacts a significant number of South Dakotans, was funded at only \$106 million in the President's proposed budget, when nearly \$146 million is needed to maintain the current caseloads. This proposed hit would drastically impact the number of folks, including seniors who rely on this program for vital nutrients in addition to social contact, in South Dakota who could participate in the program. A proactive agenda on programmatic dollars with nutrition programs is crucial, as increased costs on the front end lead to decreased expenses with health care—maintaining quality of life should be a priority by this United States Congress.

Last year, \$33 million was devoted to an animal identification system via the Omnibus spending bill, and for fiscal year 2006, the President has proposed an additional \$33 million for the initiative. Given the tremendous size and scale of this program, and the projected costs, I fail to see how this dollar value will be significant. If USDA is going to lead the charge, especially without a Congressional mandate, the Department needs to ensure adequate communication with Congress and consideration of stakeholder concerns.

I retain significant concerns for the proposal to cut marketing loan gains, direct, and counter-cyclical programs by 5 percent across the board. The Loan Deficiency Payment (LDP) program is an incredibly popular program in my State. The Administration's proposal to base this program on historical production penalizes a producer. It prevents the producer from recouping anything after a good year.

I am encouraged that the President, and this Administration, has proposed common-sense payment limitations. I introduced legislation with Senators Grassley, Dorgan, and Hagel that would lower the payment limitation to \$250,000, from its current level of \$360,000. Lowering the payment limit would save millions of dollars, and would allow Farm Bill programs to be targeted to producers who truly need these payments to stay in the fold. In my home State of South Dakota, in 2002, 20,259 farms with subsidies received an average of \$16,518—a far cry from the hundreds of thousands of dollars some farms receive. While I realize the differences in production input costs depending on commodity, it is my hope that \$250,000 can be seen as an equitable proposal and as a practical solution to our funding shortfall.

Once again, I would like to thank Secretary Johanns for appearing before the Subcommittee and Chairman Bennett and Ranking Member Kohl for holding today's hearing on the fiscal year 2006 Agriculture Budget.

Senator BENNETT. Mr. Secretary, thank you for being here, and we turn to you for your comments.

STATEMENT OF MIKE JOHANNS

Secretary JOHANNS. Thank you very much, Mr. Chairman.

Mr. Chairman and distinguished members of the Committee, I want you to know it is a great honor for me to be here the first time as Secretary of Agriculture to discuss the fiscal year 2006 budget. I look forward to serving as Secretary, but I also look forward to working with this Committee to carry out our work to serve the interests of agriculture.

As you have noted, I am joined by two very experienced individuals: Larry Wachs, the Acting Budget Director, and Dr. Keith Collins, our Chief Economist.

I will summarize my statement, and then I would ask that my full written remarks be included in the record.

Senator BENNETT. Without objection.

Secretary JOHANNIS. While I am new to the Federal budget process, I do know firsthand the challenges presented in enacting budgets at the State level, and the local level, for that matter. As a Governor, I had the experience of making difficult decisions.

Mr. Chairman, I can relate. I left Nebraska in January. The Forecasting Board met right after I left and raised the forecast and said more revenues would be coming in. Some of my friends asked why it took me so long to leave the State.

I know that the President and the Congress are facing similar challenges. I am here to say that I support the President's budget. It meets our most important priorities while exercising the fiscal discipline that is necessary to deal with the deficit.

Reducing the deficit is a critical part of the President's economic plan. The long-term stability of the economy depends on whether we act now. Farmers and ranchers know the importance of a healthy economy. It raises income. It increases the demand for their products.

At the same time as we reduce the deficit, we must work hard to leverage our other tools, such as an aggressive trade agenda and tax policy to maintain a strong farm economy.

In his February 2nd State of the Union address, the President underscored the need to restrain spending in order to sustain economic prosperity. The budget savings and reforms in the budget are important components of achieving the President's goal of cutting the budget deficit in half by 2009, and we urge Congress to support the reforms.

The fiscal year 2006 budget includes more than 150 reductions, reforms, and terminations in nondefense, discretionary programs government-wide. The Administration wants to work with Congress to achieve these savings.

The President's budget, which was released on February 7, indicates that the USDA outlays are estimated to increase from about \$72 billion in 2004 to nearly \$95 billion in 2005 and then to remain roughly at that level in 2006. The increase in 2005 was due to higher mandatory outlays in farm programs as well as nutrition assistance programs.

For the Department's discretionary budget, the overall budget authority request is \$19.4 billion. This compares to \$22 billion provided in 2005, which included \$1 billion in one-time disaster funding for wildfire management and hurricane assistance. That is not continued in the 2006 budget. The appropriation request pending

before the Committee, which does not include the Forest Service, is \$15.3 billion.

Because the discretionary budget is very tight, we have had to make recommendations for the reduction or termination of some programs based upon best judgment concerning priorities in program effectiveness, and these proposals are detailed in my formal statement. I will offer a few specific highlights.

I have stated that my immediate top priority as Secretary is to get American beef exports moving back into Japan. We need to do all we can, however, to prevent a further incident of BSE. We want to ensure that our agricultural imports and exports are safe for consumers, not only at home but abroad as well.

The Department has been engaged in a one-time enhanced testing program during 2004–2005. I can tell you that we checked just before the hearing started today, and we have tested about 314,000 animals in this program, all negative.

The Department is also in the process of implementing a National Animal Identification System. For 2006, the budget proposes continued funding for the implementation of the System and for ongoing BSE testing. Once we have evaluated the enhanced testing program, a decision on the number of animals needed to be tested in the future will be made.

The budget provides \$7.5 million in additional appropriations to increase our scientific understanding of the disease and to develop the technology needed by regulatory agencies to establish science-based policies and control programs.

Turning to the threats to our food supply, the budget proposes a government-wide effort of nearly \$600 million for the President's Food and Agriculture Defense Initiative. For USDA's part, the budget proposes \$317 million for program activities and \$59 million to complete construction of the National Center for Animal Health in Ames, Iowa. Program funding includes a \$140 million increase above 2005 to strengthen the networks for responding to food emergencies and plant and animal diseases, conducting additional research, and enhancing monitoring and surveillance efforts to quickly detect pests and disease.

The President's budget proposes that the Department's farm programs also contribute to the government-wide deficit reduction effort. There are several proposals cited in the budget to accomplish that objective. These proposals are equitably spread across the agriculture production sector, designed to work within the existing structure of the 2002 Farm Bill, and to achieve savings between 3 and 5 percent from baseline spending over the 10-year period. Together, our proposals would save about \$587 million in 2006 and \$5.7 billion over 10 years. The majority of the savings from these proposals would be attained through the across-the-board reduction in program payments.

We believe the President has presented a budget that has some reasonable suggestions for reducing the cost of farm programs. However, we acknowledge that many of these policy proposals, such as the reduction in the payment limit, are quite sensitive. We recognize Congress may have other proposals to achieve these savings, and we are willing to work with the Congress on other cost savings recommendations.

The budget proposes that starting in 2007, the crop insurance program also make a contribution to deficit reduction. Net outlays for crop insurance have grown nearly 50 percent between 2001 and 2006, with the implementation of crop insurance reforms in 2000. In addition, since 2000 we have seen four ad hoc disaster programs covering 6 crop years; the total cost of that was \$10 billion. In this regard, the budget includes proposals to enhance crop insurance coverage and reduce program delivery costs so that crop insurance will provide coverage that is sufficient to sustain most farmers in times of loss. Our proposals together would save an estimated \$140 million annually in this area, beginning in 2007, contributing about \$1.3 billion to deficit reduction over the 10 years.

Based on the 2002 Farm Bill, this Administration has implemented the largest conservation program in history. The Farm Bill provided in excess of \$17 billion in new conservation funding over 10 years. The budget includes \$3.8 billion in mandatory funding to continue implementation of the conservation programs authorized by the Farm Bill. Total acreage covered by these programs would increase from 159 million acres to 184 million acres in 2006.

The budget also includes \$814 million in discretionary funding for ongoing conservation work that forms the foundation of the Department's conservation partnership with farmers and ranchers. This is a decrease of \$177 million below the 2005 enacted level and reflects the elimination of Public Law 566 and 534 watershed programs, conservation operations earmarks, and a reduction of \$25 million in funding for the Resource Conservation and Development Program. Within the total for conservation program operations, priority will be placed on other high-priority conservation activities, such as providing more conservation technical assistance to livestock producers to help them develop nutrient-management plans, and to meet the regulatory challenges they face.

Participation levels in the Department's three major food nutrition assistance programs—Food Stamps, WIC, and Child Nutrition—have been growing in recent years, as you know, and the budget needs to keep pace with the trend. WIC participation has been growing more than 3 percent each year. Food Stamp participation is actually up about 10 percent each year and School Lunch participation has reached a new record level of 29.8 million children per day.

The budget contains sufficient resources to fully fund expected participation for these programs. It also provides contingency funding in the event that additional resources would be needed.

The Department not only provides food assistance domestically; it also assists 2.6 million women and children in developing countries through preschool and school feeding programs carried out under the McGovern-Dole International Food for Education and Child Nutrition Program. The budget increases funding for the McGovern-Dole program by more than 15 percent over the 2005 enacted level.

Research to improve the quality and productivity of America's food production and distribution system was the central reason why USDA was founded in 1862. America has led the world in innovation and efficiency through our research, and that work must continue, especially if we want to maintain our lead.

The 2006 budget places a high priority on critical research issues facing American agriculture and strengthening the quality of research by focusing on competitive programs. The Administration strongly believes that research should be funded through peer-reviewed competitive programs. Therefore, over the next 2 years, research formula funds will be redirected on a merit-based competitive process. As part of the change, the 2006 budget includes a \$70 million increase for the National Research Initiative and a new \$75 million competitive research grant program targeted to regional, State, and local needs.

Mr. Chairman, my full written statement includes additional details on many areas of the USDA budget, including a total program level of \$973 million for food safety for meat and poultry and egg products, partially funded by a proposed new user fee; \$6 billion for international activities such as trade promotion; and \$13.5 billion in rural development funding, which includes \$4.5 billion for homeownership opportunities.

In addition, USDA continues to make improvements to our management to ensure that the Department is efficient, that it is effective and guided by equality for all customers and employees. As a former Governor, I am well aware of the need for good management as well as accountability for taxpayer funds, and I look forward to working with this committee and the Congress to ensure the best possible stewardship of our resources.

PREPARED STATEMENT

In conclusion, while the President is serious about reducing the deficit so that the economy can continue to grow over the longer term, it is still a robust budget and it continues to fund key priorities. No Department or sector is being singled out, and USDA is part of a team that will do its part to produce savings that will strengthen the economy while adopting reforms that improve our programs.

Thank you very much, Mr. Chairman. We would be happy to answer any questions.

[The statement follows:]

PREPARED STATEMENT OF MIKE JOHANNIS

Mr. Chairman and distinguished members of this Committee, it is indeed a great honor for me to appear before you as Secretary of Agriculture to discuss the fiscal year 2006 budget for the Department of Agriculture (USDA).

I am joined today by Larry Wachs, our Acting Budget Officer and Keith Collins, our Chief Economist.

This is my first appearance before this Committee. Let me say that I am grateful to the President for nominating me for this position. I look forward to serving as Secretary of Agriculture and working together with this Committee to carry out our work to serve the interests of agriculture, rural communities and consumers of food worldwide. I am no stranger to agriculture or to public service. I grew up on a dairy farm in Mitchell County, Iowa, and I have always had a deep passion for agriculture. As Governor of Nebraska, I have been actively involved in agricultural issues affecting my State. Agriculture is a key economic driver in Nebraska since it is the Nation's largest beef processing State and the fourth largest exporter of agricultural products. As Governor, I led trade missions all across the world to market our food products. I also worked aggressively on drought issues and drought policy as well as pursuing value added opportunities, such as ethanol production.

While I am new to the Federal budget process, I know first hand the challenges related to presenting and enacting budgets at the State level. As a Governor, I had the experience of having to make some difficult decisions related to the budget since

State law required the budget to be balanced. I know the President and the Congress are facing similar challenges. I am here to say that I support the President's budget for the Department. It meets our most important priorities, while exercising the kind of fiscal discipline that is absolutely necessary to reduce the Federal deficit. Reducing the deficit is a critical part of the President's economic plan. The long-term stability of the economy depends on whether we have the will to act now. Farmers and ranchers know the importance of a healthy economy, which raises incomes and increases demand for their products. At the same time as we reduce the deficit, we must work hard to leverage other tools, such as our aggressive trade agenda, to maintain the strong farm economy.

It is now my responsibility to pick up where Secretary Veneman left off and work with the Congress on the 2006 budget. I want to assure the Committee that the Department will be fully engaged to provide whatever assistance Congress may need as it carries out its responsibility related to the 2006 budget.

Because of the overriding need to reduce the Federal deficit, USDA, like every Federal agency, will share the governmentwide burden of controlling Federal spending. There are proposals in the budget for USDA that will produce real savings in both mandatory and discretionary spending. With that said, the President's 2006 budget request for USDA does meet our priorities by promoting economic opportunity and ownership for farmers and rural residents, protecting America's agriculture and food supply, and providing important assistance to the needy at home and abroad. It also makes government more effective by improving management and accountability and by eliminating, reforming, or phasing out programs that are not cost-effective or do not show measurable results.

The President's Budget, which was released on February 7, indicates that USDA outlays are estimated to increase from about \$72 billion in 2004 to nearly \$95 billion in 2005 and then to remain roughly at that level in 2006. The increase in 2005 was due to higher mandatory outlays in the farm programs as well as in the nutrition assistance programs. For the Department's discretionary budget, the overall budget authority request is \$19.4 billion. This compares to the \$22 billion provided in 2005, which included \$1 billion in one-time disaster funding for wildfire management and hurricane assistance not continued in the 2006 budget. The appropriation request pending before this Committee, which does not include the Forest Service, is \$15.3 billion.

I would now like to focus on some specific program highlights.

BOVINE SPONGIFORM ENCEPHALOPATHY (BSE)

I have stated that my immediate top priority as Secretary is to get American beef exports moving again to Japan. We also need to do all we can do to prevent a further incident of BSE. We want to ensure that our agricultural imports and exports are safe for consumers at home and abroad.

For 2006, the budget proposes funding for BSE testing and implementation of the National Animal Identification System (NAIS). The Department has been engaged in a one-time, enhanced testing program during 2004 and 2005. As of late March, we have tested about 295,000 animals so far, all of which have been negative. Once we have evaluated the results of the enhanced testing program, a decision on the number of animals needed to be tested in the future will be made. The Department is also in the process of implementing the NAIS. As of late March, 44 States have the ability to register livestock production operations in the System. The goal is to have all States operational for premises registration by the middle of 2005. In addition, the budget provides an increase of \$7.5 million in appropriations for increasing our scientific understanding of the disease and developing the technology needed by regulatory agencies to establish science-based policies and control programs.

BSE is the disease that is now getting much of the attention. Of course, there are other diseases and pests that can affect livestock and crops that we need to guard against. We need to be constantly vigilant to prevent the deliberate or unintentional introduction or spread of plant and animal diseases and pests that can cause severe economic or environmental damage. Our budget request for 2006 continues the Department's efforts to find and control the spread of deleterious animal and plant pests and diseases.

FOOD AND AGRICULTURE DEFENSE INITIATIVE

In order to protect American agriculture and the food supply from intentional terrorist threats and unintentional introductions, the budget proposes a governmentwide effort of nearly \$600 million for the President's Food and Agriculture Defense Initiative. For USDA's part, the budget proposes \$317 million for ongoing program activities and \$59 million to complete construction of the National Center for Ani-

mal Health in Ames, Iowa. Program funding for these ongoing programs includes a \$140 million increase, 79 percent above 2005, to strengthen the networks for responding to food emergencies and plant and animal diseases, conduct additional research and enhance monitoring and surveillance efforts to quickly detect pest and disease threats.

FOOD SAFETY

The Nation's current food safety inspection system has demonstrated that our food supply is the safest in the world and continues to show improvements based on historical reductions in the incidence of foodborne illness. The 2006 budget provides for continued protection of the Nation's supply of meat, poultry and egg products. The budget includes a program level of \$973 million for the Food Safety and Inspection Service. This is an increase of \$36 million over 2005. The additional funds are requested to maintain Federal support of State inspection programs, and to provide for a more effective front-line inspection workforce to improve our ability to detect and respond to intentional and unintentional contamination in the food supply. The budget requests an appropriation of \$850 million and \$123 million in existing fees. Of the \$850 million requested to be appropriated, the budget assumes \$139 million will be derived from new user fees.

FARM PROGRAM SPENDING

The U.S. farm economy has never been stronger. Record harvests and a strong livestock sector have contributed to the growing strength of the farm sector. Since 2003, producers have experienced record crops, record cash receipts, and record net farm income. The large crops that boosted farm income in 2003 and 2004 are now impacting domestic markets with heavy supplies that are weakening prices and driving up farm program costs. For 2005 and 2006, Commodity Credit Corporation (CCC) outlays are now estimated to total \$24 billion and \$19 billion, respectively, compared to only about \$11 billion in 2004.

The prospect of higher budget outlays for the commodity programs may complicate the job of reducing the Federal deficit. In this regard, the President's budget proposes that the farm programs contribute to the governmentwide deficit reduction effort. There are several proposals cited in the budget to accomplish that objective. These proposals are designed to work within the existing structure of the 2002 Farm Bill and achieve savings of between 3 and 5 percent from baseline spending over 10 years. The proposals which are equitably spread across the agriculture production sector include: reducing farm program payments across the board by 5 percent, basing marketing loan benefits on historical production, tightening payment limits, lowering dairy program costs and reinstating a small sugar marketing assessment.

Last October, President Bush committed to working with Congress to extend the Milk Income Loss Contract (MILC) program for 2 years. The budget includes additional funding to meet this commitment and continue this program that provides a safety net for small dairy producers.

Together, these proposals would save about \$587 million in 2006 and \$5.7 billion over 10 years. The majority of savings from these proposals is obtained through the across the board reduction in program payments. We are willing to work with the Congress in order to achieve the savings estimated in the President's budget.

TRADE

Expanding markets for agricultural products is critical to the long-term health and prosperity of our agricultural sector. The budget provides \$6 billion for the Department's international activities to ensure that we can continue our important work of expanding access to overseas markets and developing long-term trading relations with those markets. Of particular importance, funding for the Foreign Agricultural Service is increased so the agency is able to maintain its overseas presence and continue to represent and advocate for U.S. agricultural interests on a global basis.

CROP INSURANCE

The budget proposes that starting in 2007 the crop insurance program also make a contribution to deficit reduction. Net outlays for crop insurance will have grown nearly 50 percent between 2001 and 2006 with the implementation of crop insurance reforms in 2000. In addition, since 2002 we have seen four ad hoc disaster programs covering 6 crop years for a total cost of \$10 billion. In this regard, the budget includes proposals to enhance crop insurance coverage and reduce program delivery

costs so that crop insurance will provide coverage that is sufficient to sustain most farmers in times of loss. Proposals include a higher minimum coverage level, tying the receipt of direct payments for program crops to the purchase of crop insurance and changes in fees, premiums rates and delivery expenses. These proposals together would save an estimated \$140 million annually, beginning in 2007, contributing about \$1.3 billion to deficit reduction over the next 10 years.

CONSERVATION

Based on the 2002 Farm Bill, this Administration has implemented the largest conservation program in history. The Farm Bill provided more than \$17 billion in new conservation funding over 10 years. The budget includes \$3.8 billion in mandatory funding to continue implementation of the conservation programs as authorized in the Farm Bill. Total acreage covered by these programs would increase from 159 million acres to 184 million acres in 2006. The Conservation Security Program would receive an additional \$72 million to extend the program to approximately 200 additional watersheds in 2006. For the Conservation Reserve Program, USDA's largest conservation program, enrollment of 37.2 million acres is projected for 2006 up from the current enrollment level of 34.7 million acres.

The budget also includes \$814 million in discretionary funding for ongoing conservation work which forms the foundation of the Department's conservation partnership with farmers and ranchers. This is a decrease of \$177 million below the 2005 enacted level and reflects the elimination of the Public Law 566 and Public Law 534 watershed programs, conservation operations earmarks, and a reduction of \$25 million in funding for the Resource Conservation and Development Program. Within the total for conservation operations priority will be placed on other high priority conservation activities, such as providing more conservation technical assistance to livestock producers to help them develop nutrient-management plans and to meet regulatory challenges.

RURAL DEVELOPMENT

Rural America needs to share in the Nation's prosperity. It must have adequate financing for housing, community infrastructure, and rural businesses. The President's 2006 budget includes \$13.5 billion in loan, grant, and related assistance for this purpose, including \$4.5 billion for providing homeownership opportunities. The 2006 budget also includes a major initiative to deal with the changing environment for the multi-family housing program. It provides \$214 million for protecting the rents of tenants who live in projects that are eligible to prepay their loans and leave the program. The Administration will also be proposing legislation later this year to provide new authorities that would help meet the capital needs for necessary repairs and rehabilitations of projects that remain in the program.

RESEARCH

Research to improve the quality and productivity of America's food production and distribution system was the central reason that USDA was created in 1862. America has led the world in innovation and efficiency through our research, and that work continues, especially if we seek to maintain the lead. The 2006 budget places a high priority on critical research issues facing American agriculture and strengthening the quality of the research by focusing on competitive programs. The Administration strongly believes that research should be funded through peer-reviewed competitive programs. Therefore, over the next 2 years, research formula funds will be redirected to a merit-based competitive process. As part of this change, the 2006 budget includes a \$70 million increase for the National Research Initiative, and a new \$75 million competitive research grant program targeted to regional, State, and local needs. In addition, the budget supports research's key role in previously mentioned high priority initiatives, including the President's Food and Agriculture Defense Initiative and responding to BSE.

FOOD ASSISTANCE

Participation levels in the Department's three major nutrition assistance programs—Food Stamps, WIC and Child Nutrition—have been growing in recent years and the budget needs to keep pace with that trend. WIC participation has been growing at more than 3 percent each year, Food Stamp participation is up about 10 percent each year and School Lunch participation has reached a new record level of 29.8 million children per day. The budget contains sufficient resources to fully fund expected participation for these programs and provides for contingency funding in the event additional resources are needed.

For Food Stamps, legislation will be proposed to tie automatic eligibility for Temporary Assistance for Needy Families (TANF) recipients to those who receive actual cash assistance. This change will reduce food stamp costs by \$57 million in 2006 and by about \$1.1 billion over 10 years. The 2006 budget will continue to exclude special military pay when determining food stamp benefits for deployed members of the armed services.

The WIC request provides full funding for all those estimated to be eligible and seeking services. But, because food costs have risen sharply for the WIC program in recent years, the Department will be looking into ways to contain costs and continue to improve the program's performance.

The Department not only provides food assistance domestically, it also assists some 2.6 millions of women and children in developing countries through preschool and school funding programs carried out through the McGovern-Dole International Food for Education and Child Nutrition Program. The budget increases funding for the McGovern-Dole Program by more than 15 percent over the 2005 enacted level.

DEPARTMENT MANAGEMENT

As a former Governor, I know effective management is a critical part of what I want to accomplish in the coming years. I am looking forward to working with the Department's senior managers as we take up the challenge of managing the Department of Agriculture. This Department is a large and complex organization with a program level of over \$100 billion and a staff of over 100,000. If USDA were a private corporation it would be ranked as one of America's largest corporations. So there are many challenges in the management area and our budget request takes this into account.

It is crucial that the Department be as efficient, effective and discrimination-free as possible and that we deliver the best return on taxpayer's investments. In recent years, the Department has made significant progress in improving management. Some notable accomplishments include:

- The Department's Strategic Plan is used throughout the Department to communicate and drive our programmatic, budget and management priorities. The Plan was used to guide the 2006 budget request.
- The Department has developed a comprehensive set of performance goals, measures, and targets for USDA activities.
- The Department received its first-ever unqualified or "clean" opinion on the fiscal year 2002 financial statements and has received a clean opinion each year since.
- USDA agencies are deploying new technologies that allow customers to conduct business transactions over the Internet, saving both customers and the Department time and money.

The 2006 budget builds upon the progress made so far by providing the funding necessary to ensure there are staff and resources in place to continue improving customer service and providing efficient program delivery. As part of the 2006 budget, the Department would also continue efforts to modernize its field office service centers and to expand the use of Geographic Information Systems (GIS) to facilitate customer service. Funds to continue renovations of our headquarters facilities are also being requested in order to ensure that employees and customers have a safe and modern working environment.

In summary, I want to emphasize that the President is serious about reducing the deficit so that the economy can continue to grow over the longer term. This budget moves us in the right direction while continuing to meet key priorities. No Department or sector is being singled out and USDA will do its part in producing savings that will strengthen the economy and adopt reforms that will improve our programs.

That concludes my statement. I look forward to working with members and staff of the Committee and will be glad to answer questions you may have on our budget proposals.

Senator BENNETT. Thank you, Mr. Secretary. We appreciate your comments, and again we appreciate your willingness to serve in this highly challenging position that you have accepted. I think you are finding it probably a little more challenging than you may have thought the day before being sworn in.

You said in your statement that you would be willing to work with the Congress and consider other recommendations besides those that were contained in the President's budget. And that is

good news for us to hear because, as you have heard from those that did make opening comments, there may be some different priorities or different challenges that we would want to address. And so I just want to underscore your comment about your flexibility, your willingness to look at changes within this budget. Let's be clear about this. I am assuming you are not willing to deal with the top line.

DEFICIT REDUCTION

Secretary JOHANNIS. The top line is the goal. It is deficit reduction. You know, it appears to me that no matter which side of the aisle, which philosophical approach, deficit reduction is just critical to the future of this economy. The President has put out his suggestions, which I believe are reasonable suggestions, for cost reductions.

We do acknowledge that the policy proposals, such as the reduction in the farm program payments limit, are sensitive issues. Mr. Chairman, I want to underscore to you that we will work with Congress to try to achieve the savings that were set out in the President's proposal.

Senator BENNETT. Okay. Thank you. I appreciate that. I am sure the other members of the subcommittee do.

CANADIAN BORDER CLOSURE

Let me raise an issue that probably has some disagreement within the subcommittee, but for that reason I think it is important for us to at least understand it. I would like to discuss the situation with respect to the Canadian border. There are some who are rejoicing that the Canadian border is closed and hope that it stays closed forever and ever. And there are others who are in serious difficulty. We have a processing plant in Utah that now is operating only 3 days a week, where prior to the closing of the Canadian border with respect to live cattle was running a full 6-day full-time shift and doing well.

We understand that many people are building facilities in Canada on the assumption that the permanent effect of this will be to destroy the market opportunities for processing plants in the United States and that we could see a permanent shift into Canada as the Canadians decide, well, we are not going to ship cattle to America anymore, we will process them ourselves and go overseas then from a Canadian base.

Can you discuss this whole situation? What does it look like with respect to the Canadian border? I do understand that boxed beef is being imported into the United States, but discuss with us the question of the Canadian border and how soon you expect that it might be opened or if you feel there is a prospect that it could be delayed indefinitely.

Secretary JOHANNIS. I would offer a number of observations and, Mr. Chairman, I would start out and say I believe the observations you have made are accurate. Canada is killing probably about 80,000 animals a week. Every expectation is that that number will continue to grow. This year, it probably will surpass 100,000. They feel very, very strongly about their beef industry, as we do. They are very proud of their industry. They have done many of the same

things that we have done in terms of the firewalls relative to BSE. In fact, they banned the ruminant-to-ruminant feeding on the same day we did. They are working hard and aggressively, as we are, to implement that ban.

The whole goal here is for the USDA to make its decisions based upon good science, and the minimal risk rule allows for the importation of beef products from animals under 30 months and live animals headed to slaughter under 30 months from minimal-risk countries including Canada. And every indication is that that is safe. And I believe very, very strongly the science supports that.

We were ready to proceed with the rule, as you know, in the first week of March. A decision was made by a Federal court judge in Montana to hold that up. That decision is now on appeal to the Ninth Circuit Court of Appeals. I believe our brief is due on Thursday of this week. So we are now working our way through the legal process. Once that is resolved, given the go-ahead, we are ready to proceed very, very quickly. But, of course, we need to work through the legal process.

The other observation in your question that once the industry restructures in Canada, it is not likely to change again anytime soon. Canada's first preference would be to resume normal trade relations with the United States, but they also recognize that they have to diversify, which means they are aggressively pursuing foreign markets.

It was interesting to me that Taiwan announced, as you know, that they would resume trade with the United States in beef recently. Egypt did also. I just noticed this morning that Taiwan indicated that they are very close to resuming trade with Canada. We see Canada out there in the international marketplace. They are becoming a bigger and bigger competitor.

Then there is the other issue that you point out about the impact on our processing plants in this country, and, again, some will be able to hold on. They have the capital to do it. But for some of the small processors, I worry very much that if this market shift into Canada continues to go on, there is a point at which they cannot hold on and then processing will relocate, and people are out of work. All of the things that you are experiencing in your State start to happen.

Again, I think what it comes back to is this: Base our decisions on sound science, make sure we are paying attention to the science, and that will lead to the right result.

CSREES BUDGET PROPOSALS

Senator BENNETT. Thank you. Let's talk about the budget proposals for CSREES and their impact on schools of agriculture or forestry. Do you think that there is a possibility that some of these schools will be shut down if these budget proposals are upheld? And you have been a Governor. What about the State legislatures and colleges? Do they have enough time to react to the changes in funding that are being proposed?

Secretary JOHANNIS. This is a program, as you know, where universities have, over a period of time, built these appropriations into their budget base. Part of the proposal here is that when we head out to do research, we should do it on a competitive-based ap-

proach, to try to do everything we can to ensure that we are getting the maximum impact for the Federal dollars that we put into this area. So the proposal is for a competitive, peer-reviewed, juried approach to decide where those research dollars should be allocated.

It is hard to argue with the approach if you recognize that what we are really trying to do is take a limited resource, the money that we can put into research, and try to obtain the best possible research product we can get. This phases in, if I remember correctly, over 2 years, so my hope is that universities will adjust to this. Many are talking about the reductions they are going to face, but the reality is that I believe universities can compete in this process, compete for these research dollars, and secure the funding through the competitive juried process for science-based research.

USER FEES

Senator BENNETT. You propose a number of user fees, additional user fees. Do these come as a single package, or can you estimate the time basis on which they will hit?

Secretary JOHANNIS. I will ask our acting budget director to talk about the package here, and then I will offer a thought, if I could, Mr. Chairman.

Senator BENNETT. Surely.

Mr. WACHS. Mr. Chairman, we have not yet submitted those user fee proposals. We are working on them now, but no decision has been made as to whether or not we will send them up as one unique piece of proposed legislation or individual pieces.

Senator BENNETT. I see. Okay. Well, get that to us as quickly as you can because there is a history that spans administrations and parties that says, well, if you have got a problem, you propose some tax increases or some user fees or something of that kind, which you know the Congress will never enact, but at least it gives you the number.

Now, I am not accusing this administration of that practice, but I have seen past administrations, Republicans as well as Democrats, do that. So the more specificity you can give us, the more credibility you will have with respect to this issue.

Mr. WACHS. Yes, sir.

Senator BENNETT. All right. Did you want to make a comment, Mr. Secretary?

Secretary JOHANNIS. User fees are something I have worked with in a past life, and properly administered and implemented, they do work and you can still have excellent programs, even though a portion of it would be financed with user fees. For example, for meat inspection, the proposal would allow one approved 8 hour shift to be paid for with government funds, and then anything beyond that would be paid for with the user fees. Again, I have seen some very, very excellent programs.

Senator BENNETT. Well, I am not opposed to user fees. I think user fees make sense. But we would like some specifics when we can have them. Thank you very much.

Senator KOHL.

Senator KOHL. Thank you, Mr. Chairman.

NONFAT DRY MILK

Mr. Secretary, last year, I was able to work with Secretary Veneman to extend a very successful pilot program between USDA and the Milwaukee Hunger Task Force. This program allows them to turn nonfat dry milk into mozzarella cheese, which is then distributed to local food pantries. It has been in effect for over a year now, and we recently were able to extend the program until September at a minimum. However, there has been some question regarding the amount of nonfat dry milk available. I know the USDA Web page shows the total amounts of surplus nonfat dry milk, but it does not indicate, as you know, the quality or age of those stocks.

So could you provide the committee with monthly reports on the age and quality of those stocks and how they are to be distributed, including domestic feeding programs, foreign aid, livestock assistance, and other purposes?

Secretary JOHANNNS. Yes, sir. This is a situation where I just want to represent to you that I know there was a bump in the road there, and, sir, I am sorry for that occurring. But the answer to your questions is yes. We will work with you and the members of the Committee to make sure that the information regarding nonfat dry milk supplies is at your disposal. If the information is not adequate, then we will work with you to solve that problem and get that information at your fingertips. So the answer to your question is very directly yes.

Senator KOHL. I appreciate that.

FARM INCOME

Mr. Secretary, in your statement you said, and I quote, "The U.S. farm economy has never been stronger." However, I have received an ERS document that headlines "Farm households receive most of their income off the farm." The article confirms that farm household income has been at or above the national average in recent years, but largely because most of that income comes from off-farm jobs.

So what is the real statistic? Is real farm income going up, or are more farmers and ranchers being forced to send out their wives or husbands, their children, and perhaps even themselves, to bring in the necessary income to keep their farms afloat?

Secretary JOHANNNS. You raise an excellent issue, and I have got an economist here that I am sure is probably anxious to offer a thought. But I will offer a thought based upon my experience.

Your observation is accurate. There is just no question that there are more spouses and sometimes both husband and wife, out working in town.

In my experience, there are a number of reasons for that. One of the reasons came home to me very vividly. We had opened a call center in a community in western Nebraska, and a woman came up to me and said, "You know, Governor, we are so appreciative for these jobs. And the reason why is if I work here, I can get a health plan for my family." And she said, "As you know, out on the ranch the only health plan really is the one that we buy."

So there are some things like that going on out in rural America, but your observation is correct. We are seeing more and more people working off the farm now.

In terms of the statistics, I will ask Dr. Collins to offer a thought.

Mr. COLLINS. Senator Kohl, I would say that what you see in the farm economy is really no different than what you see in the national economy. We just had a year where the Gross Domestic Product GDP rose 4.4 percent, but we had unemployment of 5.5 percent. In fiscal year 2005, we had 24 million people on food stamps.

That is not to say because those people have such financial difficulties that we did not have a well-performing national economy. We did. We have had a well-performing farm economy the last 2 years. We set a record for net cash farm income in 2003, another record in 2004, and we are predicting another record in 2005 for farm income.

A lot of that farm income, however, accrues to a small portion of the farms in the United States. When we survey farmers and we ask them what their principal occupation is, over half tell us it is something other than farming. Thus, a large proportion of the 2.2 million farms we have say they are non-farmers and they earn the bulk of their income off the farm. That can be looked at negatively as something they are forced to do to make ends meet. Or it can be looked at positively; that is, people can stay in farming as a small and medium-size farmer because they have an off-farm job and they can remain in farming. So you can look at that either way.

In the aggregate, farm income represents only about 10 percent of the total household income of all farm families; 90 percent is off the farm. And that is largely because of the large number of lifestyle, retired farms and very small farms that we have.

So it is a complicated picture, it is a mixed picture, and you can find different stories in those statistics.

AGRICULTURAL BORDER INSPECTIONS

Senator KOHL. All right. Mr. Secretary, a few weeks ago, GAO issued a report on the potential threat of agroterrorism. GAO pointed out problems with USDA accreditation for veterinarians, rapid diagnostic tools, stockpiles of ready-to-use vaccines, and the 8-percent decline in agricultural border inspections. I know you have seen this report.

The decline in border inspections since USDA transferred much of this responsibility to the Department of Homeland Security is especially troubling. Why do you think there has been a decline in agriculture inspections at the border? And what steps do you propose in order to improve agricultural border security?

Secretary JOHANNES. There have been changes, as you point out, and the key here, in terms of what I propose is that we really do everything we can to work with the Department of Homeland Security to make our efforts relative to the protection of our food system and our food supply as absolutely seamless as we possibly can, whether it is border inspection or otherwise.

Many good things have happened over time. Again, having been a Governor on 9/11 and seeing the progress that has been made, many good things have happened especially with the assistance

that has been provided by the President and Congress to the State and local levels. But there is always work to be done. I think this report pointed that out to us, and in some areas, quite honestly, it may call for us to just redouble our efforts, working together with the Department of Homeland Security.

Again, I would not want anything I am saying today to downplay the positive impact that the support of Congress and the President has had on State and local governments in terms of our preparation for problems with terrorism, including bioterrorism.

AVIAN INFLUENZA

Senator KOHL. Every day we read of potential threats that could devastate our agricultural sector and endanger human health. Avian flu in Asia is an example which, by some accounts, could result in a really terrible pandemic. What is USDA doing to help contain the avian flu? What other countries are you working with on this problem? And what other agencies, such as CDC, are you working with?

Secretary JOHANNIS. Your question is very timely. I have just asked for an extensive briefing on avian flu involving the Department of Health and Human Services and USDA. There are many predictions, some of them doomsday sort of predictions, about the potential for avian flu. And I will tell you that at the USDA, I am taking this very, very seriously. I want to do everything we can to be prepared.

As you know, in our country we have a very robust response to any problems in this area. We are going to do everything we can to encourage our foreign trading partners to do likewise. But let me assure you, this is absolutely on my radar screen. It is a very important issue to me. And I am going to spend some time and effort to make sure we are doing all we can to deal with this issue. It is here and it is very real.

VETERINARIAN SHORTAGES

Senator KOHL. Mr. Secretary, what about veterinarians? As you know, we have a shortage of veterinarians in rural areas, and they provide good surveillance of animal disease and potential agroterrorist threats. Do you have some thoughts on how we can do a better job of providing adequate veterinarians in our rural areas?

Secretary JOHANNIS. There are a number of programs out there at the State level relative to educating veterinarians. I will give you an example of one I am very familiar with.

In the State of Nebraska, we did not have a veterinary school. Some years ago we made an attempt to make it happen, and it just did not come together, for a variety of reasons. So we entered into an agreement with a veterinary school in Kansas and basically what we did as a part of the State budget is buy down the out-of-State tuition for the student. They liked the program in Kansas, we liked the program in Nebraska, and we have been able to educate veterinarians. So there are some creative things going on out there to try to deal with this veterinarian shortage issue.

Many States have programs that bring retired veterinarians into service. Another thought in terms of dealing with the whole issue

is—let's say you have an outbreak where you really need veterinarian services. States have State veterinarians that we can work with. Many States have plans in place that they can activate.

So the entire burden of providing veterinarian services is not being completely shouldered at the national level. The States are doing some very, very good, creative things, and I think whatever we can do to help them in that effort is very, very positive.

But your observation is, again, very real. There is a need to maximize the veterinary resources we have out there and try to improve that situation. But there are some programs in place that can help do that.

MADCOW DISEASE (BSE)

Senator KOHL. Mr. Secretary, on mad cow disease, you stated that your top priority is to get American beef moving again to Japan, and the USDA budget for this year will fund approximately 40,000 BSE inspections. This is a huge decrease, as you know, from the level of inspections since BSE was discovered in the United States.

So how does this level compare to the level of BSE inspections USDA was performing prior to the discovery of BSE in the United States?

Secretary JOHANNIS. The request for BSE inspections is double what they were in 2004. Proposed inspections increased from 20,000 in 2004 to 40,000 in 2005 and the same number of inspections is proposed for 2006. However, for the last year, we have been doing an enhanced surveillance program, and as I mentioned, we checked just before this hearing started, and we have now tested about 314,000 animals in this enhanced surveillance program. And, Senator, I am very happy to report to you that everything is negative up to this point.

We are going to evaluate this program. We are doing everything we can to make sure that we are conducting broad-based testing in those areas of the country with increased risk and we will evaluate that and determine whether to continue this enhanced surveillance program.

A couple of very important points. Although I think there is some misunderstanding about this, we have never argued that this was a food safety approach. It really is a surveillance approach. The whole idea of the USDA, when this was kicked off and enhanced, was to get a better idea of what the national herd condition was like relative to BSE.

At the time when it was kicked off, the USDA made statements that we anticipated finding other BSE animals. But it has not happened and we are happy about that. But it was, again, never designed to be a food safety approach. It is an enhanced surveillance approach.

My goal in the next couple of months is to make sure that we have done the testing in the regions of the country that we should be testing that we have touched the necessary bases, that we make an evaluation of where we are with this program and make a decision about where we go from there.

Senator, I will tell you that in that effort, I will certainly consult with Congress and this Subcommittee and others who have an interest in this area about their thoughts and ideas.

Senator KOHL. If we need more inspections, how do you plan to get them funded?

Secretary JOHANNIS. Of course, we would have to consider use of CCC funds or ask for an appropriation to make that happen.

BEEF EXPORTS TO JAPAN

Senator KOHL. Well, are you convinced that our present level of testing is convincing our trading partners that we, in fact, are serious? When are we going to get our beef back into Japan? What do you anticipate?

Secretary JOHANNIS. There is a whole combination of things that are at work here. The surveillance, again, was our effort to get an idea of what our national herd looked like. But the removal of specific risk materials (SRMs), and allowing animals under 30 months, all of those things fit in together in terms of a risk analysis. And we believe very strongly that with those approaches, you really bring the risk down to practically nothing when it comes to BSE. And regardless of whether we are talking to Japan or Egypt or any other country the case we are making, is that based upon good science, when you consider all of the things that we have done, our beef supply is safe. And that is the case we are making to our trading partners.

When will Japan be reopened? From the very first day I arrived, I have been pressing for a date. I do believe that the steps are in the right direction. I am encouraged. I wish, Senator, I could lay down a date in front of you and say that is the date. But the Japanese have said, look, this has to go through our science-based food safety process, and they are working their way through that. Again, every step they seem to take seems to be in the right direction, slowly, deliberately. I would argue too slowly, but it does seem like we are headed in the right direction. And we continue to pick countries off. We are very encouraged by Egypt's announcement, and very encouraged by Taiwan's announcement. We are still working with South Korea.

So we are being very systematic about returning normal trade in beef markets worldwide.

Senator KOHL. I thank you.

I thank you, Mr. Chairman.

Secretary JOHANNIS. Thank you, sir.

Senator BENNETT. We can come back for a second round.

Senator BURNS.

Senator BURNS. Thank you, Mr. Chairman. I want to thank the Secretary, and I have a couple of questions here. You know, we learned a lot about the Japanese situation—for the information of the committee—that they have two quasi-government organizations that have to sign off on this thing. One of them is called Risk Assessment, the other is an Agency for Risk Management, and they make recommendations. Then the Japanese Government has got to operate. What does that sound like? It sounds like the United States Government to me. And that sounds like a bureaucracy maze that we have not been able to negotiate yet. But I will tell

you somebody that has learned to negotiate it, and that is the Australians. So they are becoming very efficient at that.

CROP DISASTER PAYMENTS

In last year's disaster package that you have been working on—and I appreciate the good work you have done—our farmers still have not gotten their checks, and here we are into the planting season, and I would wonder if there is an explanation for that and why that has not been accomplished. We have been working on that thing for a year now. Do you have anybody that wants to address that?

Secretary JOHANNIS. Dr. Collins.

Mr. COLLINS. If you are referring to the crop disaster program, the sign-up just recently began. The main reason that takes a while to implement is because we have this cap on how much a producer can receive. They are limited to their crop insurance indemnities plus the crop disaster payment which cannot exceed 95 percent of the income they would have had otherwise.

Because of that cap, we cannot write checks until we know how the insurance year has finished up, how it is settled out and we get the final database from the Risk Management Agency. That database was transmitted during the month of March, and so we are in a position now to make payments and will be making payments here imminently.

Senator BURNS. I would suggestion posthaste.

Mr. COLLINS. Yes, sir.

Senator BURNS. That just does not seem like a problem that we cannot take care of, that we cannot address.

Mr. COLLINS. In past crop disaster bills, we did not have that 95-percent cap.

FARM PROGRAM CUTS

Senator BURNS. In your budget, Mr. Secretary, when we start talking about cuts, I think our farm program cuts are doing more than their share of this particular part. Foreign markets are very important to us, and it was, as far as I am concerned, good news when Taiwan and Egypt decided to open up. And I would say that the only thing we have to do is just keep our head down and don't let our shirrtail hit our backside until we get that done.

Over in the risk management area, it just seems to me that we have got cuts there that maybe we ought to be taking a look at in some form. I like the idea of mandatory insurance. I like the idea that if risk management works, there would be no need for an emergency disaster program. And that has not been the case, that we have looked over there and said, well, we can get some savings over there, when basically we ought to be putting more emphasis on risk management as far as production agriculture is concerned.

And that is where I am coming from. It is no wonder we have got people working in town for the simple reason that the commodities that they are selling today are at the same level they were 50 years ago. Now, we have got to figure out some way, gentlemen, to increase the income on the farm. User fees, like you mentioned, Mr. Secretary, are usually paid by those who can ill afford them. And yet they are important, the services that are rendered, to both

the consumer and the producer. But right now the producers are picking up all of that. And so there ought to be some on the other side, whether it be in the processing, manufacturing, distributing, or whatever. There should be some in that part of it, too.

So when we balance these things out, there is nothing wrong on the farm except the price. Now, cattle producers have done well in the last 2 years. There is no doubt about it. They have really done well. But when you come to the grain commodities, you know, the basic needs of what we produce in Montana and what you used to—you were pretty close to in Nebraska—there has been no increase. And our part of the consumer dollar continues to shrink. And then you wonder why we have got to work off the farm.

The other day—and cost input, fertilizer costs, we cannot get the natural gas. We have got all these inputs that continue to go up. The other day I bought a pick-up that is 8 years old. And I gave as much for that pick-up, 8 years old, as I gave for our first house that Phyllis and I bought. That is our problem, is income. And yet in our programs that you treat as a ceiling, we treat as a floor. And I wish we could get in the mind-set that both of us are thinking on the same wavelength whenever we start allocating cuts or increases.

But I think our main goal here should be we should look at risk management. I would a lot rather support premiums on risk management—and I think the farmer would too, because his results, he understands what he is getting there—than trying to pass emergency disaster legislation because that gets tougher and tougher all the time. But had it not been for them, then we would have lost a lot of people in our production agriculture.

COUNTRY-OF-ORIGIN LABELING

Country-of-origin labeling, we have done all the work. Why aren't we just putting the final rule into the Federal Register? That is a part of that decision that the judge made in Montana with regards to the lawsuit from R-CALF. He cited that the USDA has got the rules. How come they have not finalized them and put them in the Federal Register?

Do you want to respond to that?

Secretary JOHANNIS. Yes, I can offer a thought on country-of-origin labeling. As you know from my confirmation hearing, my support would be for a voluntary program, but the law makes it a mandatory program. As a matter of fact, fish and shellfish went into effect just within the last few days.

Senator BURNS. We do not produce a lot of shellfish in Montana.

Secretary JOHANNIS. Maybe not in Montana, but the COOL requirement is there in case you were to diversify into shellfish or something.

The other thing I would say is that, as you know, the deadline for country-of-origin labeling is now September of 2006 for all other covered commodities, and that was extended, I believe, by the last appropriations process. So, the time frame we are working toward is the beginning of fiscal year 2007.

When will the rules be published? To be very candid with you, Senator, my guess would be that they will be published in June of 2006.

CONSERVATION RESERVE PROGRAM

Senator BURNS. But here is the problem. Some of us in this industry are going to have to make some adjustments to be in line with the rules. I think the earlier, the better, because if adjustment has to be made, we should be doing that. And so I would take a look at that because in order to get people in compliance, why, we would have to—I have got other questions, and I have got to go up to an energy meeting, Mr. Chairman. But I just want to really focus on the income part of this thing. I don't know how long you expect American agriculture to compete with the result of the world. Are we going to put everything in Conservation Reserve? I don't know why a farmer who wants to farm has to compete with Government payments on CRP if he wants to expand his operation on a cash lease basis. I think we should look at that. There is a tremendous amount of savings there, and especially CRP basically has been devastating to our smaller communities. It has taken big chunks of land out of production. And I don't want to grow to rely on foreign sources for our foodstuffs in this country, our nutrition. I think that is very shortsighted.

But we need some reform in those areas. Keep that little packing house down at Spanish Fork going.

Senator BENNETT. Hyrum.

Senator BURNS. Was it Hyrum?

Senator BENNETT. Hyrum.

Senator BURNS. Which is the same area, isn't it?

Senator BENNETT. I will introduce you to the geography of the State of Utah.

Senator BURNS. Well, we still have got one at Spanish Fork, too, don't we?

Senator BENNETT. Yes, I think so.

Senator BURNS. And I realize—and I like the idea of we get to add the value to the product. Everybody says we have got to add value. I subscribe to your thinking that we have to do that. But I think we have to look at RMA reform because I think there we can put some predictability into our risk management. And I would a lot rather do that than go through this business of emergency disaster legislation.

So let's don't take any money out. Let's stay there, reform it. And I would subscribe that we would subsidize it to a point because that is a lot easier than going the other way. And it also would help us on our deficit spending also.

I thank the chairman, and I have some more questions. I thank the Secretary because his willingness and his knowledge of agriculture is very, very good. And I certainly appreciate that.

Secretary JOHANNIS. It is always a pleasure, Senator. Thank you.

Senator BENNETT. Senator Dorgan.

TRADE DEFICIT

Senator DORGAN. Mr. Chairman, thank you very much.

Mr. Secretary, thank you for being here. When you were nominated, I said that anyone who grew up on a dairy farm in Iowa would do right well in this job, and I am glad you are there. But I recognize you pull the wagon for the administration and for OMB,

and their policies must be your policies. I could not, I am sure, get much out of you today that would disagree with the policies that are coming from the administration. And I understand all that.

But let me ask you a couple of questions and precede it by saying about 2 hours ago it was announced that last month's trade deficit was \$61 billion—\$61 billion, another record, another chapter in a book of trade failures. Uncle Sam is being played for Uncle Sucker all across the globe on trade policies, and this year might be the first year in 50 years that the agriculture trade surplus will have vanished. We are a country that imports food, we import oil, and we export jobs. And it is no wonder that things are going haywire.

But having said all that, I want to ask you about two trade issues. One is the Canadian cattle issue and the other is CAFTA.

CANADIAN CATTLE

On the Canadian cattle issue, you propose that we open the market to live cattle despite the recent discovery of two additional cases of BSE in Canada. And I would like to ask you about a statement you made. You indicated that you feel the Canadian feed issue is largely resolved, that the ban on animal parts in animal feed has been effective.

As you know, there was a Freedom of Information Act request in Canada reported by the Vancouver Sun that said this: "In the past year"—last year—"the Canadian Food Inspection Agency found prohibited animal materials in 41 of 70 samples." In other words, 58 percent of the cattle feed tested. Now, that comes from a Freedom of Information Act request from information that was in the Canadian Food Inspection Agency, inspections they had done last year, at least to my understanding. How does that square with USDA's insistence that things are going just swimmingly up in Canada with their testing program?

Secretary JOHANNIS. I am familiar with that article and the assertions that they made. There was additional work done on that. If I remember correctly, Senator, the situation there was that they had done testing, I believe, of feed samples with a microscope and detected protein—again, if I remember all this correctly.

So then they started looking into that. What protein/what are they finding? The Canadian Food Inspection Agency had a very impossible time of verifying that the prohibited feed material was from cattle. And, in fact, I think they found that part of it was from mice, which, as you might expect, can happen. I think they found one sample that was actually a human hair. And we can get you that additional information. I am drawing this all up from memory, and it has been some weeks since I have looked at that article. But it caught my attention, too. I looked at it very carefully.

The cattlemen, if you will remember, went up to Canada a couple months ago with a team, and they wanted to take a look at that article also. They actually filed a written report which they distributed at their convention in San Antonio and addressed that issue and pointed out some of the same things that I am pointing out today.

Senator DORGAN. Which cattlemen are you describing at this point?

Secretary JOHANNIS. The National Cattlemen's Beef Association.

Senator DORGAN. And are they pushing for reopening of the border?

Secretary JOHANNNS. It's probably not as simple to say that because they have put forth a number of criteria that they would like to see fulfilled for that border to be reopened. But I am familiar with the Vancouver Sun article. There is just more information to that article than the article itself. Again, we would be happy to provide that.

Senator DORGAN. Mr. Chairman, what time limit are we on? I was surprised to see the light go on here.

Senator BENNETT. Since it is just you and me—

Senator DORGAN. Mr. Secretary, that is probably not good news, is it?

Secretary JOHANNNS. That is fine with me.

Senator DORGAN. Let me ask you, have you consulted with the Canadian Food Inspection Agency about these samples?

Senator BENNETT. I see Senator Brownback is coming back, so keep going, but it is not—

Senator DORGAN. Is the chairman revoking that invitation?

Senator BENNETT. It is not unlimited, but keep going, by all means.

Senator DORGAN. All right. Well, let me just say this: Our responsibility is to this country's farmers and ranchers and beef industry. I know there are some that would like to create a North American beef brand and so on and so forth. Our responsibility is to our industry, and you know and I know that the press was full of rumors last summer and fall when the President was going to Canada that he was going to assure the Canadians that after the election the border would be opened. And, frankly, I don't know the details of all of that, but I know that in spite of additional evidences of mad cow disease in Canada, there is this movement to reopen the border. And I frankly don't think it makes any sense. The Senate has already expressed itself strongly on that issue, and I wanted to express that to you.

CENTRAL AMERICAN FREE TRADE AGREEMENT

Let me ask you about CAFTA, the Central American Free Trade Agreement. I described to you the \$61 billion announcement this morning. This is a colossal failure in policy for this country. And it has happened under the watch of a number of parties and Presidents here, but it is getting worse and worse. And my hope is that the President would park the 747 and understand this is a crisis that we all must work on.

Now, CAFTA was negotiated some long while ago. I do not support CAFTA, with full disclosure, of course. I do not support CAFTA, but I am anxious for it to come to the Hill. The old phrase "Bring it on" should apply to this, in my judgment. Let's have it. Let's have a debate on CAFTA on the floor of the Senate, the sooner, the better.

So, Mr. Secretary, when can we expect CAFTA to be brought to the floor of the Senate, in your judgment?

Secretary JOHANNNS. I am not sure, Senator, that I have a judgment as to when that debate is. I know we disagree on this issue, in the spirit of full disclosure, although I am all over the news-

papers supporting CAFTA and I supported it before I arrived here. I am working very hard on CAFTA and talking to people and groups about it. But, quite honestly, I cannot offer to you a date.

Senator DORGAN. Who is making that call? Who will ultimately make the call when it is sent to Congress and when they want to vote on it?

Secretary JOHANNNS. The Administration, in working with the leadership. Again, that would be my guess. My role is to do everything I can because I believe very strongly in CAFTA. But the timing issue is just not an issue that I have been engaged in.

Senator DORGAN. I believe that CAFTA is a first step in unraveling the sugar program, and I think we will have a potentially significant impact on beet growers and so on. But what I will do, if you don't mind, Mr. Chairman, is send some questions in writing.

CROP PAYMENT LIMITATION

Then let me say one additional point. I support the administration's payment limit recommendations, or at least the suggestion there be payment limits. Senator Grassley and I have long worked on that in the Congress. I think, however, the recommendations on cuts in the market loan program and the across-the-board reduction in farm program payments is a horrible mistake and people should not confuse the two.

I did not come here and do not believe that we ought to be supporting farm program payments of \$30, \$35 million over 5 years to big corporate agrofactories. If our farm program is not to try to help keep families under a yard light out there working on the farm, then we do not need a farm program. So I do believe payment limits are important, and I support the administration in their discussion of payment limits.

So, Mr. Chairman, I have more questions, but let me submit them in writing to the Secretary and say that I hope as we go through this process this year on appropriations that we can overcome the recommended cuts in farm program benefits. We have put a farm program out there. We vote on it, we debate it, and I think that ought to represent the bridge across price valleys and difficult problems that family farmers face. Farmers ought to expect that the Government keeps its word on these issues.

Senator BENNETT. Thank you.

Senator Brownback.

Senator BROWNBACK. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Secretary JOHANNNS. Thank you, Senator.

Senator BROWNBACK. I hope both of our football teams do better this next year.

Secretary JOHANNNS. Yes.

Senator BROWNBACK. That will be helpful out in the Midwest and to our part of the country.

BEEF EXPORTS TO JAPAN

I have got a couple things I want to discuss with you. One is I am delighted to see your focus on Japan and opening up that beef market. Of course, that is key to much of us in the Midwest. You follow in the steps of another great Nebraskan, Clayton Yeutter,

who I worked with over a decade ago to first open those markets. They were tough then because the Japanese threw up every barrier that they could think of, and then a few on top of it to stop us even—I remember one point in time some Japanese officials saying, well, the Japanese digestive system did not digest well U.S.-produced beef. It got to that absurd level of argument that they put forward.

Do we need to do more up here? Do we need to pass laws going at Japan until they will open this market up? Some people are starting to propose that we do something like that to try to get Japan to open their beef market back up.

Secretary JOHANNIS. Well, Senator, I would answer this way: Every opportunity I have had in my meetings with the Japanese and I know every opportunity that Senators and House Members have had, we have all made the point that patience is just simply running very, very slim on Capitol Hill.

I met with the Ambassador of Japan within the first few days of coming to the job and just said, look, if you watched my confirmation hearing, it became an airing of frustration over this issue, and I just worry that there is a point at which the frustration boils over.

And then when the letter was signed by the 20 Senators—and I am sorry, I don't remember if you signed that, but I pointed that out to him and said, again, you have very, very thoughtful people who are signing the letter in frustration.

So my belief is that the message has been delivered very loud and clear. I really appreciate the President's leadership here. He has talked to the Prime Minister, as you know. That was reported. Secretary Rice has raised the issue. Others across the Government have raised the issue. It does appear that the steps are in the right direction. A step forward that is very, very small. But it is in the right direction.

Senator BROWNBACK. I hope we can move. Recently, when a Congressman from Kansas proposed legislation regarding the Japanese on this issue, it garnered a fair amount of support, and I think things like that may start to move forward as we try to find vehicles, the blunt instrument approach that Congress typically uses to try to address something that should not be continuing at this point in time.

Secretary JOHANNIS. Right.

RAISING FARM INCOME

Senator BROWNBACK. I do want to follow up on what Senator Burns had mentioned on a couple of topics about we just need more farm income. I was raised on a farm. My family still farms. My brother farms with my dad, and you do see those commodity prices, particularly on grains—he says they have not improved in 50 years. They have actually gone down substantially. If you look at any sort of time value of money and inflation, they have gone substantially down. And people can say, well, there is great efficiencies and size and scale in your global marketplace and all those things. They have some applicability and accuracy. Still, you travel throughout rural America, and you see this in Nebraska, I see this: The farmhouses are deteriorating; the equipment may be in pretty

good shape, but there has not been much net income. And much of the net income on farms now is off-farm income. A spouse works to provide the living expenses. You are hopeful that you can hit that 1 good year in 5 that you can make some decent return.

VALUE-ADDED AGRICULTURE

I want to point to two areas, though, where it seems like we have had some reasonable opportunities for growth and hope of increasing farm income. One has been that new uses fee where we move outside of the food and fiber field, doing very nicely now in ethanol, a lot of expansions of plants throughout the Midwest. I know you have seen it in Nebraska. I think we have got a similar opportunity in soy diesel, good environmental qualities, renewable sources of it. And we have put a push on this at different times in different waves in U.S. agriculture.

I would just suggest to you that now would be another good time to give another shoulder behind the wheel push to this conceptualized area and not just in the ones we have been in, the ethanol, the biodiesel, but also things like utensils, eating utensils out of corn or soybeans, a whole array of them.

Once, about 12 years ago, I hosted a new uses expo in St. Louis along with USDA and a whole bunch of other groups—Department of Energy. I think we had 150 different products there, from blue rocks made out of starch—I was hitting Senator Grassley up about this the other day, and he said, yes, they have got a shirt in a museum at Iowa State made out of soybeans. He said it was fine as a shirt, but when it got wet, it started smelling a little bit. That is why it is in the museum.

Now, I am hopeful we can get through the odor issues with that, but my point in saying that is as a new Secretary coming in, coming in from the Midwest, you know these issues. People want hope. They want a chance to think they have got a chance to make some more income.

What about resurrecting that and hosting a big new uses expo somewhere in the Midwest? I would offer Kansas City, but where you really try to bring those entrepreneurs, those innovators that are out there together, showcasing these new sets of products, and put another lean-to into that push where we really have had some modicum of success at other times. I would love to see us put that in your budget or you get behind it and say, yes, we need to do it to showcase—or maybe you do a couple of them at different places around the country to showcase those products.

I don't know if you have had a chance to think about those areas, that is, an expo or even putting together a catalogue of these products so that people can see, well, gosh, you can make these plates out of wheat starch, you can do this disposable utensil, you can make this table out of wheat straw, and here is a nice-looking one. I hope you get a chance to look at that.

Secretary JOHANNES. I will take a look at it. Again, your observations are correct. There is so much going on in value-added agriculture, which is really what you are talking about. It is taking that basic agricultural product and enhancing its value to a broader marketplace. A perfect example of that, again, happens to be in the State I came from. Cargill-Dow joined in an effort in Blair, Ne-

braska, to literally create polymers. I have a tie that came from that initiative, and the potential exists to enter into the marketplace where plastics are and provide a product produced from corn, biodiesel and ethanol that you referenced. The success story in ethanol has been truly remarkable, and I believe that there is going to be that kind of growth in the biodiesel area.

There may be an opportunity for us as we think about how to boost this effort to do something like you have suggested. I wouldn't necessarily suggest that it is budget issues so much as bringing the industries together.

Senator BROWNBAC. That is what it is.

Secretary JOHANN. Yes, I think they would be very supportive.

Senator BROWNBAC. And it is not just even industries. It is those entrepreneurs. A lot of them are just an "in a garage" guy that has come up with a different sort of idea, and they create jobs and opportunities in local markets within much of the rural areas, which we desperately need.

Secretary JOHANN. It is a very exciting area because when those jobs are created, they tend to be in the rural areas. Ethanol plants are not built in the middle of Kansas City or Omaha. They are built in rural areas near small towns, and the impact they have is very large.

Senator BROWNBAC. Biomass, electric generation I think is another one that looks like to me where you could go on large-scale areas, and then you also get a two-fer. You are dealing with the carbon issue along with an agricultural job creation and market issue.

I would be excited to work with you on something like that because I think to me it really just lends an opportunity to hope and optimism of we can do this, and you can be the chief and will be the chief cheerleader for that by driving around 100 percent biodiesel-fueled truck that is running on soy. We even had them early on, on animal fats. That had a real sweet smell when the engine burned, going through like French fries or you are going by a McDonald's. But those could be real helpful and using those utensils, eating utensils at USDA that are made out of corn or soybeans.

CARBON SEQUESTRATION

The second one I want to go into is the carbon area because I do think we have got another opportunity for substantial economic growth on carbon farming, carbon sequestration. We have got a lot of research going on at Kansas State—I think Nebraska has got some of this as well—to measure the carbon fixing of a ton of carbon, over what period of time, so you could measure and trade.

As I look down the road, I think of this as being one of the great possibilities. The numbers I have seen, we have removed about half of the carbon from the soil that was there when the tall grass prairie was throughout much of the center of the country. But that means there is the opportunity to insert half of the carbon back in it. It will hold it. It will clearly hold it. But we have got to build or put into place trading systems, measurements. I think early on we need measurements and the rudimentary trading systems to start initiation. And there it looks like to me you are looking at a

massive marketplace, in the billions if not even greater than that, for down the road when a number of countries are wrestling with the CO₂ emissions issues.

I really hope you can lean in aggressively on that one because I don't know of a bigger area that you could look at for market potential. And if we even get a decent slice of it, it is going to be a lot of income to rural America, and it has got the added benefit of generally always being good conservation practices, soil-enhancing practices, soil retention practices that we need in the farm areas, anyway.

Secretary JOHANNIS. I agree.

Senator BROWNBACK. Are you working on carbon?

Secretary JOHANNIS. Yes, we are. Maybe I can ask Keith to give a more specific update. It is an area that we had worked in, again before I came here, at the State level, but, Keith, go ahead.

Mr. COLLINS. Senator, we know of your interest in this issue and the legislation you have proposed. Our biggest project right now is working with the Department of Energy under what is called their 1605(b) Greenhouse Gas Registry Program. As you may know, they just published their proposal for accounting rules and guidelines for greenhouse gas mitigation projects. The Department of Agriculture drafted the agriculture and forestry sections of that.

The proposal is in a comment period now. We are holding a public meeting on May 5 in the Washington, DC area, over in Riverdale, to discuss just what you are talking about, measuring the unit of trade. You don't get a trading system going until you have a well-defined unit with standards that people would accept, and that is what is in this proposal. It establishes all the accounting rules and guidelines for agricultural projects and forestry projects.

We think that when we finalize the 1605(b) registry program, which will be kept by the Department of Energy, any farmer or forester could voluntarily report their greenhouse gas offsets to that system. We think that will create a measurable unit which will create an opportunity for trading. We are not calling it a transferable credit, but conceivably it could function in that form. We are calling it a registered reduction, and that will be on file with the Department of Energy. And we think that can help kick start the kinds of markets that you are talking about.

FOOD AID PROGRAMS

Senator BROWNBACK. One final brief comment, Mr. Chairman, if I could, and that is just on the food aid area, and that is one I—we have been increasing, the chairman has been very interested in what we can do on food aid, school lunch programs here and overseas. I have done a lot of work overseas. That is just a critical component, but particularly we are seeing lots of needs in countries that just have poverty at a level that people just do not have food at all, and this has been a long historical effort, and I look forward to continue to working with you on that because we had the capacity to do it. It is always a difficulty getting the food aid there and getting it in decent conditions, and the budgetary constraints, but I really hope we can continue to do that. It is the right thing to do, to help those that are in such deep need.

Thank you, Mr. Chairman.

Senator BENNETT. Thank you.

Senator Harkin.

Senator HARKIN. Thank you very much, Mr. Chairman. I apologize to you and Mr. Secretary for being late to the hearing.

REDUCING THE FEDERAL DEFICIT

I just have a couple of questions. I do not want to hold people up too much longer, but, Mr. Secretary, reading over your statement, you said because of the overriding need to reduce the Federal deficit, USDA, like every Federal agency, will share the Government-wide burden of controlling Federal spending.

Well, that is all well and good, but, Mr. Secretary, I hope that you will use your voice and your position in cabinet meetings and in meetings with OMB, to point out that when we passed the last farm bill, we were given a budget with the concurrence of this administration. We stayed within that budget for 10 years in passing that farm bill. And in the last two, almost 3 years now, coming up 3 years, we have spent about \$15 billion less than what we could have, what we were allowed to spend. We could have spent it. It was in the budget for us to spend, but we saved that \$15 billion for the taxpayers of this country. We reduced the deficit by \$15 billion. Those people at OMB got to know that, and the people that sit around that cabinet table up there with you and all those other departments, they have to know that too.

And I am just asking you as a friend, as a neighbor, fellow former Iowan, get in there and punch them out a little bit and let them know how much money we have saved. We do not get credit for it. This committee, Senator Bennett ought to get some credit for it. We ought to get some credit for what we have done to fashion a farm bill that saved \$15 billion under what we were allowed.

So to say that we are going to be involved in controlling Federal spending, that is all well and good, but we have already done a big part of it in agriculture, and we ought to be proud of that, and we ought not to say, well, no one else is doing it, but now we are going to take more cuts and more hits. That is just preface to a couple of things that I want to talk to you about, and I hope you will continue to point that out to those people down there.

NATIONAL ANIMAL DISEASE CENTER

Mr. Secretary, three brief things, Animal Disease Lab, Ames, Iowa. The National Animal Disease facilities is of critical importance for animal health, human health as well. The Congress, and this Administration and the previous Administration made the decision to upgrade these facilities. The work is under way. \$404 million has already been appropriated for the project. The President's budget proposal calls for an additional \$58.8 million, indicating that this amount of funds will complete the project. The remaining amount is dedicated to completing the so-called low-containment large animal facilities.

There are strong indications that this figure of \$58.8 million proposed in the budget is not adequate to complete these animal holding facilities properly.

I understand that because of the shortage of funds the Department has developed several options for asking for bids to construct

only a part of the major lab building in this fiscal year. Mr. Secretary, I have had, I personally have had an extremely hard time getting to the bottom of this issue of what the correct figure is for the amount of funds needed to complete the modernization of these facilities. The renovation has to be done right, but my staff—and I have asked them to get me this—they have been unable to get documents and information that USDA has about what is really needed.

So, Mr. Secretary, I am asking would you furnish to this subcommittee and to me—I am part of the subcommittee—without a lot of delay because these decisions have to be made in our appropriations process: (1) A copy of June 2003 program of requirements that laid out the need requirements for the Ames Animal Disease facilities; (2) a copy of the full report of the International Review Team in January 2001 that laid out their views of the adequacies of these facilities; and (3) exactly how will the current plans for low-containment holding facilities be short of the June 2003 program requirements?

And lastly, Mr. Secretary, will you inform this subcommittee, prior to the conference on the bill: (1) if the bids received for constructing the main laboratory building show that costs will exceed cost estimates used to this point; and (2) if the Department is delaying any part of the bidding for constructing the main laboratory building because of cost concerns and budget concerns?

That is a lot to throw at you. I will put it in writing.

Secretary JOHANNIS. Okay.

Senator HARKIN. That is a lot to throw at you, but I think you understand what I am saying. I am having a hard time finding out—on the one hand I am told that \$58.8 million is not adequate to complete it, on the other hand we are told that it is, and I am just having a hard time figuring this thing out and trying to get to the bottom of it. That is all.

Secretary JOHANNIS. We will provide that information. We will work with your staff.

[The information follows:]

NATIONAL ANIMAL DISEASE CENTER, AMES, IOWA

The President's budget proposes \$58.8 million to complete the National Animal Disease Center in Ames, Iowa. Funding at this level will not compromise the original program requirements as outlined in the June, 2003 Program of Requirements (POR). A POR is an internal planning document that provides the costs of various options and alternatives which the Agricultural Research Service (ARS) uses to assist in defining research program needs and related technical requirements. Developing a POR is an iterative process; an Architect-Engineer (AE) under contract to ARS conducts numerous interviews with a location's scientific and support staff. These inputs are gathered without regard to budget constraints, and the document serves as just one of several factors management considers in making final decisions on project scope, budget, and other project-related policy decisions.

The June 2003 POR represents projections and estimates our professionals and support staff developed through discussions with the AE, who is under contract to ARS. It addresses only the Low Containment Large Animal Facility (LCLAF), which is one of five components that cover the overall plan to modernize the animal health facilities located at Ames, Iowa. Rather than serving as the final design plan, the POR functions as an interim step in developing the overall scope of the project. The June 2003 POR was one of several inputs used by agency management in making final decisions on the scope and sequencing of the project components within the total project budget. A copy of the POR was sent to the Subcommittee staff.

The management decision made was to meet the LCLAF program requirements of the POR by a combination of new construction and renovation of buildings and infrastructure. The LCLAF offered the best opportunity to utilize existing facilities to insure the overall modernization budget is maintained. The modernization effort will construct new animal facilities to meet programmatic needs where the existing facilities are not functionally adequate (i.e. group housing of large animals) and will make use of the existing facilities that are functionally adequate for the remaining programs. Of the planned 132,000 sq. ft., 42,000 sq. ft. will be built new. Existing LCLAF facilities (buildings 3 and 4) will be retained providing an additional 88,500 sq. ft. of space. Together, the new and existing space will accommodate the program requirements originally envisioned. New infrastructure will be provided to ensure adequate and reliable utility space.

The Department will keep the subcommittee informed if any bidding delays are required or if bids received exceed available funds. The Construction Manager (CM) at Risk is the project delivery system ARS is using for the Ames Modernization Project. This approach was selected at the outset because it accelerated the schedule by allowing construction to start before the total design of a particular project component is 100 percent complete. To minimize the likelihood of excessive bids the construction contractor is involved early in the design process and provides verification of cost estimates during design. While the total design may be at the 30 percent stage, a discrete portion of the design, i.e. the site development or foundation, is 100 percent at the time of the award of that package. In essence the construction of a particular project component is being phased while design is underway.

ARS expects to open bids on the first of several construction packages for the Laboratory/Office complex in the August-September, 2005 time frame. The CM will let bids to subcontractors at that time. The package(s) will consist of site preparation, utilities, foundation, etc. or some combination of activities based on market prices. ARS will approve the final award. This process is similar to the design/construction of the BSL3 Ag Containment facility now already underway.

A copy of the full report of the International Review Team is provided for the record.

CANADIAN SCIENCE CENTRE FOR HUMAN AND ANIMAL HEALTH,
Winnipeg, Manitoba, January 22, 2001.

Secretary ANN VENEMAN,
Secretary, Department of Agriculture,
Washington, DC.

DEAR SECRETARY VENEMAN: At the invitation of Dr. Floyd Horn, Administrator of the Agricultural Research Service of your department, we as an International Review Team, examined the Master Plan for the consolidation and modernization of facilities for the National Animal Disease Center (NADC), the National Veterinary Services Laboratory (NVSL), and the Center for Veterinary Biologics (CVB) at Ames, Iowa.

During our visit to the site on January 9–10, 2001, we had important meetings with key personnel of the NADC, NVSL, CVB and the Iowa State University. As well, we were able to visit representative U.S. Department of Agriculture laboratory and animal facilities there.

Enclosed, we provide you with our comments and observations for the future needs and scope of this project which we trust will prove useful to you in your deliberation.

We would like to thank Dr. Horn for his invitation and all those who were involved in the visit. We would also like to note how impressed we were by the enthusiasm and collegiality of the Ames animal health community.

You will see from this report that we were very supportive of this challenging and important project which clearly has national and international implications for the future security of your livestock industries.

Sincerely,

DR. NORMAN G. WILLIS,
Executive Director.

ARS–APHIS MASTER PLAN FOR FACILITY CONSOLIDATION AND MODERNIZATION
INTERNATIONAL REVIEW TEAM REPORT

Based on our review on January 9–10, 2001, we fully endorse the principle of consolidating the Agricultural Research Service (ARS) and Animal and Plant Health Inspection Service (APHIS) program elements and the modernization of the laboratory facilities at Ames, Iowa. We consider that the consolidation of the National Animal

Disease Center, the National Veterinary Services Laboratories and the Center for Veterinary Biologics would bring many operational advantages and be entirely appropriate. This would establish a credible national reference laboratory status that we believe is essential for national and international recognition and acceptance.

It is our opinion that this consolidation would further act as a catalyst to focus collaboration with the scientific expertise of academia and to tap into the huge national scientific resource. In addition the plan would emphasize the essential linkage among research, diagnosis and regulation required for the support of animal disease control programs, agricultural industry productivity and agricultural trade.

Globally, new diseases are emerging which require new approaches and new technology. New and more demanding standards for international trade are being developed in international organizations. To address the changing and unpredictable animal disease and food safety needs of the future, a highly effective physical facility and a critical core of scientists are mandatory. Quality science needs quality facilities and quality staff, who are only attracted to quality facilities.

With the globalization of trade heralded through the Sanitary and Phytosanitary Agreement of the World Trade Organization and its reference to a science base, agricultural program and animal disease needs have become more global. The nature and scope of the relevant science is now "big science" demanding state-of-the-art expensive facilities in which to undertake new biotechnology and veterinary biologics for disease detection, surveillance and control. Harmonized international standards dictate requirements. Modern, fully equipped facilities to accommodate and respond to these needs, are essential. To be flexible to changing yet unknown future demands, facilities must be designed to be adaptable.

Current facilities at Ames were built at a time when science, standards and equipment requirements were more limited. They are now inadequate because they do not meet international standards for safety of staff and the environment, for animal welfare and for quality assurance. The need to replace them is urgent and of such a nature that we feel it should be considered a national emergency.

SCOPE

General

Consolidation of the three Centers is appropriate and will enhance synergy and collaboration among these Federal responsibilities and, in the process, significantly improve their functions.

Focusing in this one site will further facilitate collaboration with the scientific expertise existing in universities throughout the Nation. This will serve to expand and coordinate the inclusion of people in science for USDA's access, and to geographically focus the scientific knowledge and inquiry.

It is appropriate and necessary to build modern laboratory facilities capable of supporting federally mandated scientific work. This includes developing new knowledge and technology, conducting trade-related diagnostics and reference testing, and licensing regulated biologics with the required laboratory support.

National Leadership

There is a need for this facility to serve as a national reference, a premier laboratory that is recognized internationally as a Center of excellence. This recognition will be incorporated into the evaluation of veterinary services, a component in risk assessment which is used by all trading countries to make trade decisions. This recognition will unequivocally work to the U.S. advantage.

The veterinary biologics consolidation will also display a leadership role in establishing biologics standards. Not only will this promote the availability of safe and effective vaccines, but it will also assure the industry that extraneous disease agents are not inadvertently introduced thus threatening the national livestock herds and flocks.

Location

We support the development of this project in Ames, Iowa based on our observation that there already exists a strong and enthusiastic cooperation and synergy among the three Centers and with the Iowa State University. The Ames site would also provide the opportunity of mutual sharing, and hence not duplicating very expensive equipment and facilities in biotechnology Centers. This is an advantage for the USDA.

The nature of the scientific activities conducted in the Centers can often be viewed with hostility by lay and business communities. It is, therefore, of great value that the Ames community already accepts, understands and values the functions of these Centers, a trust and support which would have to be re-established in a different location.

The current human resource of ARS and APHIS personnel at Ames has been built up over many years. It is our opinion and experience that moving such facilities to a different location would result in a substantial loss or dispersion of scientific staff which would be extremely difficult to re-establish and, in the process, would set the program back, perhaps for years. A strong infrastructure exists upon which to further develop the physical facility. Development of such an infrastructure would be costly at another site.

The best fulfillment of the benefits of this consolidation would be achieved in the present Ames location.

NEED

Laboratories

When viewing the presently occupied laboratory facilities, the poor standard and inadequacy of these facilities, particularly the off site facilities, was quite unexpected. With our perception of the importance of such programs as tuberculosis, brucellosis and prion diseases (such as bovine spongiform encephalopathy/mad cow disease, scrapie, chronic wasting disease), we found it ironic that the United States national reference laboratories are currently housed in a converted animal facility and other converted accommodation. It is our belief that this represents a severe threat to the United States ability to control animal disease. We question whether these facilities could be certified to internationally accepted standards.

Animal Facilities

We consider that all animal facilities must meet established animal care standards: In the present facilities, we do not believe these are being met. For the future a failure to meet the standards presents a risk of having to restrict further research studies.

We also observe that these facilities may place staff who work with large animals, especially wildlife, at a significant personal safety risk.

There is evidence that the poor State of the facilities is seriously restricting progress in several key areas and that inordinately long periods are required to produce research results. We suggest that this will continue to have, a direct negative impact on agricultural productivity, allowing animal disease to have a greater than necessary impact.

Certification

With the globalization of trade, reference is made by all trading countries to the international standards and guidelines for trade incorporated in the OIE International Animal Health Code. Included in the guidelines for risk assessment is the evaluation of an exporting country's veterinary services and facilities. We consider that there will soon be a requirement to achieve International Standards Organization (ISO) laboratory certification as a standard. Completion of the Master Plan would provide the Ames facility with the opportunity to be the national reference laboratory with international recognition and acceptance, and to meet these standards. We endorse this opportunity. The result would be a direct positive influence on the facilitation of agricultural trade.

Research

The Master Plan in our view, provides the capability that would allow for investment in much needed longer term research. Such studies are unlikely to be achieved in other-areas due to a lack of appropriate facilities with the required bio-security.

The focusing of scientific expertise at this one site through collaboration provides the critical mass of scientists necessary to stimulate the creativity required to address and solve future, as yet unidentified problems.

CONSEQUENCES

We would like to take this opportunity, if you forgive our directness, to stress risks and vulnerabilities which we believe are facing you.

To our mind, status quo is not an acceptable option.

Laboratories presently doing essential program testing, would not achieve ISO accreditation. This would threaten the acceptance of the results produced which could prove critical to the livestock industry and to the acceptance of the safety of food.

The current animal facilities are placing staff at unacceptable personal risks and are causing significant delays in producing research results urgently needed by the livestock industry.

POINTS FOR CONSIDERATION

We would like to bring to your attention that, in addition to the need to provide the capital investment to build the proposed new facilities, funding provisions should be considered to secure adequate operating and preventive maintenance as well as the need to equip the new facility. Such a comprehensive vision of this project would ensure that full advantage is taken of the capabilities of the facility and that it is available for the future.

Since future demands cannot be accurately predicted, a key feature of facility design should be adaptability permitting flexible use in the future.

CONCLUSION

As a result of our review, we fully endorse the scope of the project and the urgent need to address the deficiencies and limitations of the current facilities. We also consider the location of the project in Ames, Iowa to be appropriate and advantageous. We feel that the delivery of this project would address future agricultural industry and food safety needs, and would yield positive international recognition, contributing significantly to the success of USA trade.

We strongly believe that addressing these concerns is urgent. Ten years is too long for correction and we suggest that this question be addressed on an emergency basis.

Senator HARKIN. I appreciate that.

Secretary JOHANNIS. Senator, I would be happy to sit down personally too once we assemble that and try to go through it so we can both get a good understanding where we are at.

Senator HARKIN. Okay. And I will get this to you in writing, but I wanted it on the record.

CONSERVATION SECURITY PROGRAM SIGN-UP

Secondly, participation in the first CSP sign-up—somehow you probably knew I was going to ask this question about CSP—was much lower than the NRCS expected, but they still spent \$40 million in 18 watersheds. This year, with expenditures capped at \$202 million for contracts in 220 watersheds, there will be much less money per watershed for new contracts. The President's budget proposes capping CSP at \$274 million next year. Again, all of these numbers are far less than the farm bill provides for this program.

My questions are: how much of the \$274 million for next year, for 2006, would be available for new contracts, and how much of it would go to making payments on contracts already signed in 2004 and 2005?

Secretary JOHANNIS. We can provide that, Senator.

Senator HARKIN. I appreciate that. I knew you would not know that, but if you could provide that, I would appreciate that.

[The information follows:]

CSP CONTRACTS

NRCS estimates show that for fiscal year 2006, approximately \$110 million would be available for new contracts and \$123.2 million would be used for prior year contracts. The balance of \$41.4 million would be used for technical assistance by NRCS to deliver the program.

Senator HARKIN. Secondly, how many new contracts will be signed in 2005, this year, and how many fewer contracts will be signed in 2006 with only \$274 million? In other words, what do you expect to sign this year, what would you expect to sign next year under the budget that we have been handed.

Secretary JOHANNIS. Okay.

Senator HARKIN. This is my own statement, that it seems to me that if this budget prevails then we will see a substantial decline in the number of new enrollments for CSP, but that is my supposition on that.

Secretary JOHANNIS. We will get that information to you.
[The information follows:]

CSP CONTRACTS

NRCS is estimating that more than 13,000 contracts will be signed in fiscal year 2005, and approximately 9,400 contracts will be signed in fiscal year 2006.

PACKER CONCENTRATION

Senator HARKIN. I appreciate that. Last one, packers and stockyards. The Packers and Stockyards Act was written to give USDA the power to go after unfair and anticompetitive market practices that were not being reached by previously enacted laws such as Sherman and Clayton Act. It is a very powerful statute. Concentration in the livestock and poultry industry continues to increase at an alarming rate.

Independent producers repeatedly tell me that they are being driven out of business because of unfair and anticompetitive bidding and contracting practices of packers, large packers and processors. They say they are just at the mercy of a few huge firms. Some of these independent producers have asked me why in the past 4 years, why in the past 4 years, USDA has not filed even one administrative complaint against any firm for anticompetitive activity. They ask why, despite tremendous changes in the industry, USDA has not in the past 4 years proposed any new rules of modifications to rules to protect fair competition under the Packers and Stockyards Act.

Whenever I or my staff have asked about this inactivity either in hearings like this or by written correspondence, the Department always says it is studying the matter and referring it to its meat marketing study. USDA got \$4.5 million in the fiscal 2003 appropriations bill, but it took USDA over a year and a half just to decide who to contract with to conduct the study. That was \$4.5 million for that study. It will be nearly 2 more years before the study is finished, and even then you have no idea if its analysis and conclusions will be worth anything.

I guess what I would ask is, are independent producers justified in believing that the Department will continue to do virtually nothing whatsoever to protect fairness in competition in the livestock and poultry markets? This is what I am hearing, and I ask that question in good faith, that independent producers are thinking that nothing is ever going to happen, and I am asking you if you have any—I know you have only been on the job a little while, but if you have looked at this and if you will at least work with this subcommittee and others to make sure that that \$4.5 million which we appropriated is used expeditiously in getting this study done.

Secretary JOHANNIS. Yes, I will work with the Committee. Senator, I know you asked the question in good faith, and I would tell you that in my time as Governor, this would be an issue that people would raise as I am out there.

I have at least had an opportunity to look at the number of investigations, and if you chart through the investigations, in 2003, there were 1,744; and in 2004, there were 1,923. It is estimated that in 2005 there will be 1,975 investigations. So it appears there is a significant amount of investigative work going on.

What I would offer at this point—I know this is an interest of yours and I would be happy to work with you. I remember reading just within the last few weeks, that you had asked for a look at this whole area of packer concentration. We will cooperate in that effort in any way we can, and I will try to do everything I can to provide you with the information to answer the questions being raised by your constituency.

[The information follows:]

LIVESTOCK STUDY

In the Consolidated Appropriations Resolution, 2003, Congress provided the Grain Inspection, Packers and Stockyards Administration (GIPSA) \$4.5 million, to remain available until expended, for a packer concentration study. GIPSA is currently administering a study on alternative procurement and transfer methods for livestock in the farm to retail chain, including captive supplies.

GIPSA awarded a \$4,319,373 contract to Research Triangle Institute (RTI) on June 14, 2004, to conduct the study. RTI will complete two reports. The first, scheduled for release midsummer 2005, will be based on a limited survey of market participants that describes the types of marketing arrangements used, their terms and availability, and the reasons market participants give for their use. The second, scheduled for release in mid-summer 2006, will be a comprehensive report that provides an extensive economic analysis of the different marketing arrangements. Additional data for the second report will come from two types of sources: (1) a survey of industry participants, and (2) data on transactions (purchases and sales) of livestock and meat.

Senator HARKIN. I appreciate that very, very much. I thank you very much, Mr. Secretary. I will get this other stuff to you in writing on that Ames lab thing, and also on the CSP thing. I will get that to you in writing, sir.

Secretary JOHANNIS. Okay, great. Thank you, Senator.

ADDITIONAL COMMITTEE QUESTIONS

Senator HARKIN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman, for your indulgence. I appreciate it very much.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

CANADIAN BEEF INDUSTRY

Question. The Alberta provincial government and the Canadian federal government have pledged over \$100 million (CDN) to expand its beef industry, taking advantage of the closed U.S. border.

Is the U.S. Government contemplating any actions to counter the Canadians' efforts?

Answer. Canadian federal, provincial, and territorial governments have funded \$2.6 billion since 2003 for programs to support the Canadian cattle and ruminant industry. Approximately 50 percent of Canadian cattle and beef production is exported, and the United States is the largest destination of Canadian product. By contrast, approximately 8–10 percent of U.S. beef production is exported. Thus, the United States is not as dependent on export markets as Canada is, although we are working as hard as we can to reopen markets that are currently closed.

Although this funding will be counted against Canada's WTO commitments, Canada's overall expenditures remain well below the CAN\$4.3 billion annual ceiling for aggregate measures of support allowed under the WTO agreements. The Canadian actions do not appear to violate any trade commitments.

Question. How do you plan on restoring U.S. market share of beef exports?

Answer. USDA, through marketing programs such as the Market Access Program (MAP) and the Foreign Market Development (FMD) Program, works closely with the U.S. Meat Export Federation (USMEF) to develop strategies and action plans to develop, maintain, and restore U.S. beef exports worldwide. These programs are not only aimed at restoring U.S. market share, but are also used to create the atmosphere necessary to make it easier for countries to get consumers to accept their decision to reopen.

The Japanese and Korean governments have specifically asked that USDA implement a risk communications plan to help sell any agreement between the United States and their respective countries on Bovine Spongiform Encephalopathy (BSE). In response, FAS and USMEF have produced a joint pre- and post-opening risk communications plan that focuses on consumer, media, and political beef trade concerns and misperceptions about BSE. Both USDA and USMEF have begun to implement and plan activities to communicate the proper messages such as editorials, journalist trips to the U.S., BSE seminars, advertisements, and dissemination of technical materials.

Most recently, Dr. Charles Lambert, Deputy Under Secretary for Marketing and Regulatory Programs has led teams of technical experts to meet with key Ministry officials in Korea and Japan to discuss the cumulative efforts the United States has made to address BSE. The teams, consisting of representatives from APHIS, FSIS, FAS, FDA, and the industry have included key members who can answer the specific concerns put forward by the Governments of Korea and Japan respectively. However, the team's primary purpose has been to conduct public diplomacy efforts, such as press briefings and seminars, to aid in paving the way to market reopening.

With the recent opening of Taiwan's market to U.S. beef, USMEF and the American Institute in Taiwan (AIT) will host a weekend of re-launch events aimed at trade, media and consumers to celebrate "U.S. beef is back on Taiwan's table" starting May 6, 2005. The activities will include a press conference in the afternoon, followed by a reception jointly hosted by USMEF and AIT. I will be addressing the reception via a previously recorded video to acknowledge the science-based approach of the Taiwanese government, and send that same message to other markets in the region. Director Paal, AIT, will conduct the ceremonial "cutting of the steak."

Question. What funding is in the budget to resume and expand U.S. beef exports?

Answer. For marketing year 2004/2005, FAS has allocated more than \$15 million in MAP and FMD funds to the U.S. Meat Export Federation to conduct pre- and post-opening activities worldwide. A similar level of activities could be supported through funding provided in the 2006 budget.

In addition, the 2006 budget proposes a \$5.7 million increase and 27 additional staff years for the Trade Issues Resolution and Management activities of APHIS. These funds will be used to station staff at a number of overseas locations where they will be engaged in addressing and resolving technical trade barriers, such as those related to U.S. exports of beef.

CROP SUBSIDIES

Question. What would the impact to the price of food be if crop subsidies were eliminated?

Answer. Since the farm and commodity support programs do contribute to farm income and provide a financial safety net for producers, the removal of these programs could have an adverse impact on farm production, at least in the short term. The effect of that removal would likely be an increase in the price of farm products and, thus, some increase in food prices; however, the long-term effect on consumer food prices would be modest. Since our farm sector is efficient, productive, and already to a considerable degree market-oriented, one would expect production to remain strong over the long term. Having said that, I'd like to caution that an abrupt removal of the programs would be much more disruptive to producers and consumers than a gradual phase out. I will ask the Office of the Chief Economist provide additional information in this regard.

[The information follows:]

The impact over time may be modest. Economic studies generally suggest that the elimination of crop subsidies would lead to a modest increase in the price of program crops, with the magnitude of increase depending on market conditions when the subsidies are removed. Under current farm programs, direct and countercyclical

payments are based on historical production and producers are permitted to plant all the acreage eligible for direct and counter-cyclical payments to any crop, except for some limitations on plantings of fruits, vegetables, and wild rice. Since these payments are “decoupled” from current production, the elimination of direct and countercyclical payments would lead to essentially no reduction in plantings of major crops. In contrast, marketing assistance loan benefits are tied to current production and likely encourage producers to maintain production, especially when prices for major crops fall and continue to remain below marketing assistance loan rates.

Assuming conservation programs, such as the Conservation Reserve Program, continue as specified in the 2002 Farm Bill, elimination of crop subsidies would likely lead to lower plantings and higher prices for major crops, with the acreage and price effects caused by eliminating crop subsidies varying depending on baseline projections of marketing assistance loan benefits. Higher prices for grains and oilseeds following the elimination of crop subsidies would increase feed expenses, causing livestock producers to reduce production resulting in higher livestock prices. These higher farm prices for major crops and livestock would likely lead to only a modest increase in retail prices for food. Various economic studies suggest that the elimination of crop subsidies could lead to less than a 5-percent average increase in all farm prices. Since the farm value currently accounts for less than 20 percent of consumer expenditures for domestically grown food and less than 15 percent of total consumer expenditures for food, a 5-percent increase in all farm prices could raise the retail price of food by less than 1 percent.

Question. What would the impact be to rural economies and the U.S. economy?

Answer. I believe the overall effect could be modest over time, although certain rural economies could be more greatly affected. I will ask the Office of the Chief Economist to provide additional information.

[The information follows:]

Crop subsidies provide a stable source of income to producers of program crops and benefit other agriculture-related businesses. Increased farm income from crop subsidies results in additional goods and services purchased in the local economy, which contributes to economic expansion in the non-farm economy. Over time, government payments are capitalized into higher farmland values, stabilizing the property tax base for rural communities. Possible short run effects resulting from the elimination of crop subsidies include: lower farm income, lower planted acreage and production of program crops, higher prices, lower expenditures by producers in the local economy and lower land values and rents.

That being said, eliminating crop subsidies would have very modest effects on the overall U.S. economy and on many rural economies. The importance of the farm sector to the U.S. economy has been declining in recent decades, reflecting improvements in agricultural productivity, macroeconomic growth and the expansion of the non-farm economy. Farming accounted for 0.7 percent of U.S. gross domestic product and 1.4 percent of total employment in 2001. That same year, farm program payments amounted to only 1.3 percent of total personal income in all U.S. rural counties.

However, some counties are much more dependent on farming and would be more affected by the elimination of crop subsidies than others. USDA’s Economic Research Service (ERS) classifies counties as farm-dependent when 15 percent or more of average annual labor and proprietors’ earnings is derived farming or 15 percent or more of residents are employed in farm occupations. In 2000, ERS identified 440 counties, or 14 percent of all counties in the United States, as farm-dependent. Many of these counties are located in the same areas where crop subsidies are concentrated, such as the Western Corn Belt, Northern and Southern Plains and Delta. In many of these counties, farm program payments account for 3 percent or more of total personal income. In these counties, the elimination of crop subsidies could cause a more pronounced reduction of economic activity, employment and the property tax base than in other areas.

Question. What would the impact be to U.S. food and fiber production?

Answer. Once more, I believe we are talking about a modest impact in the long run. However, an abrupt removal of the programs rather than a longer term phase out would be more disruptive to many producers and commodity sectors and this could reduce production levels in the short term. I will ask the Office of the Chief Economist to provide additional information.

[The information follows:]

Economic studies generally suggest that the elimination of crop subsidies would not significantly reduce U.S. food production but could significantly lower fiber pro-

duction. The elimination of crop subsidies is unlikely to significantly reduce overall food production, because a large portion of current crop subsidies are “decoupled” from production and large segments of agriculture do not receive crop subsidies, such as livestock, fruit and vegetable producers. In contrast, nearly all cotton producers receive crop subsidies and a significant portion of these subsidies are marketing assistance loans benefits which are more directly related to production levels.

Under the 2002 Act, participating producers are permitted to plant all the acreage eligible for direct and counter-cyclical payments to any crop, except for some limitations on plantings of fruits, vegetables, and wild rice. As a result, producers’ planting decisions are expected to be largely unaffected by direct and counter-cyclical payments, and producers select the mix of crops to plant based on relative market returns and agronomic considerations. In contrast, marketing loan benefits do depend on how much and which crops are planted and, thereby, alter producers’ planting decisions.

A study by USDA’s Economic Research Service (ERS) analyzed the effects of eliminating marketing assistance loans on production of major crops over the period from 1998 through 2005. The ERS study projected that elimination of marketing loan benefits would have reduced plantings of major crops by 2 to 4 million acres (1–2 percent). For cotton, acreage was projected to decline by 1.5 million acres in 2000 (10 percent) and by 2.5 to 3.0 million acres or 15–20 percent in 2001. The larger decline in cotton acreage in 2001 reflects that year’s sharply lower cotton prices and higher larger marketing loan benefits than for the 2000 crop. This suggests that the effects of eliminating crop subsidies on crop production depend on market conditions at the time subsidies are removed, the magnitude of these subsidies, and the speed with which subsidies were removed. Certainly, there would be some noticeable effects, especially in certain sectors.

FARM SPENDING

Question. What actions has USDA specifically taken to implement the President’s proposals to reduce farm program spending?

Answer. The President’s proposals to reduce farm program spending will require that the Congress pass legislation to modify the farm programs. Proposed legislation to implement the program changes is being drafted and will be submitted to the Congress soon. USDA stands ready to work with the Congress.

Question. What actions will USDA take to make certain that the President’s proposals are enacted?

Answer. USDA is prepared to work with Congress when these or related proposals are taken up.

LOW PATHOGENIC AVIAN INFLUENZA (BIRD FLU)

Question. The funding level for the Low Pathogenic Avian Influenza (LPAI) program was increased from \$994,000 in fiscal year 2004 to \$23 million for fiscal year 2005. The increase was provided to indemnify producers for losses and to increase surveillance activities.

Can you provide an update on the status of the fiscal year 2005 funding and when we should expect this program to be fully implemented?

Answer. This program has two components: The commercial poultry industry and the live bird marketing system (LBMS). The program in commercial poultry will be administered through the National Poultry Improvement Plan (NPIP) and will provide for: an H5/H7 LPAI monitored status for poultry production facilities and States, thereby certifying disease freedom for international and interstate movement of poultry and poultry products; an active and passive LPAI surveillance program; and an initial state response and containment plan, with indemnification, for managing H5/H7 LPAI outbreaks, should they occur. The program in the live bird marketing system provides uniform standards (published October 2004) that are presently being implemented and enforced at the state level for prevention and control of H5/H7 LPAI in markets, distributors and production facilities that participate in this marketing system.

The breakout of the funding is as follows: \$12,000,000 is for indemnities; \$3,871,547 is for surveillance activities; \$932,285 is for reagents and costs of administering tests; \$4,326,693 is for salaries and benefits and staff support; \$600,000 for the Center for Veterinary Biologics (CVB); \$513,575 for Education and Outreach; and \$555,900 for Information and Technology.

The LPAI program will be fully operational when a regulation is finalized for the commercial component of the program. The proposed H5/H7 LPAI program for commercial table-egg layers, meat-type chickens, and meat-type turkeys is currently going through the rule making process.

As of April 12, 2005, no fiscal year 2005 funding for indemnities has been used. Any unused funding in fiscal year 2005 will be available in fiscal year 2006. In addition, there is about \$6.5 million in funding for indemnities from fiscal year 2004 CCC funding that is currently available.

NATIONAL ANIMAL IDENTIFICATION

Question. The fiscal year 2006 budget includes a request of \$33.3 million to continue the National Animal Identification program. This is in addition to \$18.7 million that was transferred from the Commodity Credit Corporation (CCC) and another \$33.1 million that was provided in the fiscal year 2005 appropriations bill.

Can you provide the Subcommittee with a status report on this program? Also, will there be a role for private industry?

Answer. In fiscal year 2005, the focus of the National Animal Identification System will be on premises registration. As of May 2, 2005, 47 of 50 States have premises registration systems in place. Currently, 60,000 premises have been registered, which represents 3 percent of all participating premises. APHIS also intends to begin the process of registering and distributing animal identification numbers in order to track animal movements. By the end of fiscal year 2005, APHIS expects a small amount of data collection infrastructure to be put in place with the implementation cost to be shared by the public and private sectors. Private industry will be involved with the distribution of animal identification numbers and producers will have the ability to purchase Animal ID devices at their choice of private sector providers.

Question. The \$18.7 million that was transferred from the CCC allowed for testing and fine tuning of technologies that could be used to identify and track animals. Can you provide information on what type of technology may be used for the Nation wide program?

Answer. While the funds provided will support the data repository, the integration of animal identification technology standards (electronic identification, retinal scan, DNA, etc.) will be determined by industry to ensure the most practical options are implemented and that new ones can easily be incorporated into the National Animal Identification System (NAIS). NAIS allows producers to use technology in coordination with production management systems, marketing incentives, etc., allowing for the transition to a "one number-one animal" system for disease control programs and other industry-administered programs. While animals must be identified prior to being moved from their current premises, producers can decide whether to identify their stock at birth or during other management practices.

Question. What is the timeline for a fully implemented national identification program?

Answer. We are working on a timeline and expect to release a timeline soon.

SPECIAL SUPPLEMENTAL PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)

Question. The Administration's fiscal year 2006 budget request includes an increase of \$275 million for a total funding level of \$5.5 billion. The requested increase for this program follows a fiscal year 2005 increase of \$523 million. Therefore, the WIC program has received an increase of approximately \$798 million over the past 2 years.

Can you explain the fiscal year 2006 budget request for the WIC program and help us understand why the cost of this program has increased so rapidly?

Answer. The WIC Program experienced a larger than anticipated increase in costs and participation during fiscal year 2004, for several reasons:

- Participation grew substantially during fiscal year 2004, and is currently at an all-time high. Our fiscal year 2004 budget request projected an annual average participation of 7.8 million, but actual participation was over 7.9 million. The fiscal year 2006 President's budget request projects participation will increase to an average of 8.2 million in fiscal year 2005 and 8.5 million in fiscal year 2006.
- There was an unanticipated spike in the retail price of dairy products in fiscal year 2004; while dairy prices have now moderated, they are still higher than they were prior to the spike.
- Additionally, WIC has seen a decline in the amount of rebates some States are able to receive from the Infant Formula Rebate Program. Further, due to shifts in the infant formula market to more expensive DHA/ARA enhanced formulas, formula began to cost the program more than it did in the past.

WIC participation and food cost are challenging to project into the future. Over time, the program has experienced periods, such as fiscal year 2004, where these factors are particularly volatile. We will continue to closely monitor program per-

formance and will keep Congress apprised of changes to our estimates which might be needed.

TRADE STATUS—JAPAN

Question. Mr. Secretary, we continue to monitor the current beef embargo with Japan. As you may know, the Congress is considering a number of actions that could be taken to address the current situation. One option would be to seek retaliatory actions against Japan.

Can you update us on the current status of the negotiations? Also, do you believe it is the appropriate time for Congress to take action or do you expect Japan to allow the resumption of trade?

Answer. Negotiations are moving forward, albeit at a slower than desired pace. However, for the first time since the October agreement to resume trade, we are finally beginning to see signs of progress in Japan's rulemaking.

The first decision Japan had to make as a pre-condition to rulemaking on imports is the elimination of animals under 21 months of age from its mandatory BSE testing requirement. Japan is finally ready to make that change. In late March, Japan's Food Safety Commission concluded the modification in the testing regulations presents an acceptable level of risk. The decision to exempt animals under 21 months of age from testing is expected to be final sometime during May.

With the decision to exclude younger animals from mandatory testing behind us, this now clears the way for rulemaking on imports. Unfortunately, we do not have a timetable for a decision on imports, but the next steps are now in place. In the coming weeks, the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Health, Labor, and Welfare will deliver the Beef Export Verification (BEV) program for Japan to the Food Safety Commission. The Commission will evaluate the program, and we expect there will be consultations and public meetings. Once they have finished that process, they will make a decision. Again, the timetable for completion of this work is still unclear, and we will continue to press Japan at every opportunity for a decision to resume trade.

To help Japan prepare for decision-making on imports, Dr. Charles Lambert, Deputy Under Secretary for Marketing and Regulatory Programs, has led U.S. delegations of experts to Tokyo for technical discussions and outreach activities with Japanese press and consumer groups. The outreach activities have included press briefings and roundtable discussions with the media, industry, and consumers to educate them on the safety of U.S. beef.

BOLL WEEVIL ERADICATION PROGRAM

Question. With the submission of each year's budget request, the Administration includes new priorities and drastically reduces a number of ongoing programs. The boll weevil eradication program was funded at \$47 million for fiscal year 2005. The fiscal year 2006 budget request for this program reduces the level to \$15.8 million—which is a \$31.3 million decrease.

If the requested level for the boll weevil program (a decrease of \$31.3 million) is provided, will the program be able to continue as designed?

Answer. Together with funds from providers, and the FSA loan program, the budget provides adequate funding to continue the successful boll weevil eradication program.

USDA EMPLOYEE RETIREMENTS

Question. What are the Department's losses due to retirement and what is it doing to recruit new people to carry out its very important missions?

Answer. In fiscal year 2004, the Department lost 2,894 permanent employees to retirement.

In December 2002, the Department established and implemented a Strategic Human Capital Plan which initiated policies and practices that ensure that USDA continue to have a workforce capable of meeting its mission needs. USDA annually assesses its workforce requirements and adjusts its recruitment and retention strategies in the Mission Areas and agencies. This process ensures that we proactively replace those who may choose retirement with people capable of filling those gaps in our skills inventory in a timely manner.

ETHANOL PRODUCTION

Question. Dr. Collins, your written testimony mentions the rapid increase in ethanol production.

Do you see any danger here in over production and producers' inability to repay loans, many of which are backed by Federal programs?

Answer. Ethanol production has been rising rapidly. Current U.S. ethanol production capacity is 3.75 billion gallons per year. There are 84 ethanol plants producing ethanol in 20 States. Daily ethanol production reached 245,000 barrels or 10.29 million gallons in February 2005. There are 15 ethanol plants under construction and 2 ethanol plants are expanding their production capacities. Total capacity under construction and expansion is about 730 million gallons per year. Ethanol production could increase to as much as 4 billion gallons this year, up from 3.4 billion gallons last year, and late this year or early next year, ethanol production capacity is expected to reach 4.48 billion gallons.

Ethanol is mostly used in oxygenated and reformulated gasoline programs. About 20 percent of ethanol is used as an octane enhancer in conventional gasoline. The market for ethanol as a replacement for methyl tertiary butyl ether (MTBE) has largely been satisfied, and ethanol must now compete as a fuel extender at a lower price.

The price of gasoline is rising due to the rising price of crude oil, and the price of ethanol is declining due to greater ethanol production. The price of ethanol net of the Federal excise tax exemption is significantly lower than the price of gasoline and the price of MTBE. However, refineries and blenders are reluctant to use ethanol, due to a lack of infrastructure, such as storage and blending facilities. This is especially true outside the Midwest. If the current lower price of ethanol and higher price of gasoline continues into the future, it is possible that refineries and blenders will start using more ethanol as a substitute for gasoline and MTBE. In the absence of any new demand for ethanol to replace MTBE, such as the Renewable Fuel Standard, a greater supply of ethanol could lower the price of ethanol in the future.

On a positive note for ethanol producers, the price of corn is less than \$2 per bushel and the price of distiller's dried grains (DDG) is above \$60 per ton. The net corn cost for a new dry mill is about 50 cents per gallon and processing cost is about 45 cents per gallon. Therefore, the cost of producing of ethanol, excluding capital costs is less than \$1 per gallon. The current price of ethanol is about \$1.30 per gallon.

QUESTION SUBMITTED BY SENATOR THAD COCHRAN

SOYBEAN RUST

Question. I know that several agencies within USDA have worked closely with the soybean industry on an "Early Detection and Surveillance Plan" for soybean rust. This program will be carried out in conjunction with land-grant universities, including Mississippi State University. As you know, Mississippi is one of the nine States where soybean rust was confirmed last fall. My soybean farmers are acutely aware that losses due to soybean rust totaled \$1 billion the first year of the outbreak in Brazil, and \$2 billion the following year. USDA's Economic Research Service has estimated net economic losses for the U.S. ranging from \$640 million to \$1.3 billion in the first year of the pathogen's establishment in this country, and estimated annual losses in the ensuing years of between \$240 million and \$2 billion.

Given the importance of this early detection and surveillance plan, can you please tell the status of its funding?

Answer. APHIS is using \$1.19 million from its contingency fund to implement the SBR monitoring and surveillance network and continues supporting the comprehensive USDA SBR website. APHIS is providing \$800,000 of the contingency funds to State cooperators for sentinel survey plots and \$180,000 to USDA's Cooperative State Research, Education, and Extension Service for 5 mobile monitoring teams. The remaining funds will support the website, which provides real-time updates on the results of surveillance efforts.

QUESTIONS SUBMITTED BY SENATOR TED STEVENS

RURAL COMMUNITY ADVANCEMENT PROGRAM

Question. The Rural Community Advancement Program (RCAP) was established to provide planning assistance, grants, loan, loan guarantees, and other assistance to meet the development needs of rural communities. Though the fiscal year 2006 budget maintains the flexibility to transfer funding among programs within RCAP, funding for several programs, including Rural Community Development Grants,

Economic Impact Initiative Grants, Rural Business Enterprise Grants, Rural Business Opportunity Grants, and High Cost Energy Grants is eliminated. This action troubles me because of the importance of these programs to my state, especially High Cost Energy Grants, which was funded at \$28 million in fiscal year 2005. Alaska's rural communities experience some of the highest energy costs in the Nation, paying up to 9 times higher than the national average. Rural areas rely on expensive diesel fuel which must either be barged or flown in.

Given the devastating consequences on rural communities, particularly those in my state, why are these cuts being proposed?

Answer. The Administration's proposal, which is referred to as the Strengthening America's Communities initiative, is expected to provide more efficient and effective assistance to the most needy communities and to provide some budgetary savings. Rural communities are expected to receive a fair share of the resources that will be consolidated under this initiative. In addition, RCAP would continue to be an important source of funding for rural communities and would retain the flexibility for transferring resources to meet local priorities. Funding is not being requested for the high energy cost grants because very few rural areas are eligible to receive these grants, and cuts in this program would provide additional funding for RCAP programs that serve more rural communities.

ALASKA DAIRY

Question. As you know, the closure of the United States-Canada border due to the discovery of BSE infected cows in both Canada and Washington State has negatively impacted producers. This situation is particularly devastating to Alaska producers and dairy farmers who rely on the importation of live animals such as cattle to replenish their herds. This closure has eliminated transportation of these animals via the Alaska-Canada Highway, which is the only economically viable option for importing live animals into Alaska and our major transportation corridor from the Lower 48. During this time, my staff and I have been working with USDA to provide some measure of relief to our agriculture producers. Last fall, Governor Frank Murkowski declared an economic disaster for the State of Alaska caused by the closure and requested Federal assistance to minimize the impacts of this closure.

Despite repeated requests to USDA from Governor Murkowski, the Alaska State Legislature, Senator Murkowski, and myself, no assistance has been offered or provided to assist agriculture workers in my State. The fiscal year 2005 Omnibus included \$1 million for dairies in Alaska. USDA has still not released the funds—the stated reason is uncertainty as to how to allocate it. During this period of inactivity by USDA, the Alaska dairy industry continues to fail.

What steps are being taken by your office and USDA to ensure the continued viability of the Alaska dairy industry?

Answer. USDA has not received a request for a disaster designation. However, as you note, funds of \$1 million were appropriated in Section 786 of title VII of Division A of the Consolidated Appropriations Act, 2005 (Public Law 108-447) to carry out Section 751 of Division A of Public Law 108-7, enacted on December 8, 2004. This legislation authorized the Secretary of Agriculture to make loans and grants to expand Alaska's dairy industry and related milk processing and packaging facilities. Further, I would note that an April 6, 2005, amendment to the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 (H.R. 1268), which is currently being considered by Congress, would modify that authority by giving the Secretary of Agriculture discretionary authority to apply the 2005 funding to the accounts of Alaska dairy farmers owed to the United States. If enacted, USDA will work expeditiously to implement that legislation and provide appropriate assistance to Alaska's dairy farmers.

In addition, on January 4, 2005, USDA published a final rule amending existing regulations to provide for the importation of certain ruminants, ruminant products and byproducts from regions that pose a minimal risk of introducing BSE into the United States, and designates Canada as the first minimal risk region. The effective date of the final rule was to have been March 7, 2005. However, on March 2, 2005, the U.S. District Court for the District of Montana temporarily delayed the implementation of the minimal risk rule. As a result, opening up the border to trade in cattle is very much a legal process outside of the control of USDA. Nevertheless, we are very concerned about the economic impact of the closed border with Canada on U.S. cattle producers and processors, including Alaska's dairy producers. On June 9, I will host a roundtable discussion on BSE in North America that will bring together experts from the USDA, producers, packers, academia and others to discuss the safety of North American beef and the effects of the border closings.

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

EXECUTIVE BONUSES

Question. A recent OPM report on the performance level and bonuses of executives in the Federal Government noted that less than 40 percent of executives at USDA received the highest performance rating in fiscal year 2003. However, the same report stated that over 80 percent of these executives received bonuses, at an average of more than \$12,000, that same fiscal year.

What percentage of non-SES employees received bonuses in fiscal year 2003, and what percentage of those employees received the highest available performance rating?

Answer. In 2003, 46 percent of non-SES level employees received cash awards. Fifty-nine percent of those employees who received cash awards received the highest available performance rating for their agency. Some of these employees received performance ratings under a five-level appraisal system, some under a three-level system, and others under a two-level system.

Question. What was the average monetary amount of that bonus?

Answer. The average cash award given to employees who received the highest available performance rating was \$703 in 2003.

Question. What is the total amount of funding USDA spent on employee bonuses in fiscal year 2003 and 2004 for SES and non-SES employees? How much does USDA plan to spend on bonuses in 2005?

Answer. The amounts spent in fiscal year 2003 and fiscal year 2004 are provided below. For fiscal year 2005, we estimate the amount for SES awards to be 9 percent of salary costs, or approximately \$4 million. The estimate for non-SES bonuses is not available as each individual agency in the Department develops its own plan for bonuses.

[The information follows:]

	SES awards	Non-SES award
Fiscal year 2003	\$1,927,845	\$53,519,877
Fiscal year 2004	3,025,520	57,236,689

Question. Please provide a list of agencies that include funding in their fiscal year 2006 budget request for SES and non-SES employees, including the amount set aside for bonuses.

Answer. The President's Budget for USDA does not include requests for bonuses. The amounts to be spent on SES and non-SES bonuses are expected to be similar to those in prior years and are funded as part of the agencies' salaries and expenses costs.

GAO HOMELAND SECURITY REPORT

Question. A few weeks ago, GAO issued a report on the potential threat of agro-terrorism. GAO pointed out problems with:

- USDA accreditation for veterinarians;
- rapid diagnostic tools;
- stockpiles of ready-to-use vaccines;
- and the 8 percent decline in agricultural border inspections.

You have stated that you believe in order to reverse the decline in agricultural border inspections it is very important to improve the communication between USDA and DHS.

What specifically do you plan to do to improve your communication and relationship with DHS to improve this situation and avoid similar problems in the future?

Answer. APHIS Administrator Ron DeHaven and DHS' Customs and Border Protection (CBP) Commissioner Bonner met in early April 2005 to discuss communication issues between the two Agencies and agricultural inspection operations at U.S. ports of entry. In addition to continuing to implement the newly established joint quality assurance program to evaluate operations at ports of entry, Dr. DeHaven and Commissioner Bonner have agreed to hold quarterly meetings to address any issues that cannot be resolved at the operational level. APHIS and CBP operations officials are meeting twice monthly to carry out the quality assurance program and address ongoing operational issues. The Agency's goal for the program is to ensure the quality of inspections and facilitate an appropriate level of communications between DHS and APHIS. Thus far, APHIS and CBP have conducted a pilot joint inspection blitz at the port of Detroit and joint reviews of operations at the ports of

Philadelphia and Miami. A review of operations at the maritime port of Long Beach, California, is scheduled for June 2005.

APHIS and CBP officials are also continuing to address the large number of vacancies at ports of entry. With the transfer of the port inspection portion of the agriculture quarantine inspection function to CBP in fiscal year 2003, APHIS transferred 363 fully-funded vacant AQI inspector positions. This number has increased significantly through attrition in the last 2 years. While progress has been made in filling many positions, APHIS encourages CBP to continue an aggressive recruitment and hiring program. APHIS assists CBP in recruiting by distributing vacancy announcements to a large pool of qualified candidates and expeditiously training those hired. Following the April 2005 meeting between Dr. DeHaven and Commissioner Bonner, APHIS is enhancing its recruitment program for CBP vacancies through promoting the jobs to qualified candidates. APHIS' Professional Development Center has 14 classes scheduled for incoming agricultural specialists (with space for 36 new inspectors in each class).

Progress has been made in other areas, such as access to CBP's data systems. In March 2005, APHIS and CBP reached an agreement to allow APHIS users to access CBP's Automated Targeting System (ATS), which will allow us to review incoming cargo manifests electronically and determine which to target for agricultural inspections. At this time, 14 APHIS users are approved to access ATS, with 6 more in the approval process. APHIS is also placing two agricultural specialists in CBP's National Targeting Center to develop criteria for determining which incoming shipments to target for agricultural inspections.

ACCREDITED VETERINARIANS IN RURAL AREAS

Question. You have discussed the importance and variety of State programs that are working to increase the number of accredited veterinarians in rural areas where they could provide ample surveillance of animal disease and potential agro-terrorist threats. I agree that State programs are important, but I also believe they should be strongly supplemented by the Federal Government, especially as they are used to enhance national security.

What Federal programs are available and being utilized to increase the number of accredited veterinarians in rural areas?

Answer. APHIS is authorized to offer additional compensation to help recruit and retain veterinarians for difficult-to-fill positions. The National Veterinary Medical Service Act enables APHIS to repay veterinary medical school loans when a veterinarian serves in a "shortage" area. APHIS is also authorized to provide retention bonuses to veterinarians, who are paid on the normal General Schedule. Any retention bonuses must be approved through the APHIS Deputy Administrator's Office on a case-by-case basis.

APHIS has not used its authority under the National Veterinary Medical Services Act since the agency has not received appropriated funding supporting this legislation. In fiscal year 2004 APHIS Veterinary Services provided \$36,755 in retention bonuses to two veterinarians. In addition, APHIS has a roster of about 1,200 private veterinarians in the National Animal Health Emergency Response Corps who are available for public service in the event of an emergency.

FSIS routinely pays a range of recruitment incentives to attract new veterinary hires in shortage or difficult to fill locations nationwide. For example:

- Recruitment bonuses were used when filling positions in various locations in 21 States. In fiscal year 2004, FSIS paid \$632,803 to provide recruitment bonuses to 59 new veterinary hires.
- FSIS pays travel and transportation expenses to all veterinary new hires. In fiscal year 2004, \$290,000 was provided to pay these expenses to 58 new hires.
- Direct-Hire Authority was granted by OPM for VMO hires GS-9 through 13, which doubled the number of applications.
- Training agreement authorizes accelerated promotion for GS-9 to GS-11 VMO within 6 months of hiring to attract talented veterinary applicants. The low starting salary for our entry level positions, compared to jobs in the private sector, has been a major factor in our inability to recruit new veterinary graduates.
- Finally, use Superior Qualifications Appointment authority for veterinarians new to Federal Service—allows for setting starting salary above the normal level.

To date, we have not used Retention allowances to retain FSIS veterinarians. FSIS has also not yet utilized the Repayment of Student Loans Program to attract or retain veterinarians; however, the agency is considering use of these authorities.

FOOD AND AGRICULTURE DEFENSE INITIATIVE

Question. The USDA budget proposes an increase of \$78 million for the Food and Agriculture Defense Initiative (FADI) bringing total FADI spending to \$376 million. The goals of this Initiative are laudable, but I do have questions regarding what, specifically, this money is buying.

Can you tell us what USDA has achieved and what work remains? How are you measuring success in achieving these goals?

Answer. The events of September 11, 2001, heightened the Nation's awareness and placed a renewed focus on ensuring the protection of the Nation's critical infrastructures. The Department plays a significant role in protecting America's agricultural industry and food supply from intentional and unintentional harms. A terrorist attack on the food supply could pose both severe public health and economic impacts, while damaging the public's confidence in the Nation's food supply. As a result of new potential threats to the food supply, USDA agencies have made fundamental changes in how they implement their missions and have focused efforts on food and agricultural production, USDA facilities, and USDA staff and emergency preparedness.

Some activities the Department has begun include expanding the Food Emergency Response Network (FERN) and the Regional Diagnostic Network with links to the National Agricultural Pest Information System; upgrading laboratory security and enhancing their capabilities to quickly identify threats to the food supply; strengthening research on diagnostic methods for quickly identifying various plant and animal pathogens; enhancing the monitoring and surveillance of pests and diseases in plants and animals; and enhancing the Department's emergency preparedness and response capabilities by establishing a Homeland Security Staff. The Homeland Security Staff provides oversight of USDA nationwide policies and procedures related to homeland security, and coordination with the Department of Homeland Security and other Federal agencies, public and private organizations. I will have this office provide additional information for the record.

[The information follows:]

The FADI closely correlates to the food and agriculture security tasks set forth in Homeland Security Presidential Directive (HSPD)-9, Defense of U.S. Agriculture and Food. HSPD-9 establishes 6 main components to a defense strategy for agriculture and food security: (1) Awareness and Warning, (2) Vulnerability Assessments, (3) Mitigation Strategies, (4) Response Planning and Recovery, (5) Outreach and Professional Development, and (6) Research and Development. Highlights of current fiscal year activities for each component follow.

Awareness and Warning

Enhancing Federal, State, local, and industry awareness of the threats to the agriculture and food sector is essential. First responders in this sector are often industry owners and operators or State or local regulatory officials. Additionally, early detection is also key to minimizing the spread of a contaminant. Therefore, USDA has focused upon educating individuals of the signs of an attack or outbreak. USDA has also focused upon enhancing scientific capabilities for early warning, such as establishing laboratory networks that can rapidly share information and diagnostics. Key programs within Awareness and Warning are highlighted below:

Awareness Activities.—To ensure awareness, USDA has hosted Food and Agricultural Defense Field Training in a variety of settings. USDA's Food Safety and Inspection Service (FSIS) has provided biosecurity training to in-plant personnel. USDA's Animal and Plant Health Inspection Service (APHIS) has provided biosecurity training via CD-Rom to States. USDA's Cooperative State, Research, Education and Extension Service (CSREES) has trained plant diagnosticians in every State to recognize high consequence pathogens and is conducting plant disease outbreak scenario drills in 24 States. USDA has also provided information on its web page for owners and operators, so that they are aware of signs of contamination. The USDA page on Soybean Rust is an example of these activities. USDA also partnered with industry to ensure their awareness of agriculture and food security during transportation by providing a voluntary security guide with tips for keeping products secure during transport. FSIS has also provided model food security plans for industry to use in developing their own plans.

Food Emergency Response Network (FERN).—FSIS, along with the Food and Drug Administration (FDA), co-chairs the Food Emergency Response Network. Screening, in FSIS laboratories, under a surveillance program coordinated by FERN, a national, integrated network of Federal & State laboratories, with the surveillance and surge capability of testing foods for threat agents in the event of a terrorist attack. Currently, FERN includes 93 laboratories representing 43 States and Puerto Rico

(25 Federal, 60 State, 4 local and 4 other) and each laboratory has satisfactorily completed the FERN Laboratory Qualification Checklist. The FERN Laboratory Qualification Checklist provides the FERN National Program Office with vital information to determine if a laboratory meets the criteria for participation in FERN. Within the 93 laboratories, 67 conduct chemical agent testing, 69 conduct microbiological testing, and 25 conduct radiological (some laboratories conduct more than one type of test). The goal for FERN in fiscal year 2006 is to add 15 new State laboratories to partner with FSIS and FDA.

Funding to date has been used to build on the expertise of the Federal, State and local laboratories that are now part of FERN. FERN has laid the foundation for a coordinated laboratory network that will ultimately be capable of meeting the testing demands resulting from an attack on our food supply. FERN laboratories are currently conducting method development for testing and performing proficiency testing. FERN has established Regional Coordination Centers that serve as the primary points of contact for laboratories across the country. Already established are the Southeast Center located in Athens, Georgia, and the Northeast Center temporarily headquartered in Rockville, Maryland. Other Regional Coordination Centers will soon be established in Alameda, California; Denver, Colorado; and St. Paul, Minnesota.

The additional funding requested for FERN, will enable the agency to manage, maintain, and expand the capacity and capabilities of the existing FERN labs. These funds will improve the FERN's ability to handle the numerous samples that would be required to be tested in the event of a terrorist attack on the food supply, because State and local laboratories would be able to conduct a significant portion of the necessary testing.

State and local laboratories continue to be identified and recruited into the FERN. The goal is to include an adequate number of Federal, State, and local food laboratories in the network to ensure the necessary laboratory support, coordination, and collaboration in the event of a terrorist attack on the food supply.

National Animal Health Laboratory Network (NAHLN).—The NAHLN is a functional national network of existing animal diagnostic laboratories. Its purpose is to rapidly and accurately detect and report pathogens of national interest that have the potential for high consequence and/or to be introduced intentionally. It provides geographically distributed diagnostic support to APHIS by training diagnostic personnel to improve service capabilities, expanding standardized rapid/sensitive testing capabilities, improving the Nation's Bio-Safety Level (BSL)-3 capability, assuring quality standards and proficiency testing, and improving communications to share data. The goal for NAHLN in fiscal year 2006 is to train and proficiency test 10 additional laboratories; assist in diagnostic fee-for-service guidance; and develop international linkages.

The 12 founding laboratories, along with 32 other laboratories funded by APHIS, provide surveillance testing for Bovine Spongiform Encephalopathy (BSE), Exotic Newcastle Disease, Highly Pathogenic Avian Influenza, and Chronic Wasting Disease in 37 States. The current number of States with laboratories available to assist the National Veterinary Services Laboratory (NVSL) in providing necessary Federal animal diagnostic services has increased to 41.

Outputs that must occur to achieve preparedness oriented outcomes include: laboratory biosafety upgrades, laboratory physical security improvements, laboratory equipment upgrades, deployment of quality management (QM) manuals and personnel, completed standard operating procedures, and diagnostic personnel trained for high consequence pathogens. These outputs are necessary to improve preparedness for and ability to respond to high consequence animal diseases. Currently, 11 of the 12 laboratories are running Exotic Newcastle and Highly Pathogenic Avian Influenza tests post proficiency. All laboratories have passed proficiency tests for Classical Swine Fever. The Foot and Mouth Disease program is progressing according to schedule.

The NAHLN has been an important part of the BSE testing program. Eight of the twelve founding NAHLN laboratories have participated in this high volume surveillance testing program, which tests volumes similar to the Colorado example below, representing three to four fold increases over 2001 levels. Beyond surveillance test performance, NAHLN host institutions helped to operationalize the current high volume BSE test, which makes wider surveillance possible with limited resources. The NAHLN founding laboratories, through assay development and training activities, have also increased the surveillance capacity of the veterinary diagnostic system for Foot and Mouth Disease, Classical Swine Fever, Exotic Newcastle Disease, and Highly Pathogenic Avian Influenza.

As of January 31, 2005, Colorado State University Veterinary Diagnostic Laboratories (CSUVDL) has performed 50,000 BSE tests, processed over 15,000 chronic

wasting disease samples, and 6,000 Scrapie samples since the NAHLN program's inception. Their weekly testing volume has exceeded 3000 samples.

In 2004, Texas experienced 2 outbreaks of Avian Influenza (AI). Because of the training and equipment afforded through this CSREES grant, the Texas Veterinary Medical Diagnostic Laboratory (TMVDL) was able to assume a major role in laboratory testing during and following these 2 outbreaks. They were able to reduce the testing burden on the National Veterinary Services Laboratory significantly by performing almost all PCR and serological tests following the diagnosis of the index case by NVSL. In total TVMDL ran 20,468 triage preliminary tests and 2,679 real time PCR tests for AI during the 2 outbreaks. This success story provides evidence of the increased foreign animal disease response capacity that is needed in order to gather near-real time information regarding potential threats to the Nation's animal resources.

National Plant Diagnostic Network (NPDN).—The NPDN provides a functional national network of existing diagnostic laboratories in all States. Its purpose is to provide rapid and accurate detection and reporting of plant pests and diseases that have the potential for high consequence and/or to be introduced intentionally. The NPDN also provides geographically distributed diagnostic support to APHIS by decreasing the time between first observation of an anomaly by first detectors and response, increasing the Nation's plant diagnostic capabilities through improved equipment and training, providing diagnostic surge capacity in case of a concentrated or deliberately distributed agroterrorist incident, and training first detector trainers that will increase the Nation's ability to detect incidents before they become widely distributed.

The network is currently being utilized by APHIS to manage the *Phytophthora Ramorum* (Sudden Oak Death) outbreak. NPDN is currently running several multi-State plant disease outbreak simulations in cooperation with APHIS/PPQ, State governments, the grower community. The network is also currently working with the USDA Forest Service to educate potential first detectors of sudden oak death disease.

NPDN provides equipment funding, training, and educational resources to all land grant university diagnostic laboratories in an effort to raise diagnostic capabilities nationwide. Last year, Plant Diagnostic Laboratories in 41 States received funding to upgrade equipment and facilities and Plant Diagnostic Laboratories in all States and U.S. Territories received diagnostic training. In addition, laboratories provided triage diagnostics for over 130,000 samples that were potentially infected with *P. ramorum*, the pathogen that causes sudden oak death, preventing its nationwide distribution through marketing channels.

The NPDN also hosted outbreak scenario training exercises in 23 States. Outbreak scenarios will be completed for all States in the continental United States by May 2005. Technical training on plant biosecurity issues was provided through The National Pest Diagnostic Network's First Detector Training and Certification Course. This program trained over 10,000 individuals and trained over 1,500 individuals as additional trainers. With a few weeks after soybean rust was first detected in Louisiana, private interest disease surveillance activities were conducted by first detectors. Samples submitted to diagnostic laboratories, as a result of these first detectors, identified soybean rust in Mississippi, Florida, Georgia, Alabama, Arkansas, Missouri, South Carolina, and Tennessee.

Integrated Consortium of Laboratory Networks.—Laboratory networks from a variety of Federal Departments have agreed to work cooperatively under a Memorandum of Understanding to communicate and cooperate by sharing capabilities, policies, procedures, and approaches for handling laboratory analysis during national emergencies. The consortium also seeks to reduce redundancies among laboratories, identify holes in laboratory capabilities, and to seek solutions to managing these identified issues in the future. The MOU will likely be signed in early May.

Integrated Surveillance Capability.—USDA's APHIS, FSIS, and CSREES agencies are conducting a review and analysis of their information systems that are relevant to the National Biosurveillance Integration System (NBIS). In consultation with the Department of Homeland Security (DHS), the agencies are considering the current information available for submission to the NBIS, the costs of providing the information, and a process for prioritizing information systems that should link to the NBIS. The goal is to provide the highest priority information systems to the NBIS to improve surveillance of threat agents in plants, animals, and food.

Surveillance and Monitoring.—Surveillance and monitoring programs are essential to an awareness and early warning capability. Within this realm, USDA has a number of key initiatives underway. FSIS has implemented the National Consumer Complaint Monitoring System (CCMS), a surveillance and sentinel system that monitors, records, and tracks food-related consumer complaints 24/7, and other

reports of suspicious activity. It serves as a real-time, early warning system of a potential attack on the food supply. CCMS has evaluated approximately 3,500 consumer complaints since January 2001.

With regard to plant and animal health, USDA is completing the New Pest Response Guidelines for all the select agents and is completing integration of the Overseas Pest Information System (OPIS) database. Wildlife provides an early indicator for outbreaks that may impact food animals. Therefore, USDA is hiring 77 wildlife biologists nationwide. Due to the importance of food animals, USDA is developing a monitoring and database system for the National Animal Identification System (NAIS) to identify gaps in the surveillance and monitoring of animal health. Similarly, USDA is continuing its surveillance programs for Foreign Animal Diseases (Foot and Mouth Disease), Swine feeding surveillance, and Classical Swine Fever activities.

Vulnerability Assessments

USDA is using the CARVER + Shock vulnerability assessment method across agencies so that we may compare findings across the farm-to-table continuum. Our goal is to expand and continue these assessments both internally and by leveraging upon DHS projects to partner with industry to conduct assessments. To date, USDA has done a number of threat and vulnerability assessments. Highlights follow:

USDA CARVER + Shock Assessments.—USDA agencies have conducted threat and vulnerability assessments for food, animal, and crop products and programs under our jurisdiction. USDA agencies will update these assessments every 2 years. These agencies are also working with Federal, State, and local partners to aid the private sector, as industry conducts its own assessments.

Farm Service Contract Requirements.—Under USDA's Farm Service Agency (FSA) oversight, language has been incorporated into all Commodity Credit Corporation (CCC) Storage and U.S. Warehouse Act Licensing Agreements requiring agreement holders to conduct a facility vulnerability assessment and implement a security plan that includes measures to protect commodities handled and stored in their facility. FSA is also conducting training for agency staff that assess compliance. FSA is preparing to conduct a vulnerability assessment for commodity operations with specific emphasis on the vulnerability and risk of bulk grain, oilseeds, rice, and processed agricultural commodities to threats and attacks of deliberate contamination. This assessment will address the complexities of CCC-owned and farmer-owned marketing assistance loan collateral being commingled with bulk grain, oilseeds, and rice of other public owners during the storage, transportation, and distribution process. Additionally, USDA's Foreign Agricultural Service (FAS) has begun to work with the U.S. Agency for International Development and the State Department to develop and coordinate an international food aid plan. The focus of this cooperation is two fold: prevention by recognizing the most likely threats and vulnerabilities within the international food aid system (those that pose the biggest risk) and development of a Rapid Response Plan.

Mitigation Strategies

Mitigation strategies depend upon vulnerability and threat assessment findings and research and development capabilities. To date, USDA has addressed concerns of vulnerabilities within imported meat, poultry and egg products by developing standardized screening and inspection procedures. USDA is also conducting research and development concerning intervention steps to prevent contamination. Specifically, USDA is developing intervention steps to prevent transport of agents of concern from farm-to-table.

Response Planning and Recovery

In the event that preventive measures are unsuccessful, the Department must be prepared to respond to and recover from an incident. Therefore, USDA is focusing upon the national initiatives, the National Response Plan and the National Incident Management System, to ensure that the Department may respond appropriately to a catastrophic incident. Additionally, USDA is considering sector specific response and recovery initiatives. Highlights follow:

National Response Plan (NRP).—Implementing the NRP at USDA is essential to ensuring that the food and agriculture continuum is prepared for an event. Therefore, USDA staff offices are identifying and preparing revisions to existing regulations, policies and guidance to assure compliance with the NRP. FSIS is working with FDA and DHS, to develop a food and agriculture annex for the NRP. They established a cooperative agreement with the National Association of State Departments of Agriculture (NASDA), to "develop emergency preparedness/response best practices and guidelines for Federal-State response to incidents affecting the food supply."

National Incident Management System (NIMS).—Similarly, USDA is implementing NIMS. Agencies have completed the first phase of NIMS implementation plans, which include preparedness, prevention, response, and recovery aspects. USDA has compiled the plans into a department-wide response to DHS. The next step is for USDA to work individually with agencies to finalize their plans.

National Plant Disease Recovery System (NPDRS).—In the event of a large-scale disease outbreak, the food and agriculture sector must have plans in place for recovery. HSPD-9 specifically tasks USDA to develop such a plan for the plant production system. To date, USDA has led an interagency committee to develop a system to address the mechanisms and process for a recovery system for plants/crops. The system should be capable of responding to a high-consequence plant disease with pest control measures and the use of resistant seed varieties within a single growing season to sustain a reasonable level of production for economically important crops.

To date, the committee has established a steering committee and working groups to focus on specific diseases. The working groups are examining the highest priority crops and most potentially harmful diseases first. They are determining the likely outcome of an outbreak and the existing mitigations and the need for research and development to enhance recovery.

Decontamination and Disposal.—HSPD-9 also specifically tasks USDA to work with the Environmental Protection Agency (EPA) to consider decontamination and disposal roles and responsibilities. To date, EPA has led a collaborative effort with USDA, DHHS, and DHS to develop a plan that addresses how to handle decontamination and disposal issues post-event for inclusion in the Food and Agriculture Response Plan annex to the NRP.

Outreach and Professional Development

Since security is a relatively new concept for the food and agriculture sector, educating stakeholders is important to successfully implementing programs. The new need for security within this sector also raises a need for educated professionals capable of addressing security related issues—veterinarians trained in research for biological weapons is an example of a new need. To address these issues, USDA is building new partnerships and working to transition traditional professional programs into the security realm.

Outreach via Food and Agriculture Sector Coordination.—Forging strong relationships across Federal, State, local, and industry lines is key to addressing security within the food and agriculture sector, for most of it is privately held and or regulated at the State or local level. Both HSPD-7 and 9 require some form of enhanced relationship within the sector. Under the leadership of USDA, DHS, and FDA, Food and Agriculture Sector Coordinating Councils have been formed—one for the government, and one for industry. They meet in joint Council sessions quarterly and their leadership hosts conference calls twice monthly. The food and agriculture sector is the first to implement the NRP and the National Infrastructure Protection Plan and will serve as a model for others in organizing and implementing National programs.

Higher Education Programs.—USDA is providing capacity building grants to universities that provide interdisciplinary degree programs to prepare food defense professionals. A success story from this effort is seen in the recently developed Soybean Rust webpage and related educational materials that were developed by land grant universities in partnership with CSREES.

Research and Development

Current technologies do not provide USDA with the best possible tools for addressing our needs related to awareness, early warning, response or recovery. Therefore, USDA has a research and development program that focuses upon the highest priority needs. Key highlights follow:

Food-related Research.—USDA is developing techniques to maximize the probability of detecting threat agents in food. Specifically, USDA is developing rapid tests for threat agents in food matrices. These matrices are based upon vulnerability assessment findings. USDA is also developing processing techniques to destroy (pasteurize) threat agents in food.

Agricultural Research.—USDA is strengthening research on rapid response systems to bioterror agents, improving vaccines, and identifying genes affecting disease resistance. USDA is also supporting NPDRS by conducting research on protection of plants against 3 high priority threat agents (soybean rust, striped rust of wheat and downy mildew of corn). Additionally, USDA is hosting research to enhance the development of recombinant vaccine for Foot and Mouth Disease.

BioSafety Level (BSL)-3 Facility.—A priority for USDA is to complete the consolidated state-of-the-art BSL-3 animal research and diagnostic laboratory and quarantine facility at Ames, Iowa.

Leveraging DHS Programs at the University Centers for Excellence.—USDA is working closely with both the pre and post-harvest DHS Centers for Excellence staff to ensure that they are aware of on-going research and development activities at USDA. The Department is also working with the Centers to ensure that they are aware of our priorities and needs as they develop their agendas.

Question. We are providing significant funding for FADI, and large increases have been requested each year for the past several years. When will FADI be fully implemented? Should the Committee expect continued requests for increases in the years to come?

Answer. The FADI is an on-going initiative to ensure coordinated efforts across the Federal agencies responsible for agriculture and food security. Initially, The Department requested funding to establish new programs because our focus and mandate was on preventing unintentional contamination or addressing small-scale intentional contamination such as an act by a disgruntled employee. Since 9/11, the Department has begun to address intentional contamination. Our reason for doing so is based upon intelligence demonstrating that our enemy has both the knowledge and the access to agents that would be harmful to the food and agriculture sector. Therefore, the Department will continue to build upon our current security initiatives within the FADI and as intelligence and world events dictate, we will modify and enhance our efforts.

Question. How is USDA working with other agencies on FADI? Do you think the other agencies are paying a proportionate share of their cost for FADI, and how is that determined? Who makes that determination?

Answer. HSPD-9 sets clear expectations for how agencies will work together to achieve a strategy to defend the Nation's food and agriculture sector. The Department is working with our Federal, State, local, and industry partners to meet this mandate. Although HSPD-9 sets clear expectations for how the agencies will work together there is no such directive for determining which agencies will pay for which activities. This is determined by meetings held between the White House Security Council, the Office of Management and Budget and the Federal agencies involved in a particular activity.

USER FEES

Question. The budget request assumes more than \$177 million in new user fees in fiscal year 2006. Several of these, such as Food Safety and Inspection Service (FSIS) user fees, have been proposed time after time, and they are always rejected. If our Committee fully complies with this request, and provides \$710 million (a reduction of \$106 million from last year), the responsibility to achieve the fees then falls on you and the authorizing committees.

Has legislative language been submitted to the authorizing committees? If not, when will USDA submit this language?

Answer. Legislative language for the user fee proposals is being reviewed expeditiously and will be submitted to Congress as soon as the reviews are completed.

Question. How will you avoid downsizing FSIS if you are not successful with the authorizing committees? How will you absorb \$177 million in lost resources? Do you support the Committee proceeding with the President's appropriations proposal if the authorization committee has taken no action by the date the Committee reports out the fiscal year 2006 bill?

Answer. In 2006, the President's budget includes and requests the full amount of budget authority, \$850 million, needed to operate FSIS' inspection services. We are requesting authority to charge user fees, deposit the fees into special receipt accounts, and use the fees subject to appropriations. We continue to support the fee proposals as presented in the budget, which will shift the responsibility for funding these programs to those who most directly benefit.

SOYBEAN RUST

Question. This past year, soybean rust was detected in the southern United States and due to prevailing southerly winds, there is great concern this disease will spread to the other major soybean producing states. USDA actions to detect, halt, contain, and control soybean rust will require coordinated efforts of the research and regulatory mission areas, and perhaps others.

Do you believe soybean rust can be stopped from spreading to additional States or do you believe there is little USDA can do in this regard?

Answer. Soybean Rust (SBR) is a fungal disease that is spread primarily by wind-borne spores. Because it is wind-borne and easily travels long distances, there is no way to stop it from spreading. In fact, the pathogen is thought to have traveled from Asia to Africa in this way. Accordingly, USDA is focusing its efforts on assisting the States and soybean producers in preparing for the arrival of the disease in their areas.

USDA has tested fungicides and is seeking resistant varieties of soybeans. Resistant varieties will take time to develop as there appears to be limited genetic resistance.

Question. In what states, and regions of those states, has soybean rust been detected to date, and what are your projections for spread of this disease during the 2005 crop year?

Answer. SBR was detected for the first time in the continental United States in November 2004 in Louisiana and subsequently in eight other southern States: Alabama, Arkansas, Florida, Georgia, Mississippi, Missouri, Tennessee, and South Carolina. The series of hurricanes in fall 2004 was the likely cause of the spread of SBR into the United States and may have spread it throughout the Gulf Coast region.

In 2005, SBR has been detected in three counties in Florida on kudzu plants. Surveillance efforts are ongoing, and it is difficult to predict exactly where outbreaks will occur this year. However, USDA's SBR aerobiology modeling system indicates that SBR spores have already spread throughout the eastern half of the United States and likely into Canada by wind. APHIS and State departments of agriculture are implementing a monitoring and surveillance network utilizing sentinel survey plots and mobile monitoring teams to track outbreaks as they occur.

Question. Do you think it is more effective to concentrate USDA activities on those areas of the country where soybean rust has been detected or is most likely to appear rather than spread assistance over a larger area where it is unlikely soybean rust will appear?

Answer. Because the disease travels long distances by wind, APHIS officials believe that all major soybean-producing regions are at risk for the disease and need to be prepared for its arrival. The monitoring and surveillance network currently being implemented will allow APHIS and State cooperators to track SBR outbreaks as they occur in new areas and provide early warning to producers. SBR can be managed effectively with fungicides, but the fungicides are most effective when applied before the disease affects the plants.

Question. Please describe any activities, funding levels, and funding sources the USDA plans to use in fiscal year 2005 and 2006 relating to soybean rust.

Answer. USDA will be spending \$1.19 million on soybean rust surveillance and monitoring efforts and more than \$3.8 million is research in fiscal year 2005. The President's budget requests \$3.2 million for research in fiscal year 2006. Details follow below and have been provided for the record.

APHIS is using \$1.19 million from its contingency fund to implement the SBR monitoring and surveillance network and continues supporting the comprehensive USDA SBR website. APHIS is providing \$800,000 of the contingency funds to State cooperators for sentinel survey plots and \$180,000 to USDA's Cooperative State Research, Education, and Extension Service for 5 mobile monitoring teams. The remaining funds will support the website, which provides timely updates on the results of surveillance efforts.

ARS has initiated research programs that involve five research units in Illinois, Iowa, Maryland and Mississippi, plus cooperative agreements with several Land Grant universities. This research is designed to develop a better understanding of the way the disease attacks the plant, strains of soybeans resistant to the disease, a rapid detection test, and efficacy testing of various fungicide strategies to combat the disease.

In fiscal year 2005, fungicide trials involving eight chemicals have been conducted by ARS in South America and Africa where the disease was known to occur prior to its entry into the United States. ARS is working with EPA, states, and registrants to develop and expedite Emergency Exemptions for fungicides in the chemical class of "triazoles" which have been found effective against soybean rust in our studies in Africa and South America. These studies will continue in fiscal year 2006.

In fiscal year 2005, ARS scientists working closely with the Joint Genome Institute, Department of Energy in California, have partially sequenced the genome of the more virulent species of the soybean rust (*Phakopsora pachyrhizi*) and are preparing genetic maps for further diagnostic development. Genome sequence data from the soybean rust pathogen will be indispensable in identifying polymorphic DNA sequences with high potential for strain identification, and will be essential

to long-term genetic strategies for the identification of genes that regulate pathogenicity. These studies will continue in fiscal year 2006.

Fiscal year 2005 multi-year agreements are in place in Brazil, Paraguay, China, South Africa, Thailand and Vietnam to evaluate soybean varieties currently grown in the United States for tolerance to soybean rust and to screen exotic soybean germplasm for resistance to soybean rust under field conditions. Over 170 soybean lines are being tested at these 6 international locations. These field sites will greatly facilitate progress toward selection of superior breeding lines for development of resistant varieties. In addition, ARS has proposed research to exchange and evaluate Vietnamese and other soybean germplasm for resistance to soybean rust in Vietnam and in other locations.

ARS funding for fiscal year 2005 is \$3,881,900; and fiscal year 2006 is \$3,188,600.

QUESTIONS SUBMITTED BY SENATOR ROBERT C. BYRD

HUMANE ACTIVITY TRACKING

Question. Secretary Johanns, as you know, I am keenly interested in ensuring that food animals are treated in a humane manner prior to slaughter. I have included funding in the Food Safety and Inspection Service for the past several years to increase the number of food safety inspectors dedicated to making sure that humane animal handling is treated with the importance it deserves. I plan to continue focusing on this important subject, and I have several questions regarding how USDA is carrying out its mission in this regard.

Last year, I included a \$3 million increase for the Humane Animal Tracking (HAT) System, a component of the Field Automation and Information Management System (FAIM). It is my understanding that this funding was used to connect the HAT system into the FAIM architecture in 250 of the largest slaughter establishments. This allows one more component of information to be at the fingertips of Food Safety and Inspection Service personnel, which all taken together, is used to ensure that food animals are treated in a humane manner, and that the food they provide us remains safe.

Please discuss any potential benefits this increased funding for the HAT System has to improve food safety and security, as well as humane animal handling.

Answer. The increased funding has improved the enforcement of the Humane Methods of Slaughter Act (HMSA). The HAT system is being used to evaluate and verify important national and District trends to ensure appropriate actions are being implemented, and ensuring that enforcement of HMSA is consistent nationwide. The integration of HAT into the FAIM architecture also allows humane handling and slaughter verification data to be part of the same FSIS-wide communications infrastructure as food safety and food security activities, and will move us closer to the goal of real-time data sharing.

Question. What will be the maintenance costs to ensure the HAT system remains connected to the FAIM architecture?

Answer. With the \$3.0 million in funds made available to FSIS for implementation of HAT, FSIS has established high-speed lines in 200 of the more than 900 federally inspected establishments subject to HMSA to date. The Agency will connect an additional 50 establishments with high-speed lines in the immediate future. These establishments slaughter approximately 95 percent of the animals slaughtered in the United States. After funding for this activity expires, FSIS will use available funds to maintain the high speed connections in these establishments.

Question. What additional funding will be needed in order to connect the HAT System to the FAIM architecture in the remaining establishments?

Answer. The 2006 budget does not request additional funding for FSIS to connect the HAT system to the FAIM architecture in the remaining establishments. Any expansion of the system to additional establishments will be done within available funds.

Question. Under the current budget proposal for FAIM, what are the capabilities and shortfalls of this technology? In order to ensure that HAT information is received by FSIS in real time, as well as other food safety information, how would FAIM need to be changed or improved?

Answer. FSIS' FAIM project serves as the communications infrastructure for the Agency's food safety, food security, and humane handling and slaughter verification activities. Real-time communications provide a continuous flow of data that gives FSIS the capability to more rapidly detect and respond to abnormalities in food safety systems. Dial-up technology is less reliable, less efficient, and is not capable of handling the same volume of information as high-speed technology. Because a large

number of livestock slaughter establishments are located in rural areas that may be isolated, there are significant hurdles to overcome in order to establish high-speed connections so that Agency personnel throughout the country can fully utilize data and share food safety, food security and humane handling and slaughter information in real-time. The existing FAIM infrastructure is being improved to allow HAT data to be integrated with inspection data stored in other Agency databases, including data such as non-compliance records and food safety verification information. The integration of HAT into the FAIM architecture also allows humane handling and slaughter verification data to be part of the same Agency-wide communications infrastructure as food safety and food security activities, and will move us closer to the goal of real-time data sharing.

Question. Do the DVMS or anyone else at FSIS prepare reports based on the HAT data analysis, and can you provide those reports to the committee?

Answer. A variety of FSIS employees use HAT data and make reports on its contents. At this time, FSIS is in the process of developing a standard format for collecting and reporting data. Once these reports are developed and generated, I would be glad to provide a set to the Committee.

Question. Of the total number of plants subject to HMSA, after the \$3 million provided last year is spent, how many will remain to be hooked up to high speed connections? Of those not connected, what percentage of slaughter occurs there, and what has been the rate of HMSA compliance in those plants?

Answer. There are currently more than 900 federally inspected slaughter establishments subject to HMSA. To date, FSIS has established high-speed connections in approximately 200 livestock slaughter plants. An additional 50 slaughter establishments will be connected with high-speed lines in the immediate future. The establishments not connected with high-speed connections slaughter approximately 5 percent of the animals. The establishments with high-speed connections do not have a different rate of compliance with HMSA than other establishments.

In the event of a food safety emergency, I believe it is imperative that information is available to all who need it in real time, as opposed to taking days, weeks, or even months to gather pertinent and necessary information. However, I do not believe that this is currently the case, and I am very concerned that improving the communication system to provide real time information does not appear to be a priority of USDA and FSIS.

Question. What percentage of FSIS inspected plants still have dial up communications? What is the effect of having to use a dial up modem instead of a real time communication system in the event of a food safety, food security, or animal welfare emergency?

Answer. FSIS is currently implementing high-speed communications in 250 federally inspected establishments, which is approximately 11 percent of the 2,200 "base" establishments. A "base" establishment is an establishment from which food safety inspectors, including patrol inspectors, use as a base of operations for providing inspection service to all establishments on a daily basis, and includes both slaughter and processing establishments. Though dial-up is not as fast and reliable as high speed, it still allows inspectors to be reached and provided food safety information. High-speed technology would provide greater assurances that inspectors can be reached and provided with food safety information more rapidly than dial-up technology.

Question. In the event of an emergency, please describe how the situation would differ depending upon whether the problem occurred in a plant that still used slow, dial-up modems, as opposed to being able to provide information to FAIM in real time.

Further, I included report language in the Senate report regarding the potential of allowing additional FSIS personnel to work with the current District Veterinary Medical Specialists (DVMS), in order to ensure that DVMS are spending adequate time focusing on humane slaughter activities. The language continued and discussed several objective scoring techniques for FSIS personnel to document animal slaughter improvements or failures. Specific suggestions were given, and a report, which has been received, was due on March 1 of this year regarding those suggestions. I appreciate that the report was submitted on time; however, I do not believe that specific responses to each of the suggestions given in the report language was provided. For example, does USDA plan to allow the use of location or technological opportunities to make unannounced observations at slaughter plants?

Answer. In a food safety emergency, the primary difference between dial-up and high-speed technology would be the speed at which information, including the detection of a problem, instructions to inspectors, descriptions of product, test results, and other pertinent information would be collected and disseminated. High-speed connections would equip FSIS with a fully-integrated, real-time communications in-

frastructure, giving FSIS the ability to instantly detect and respond to abnormalities or weaknesses in the system to best ensure food safety, food security and humane handling and slaughter activities, particularly in the event of a food safety emergency.

To enforce provisions of the HMSA, FSIS personnel utilize unobserved locations for verifying humane handling and slaughter activities. Furthermore, District Veterinary Medical Specialists (DVMSs) and other in-plant inspection personnel conduct unannounced—including off-hour—visits to observe humane handling and slaughter activities by plant personnel. FSIS does not believe that video cameras are a substitute for the ongoing, intensive, and random verification of establishment humane handling and slaughter. The use of video surveillance from a remote location for HMSA enforcement would not be viable alternative for assessing the consciousness of animals.

Question. Please respond to each of the suggestions provided in the fiscal year 2005 Senate report.

Answer. I have asked FSIS to provide more detailed responses for the record.

[The information follows:]

First Suggestion.—The Committee strongly feels that a portion of that FTE increase should be used to allow additional FSIS personnel to work cooperatively with the existing District Veterinary Medical Specialists (DVMS), whose duties are specifically tied to HMSA enforcement, in order to increase the number of facility visits by FSIS personnel with special expertise in HMSA enforcement, and to allow each DVMS better opportunities to visit facilities in other FSIS districts to enhance communication and problem solving among all districts.

Agency Response.—FSIS' District Veterinary Medical Specialists utilize the Agency's Public Health Veterinarians and in-plant inspection program personnel extensively to ensure HMSA enforcement and compliance. The DVMSs conduct in-plant verifications on humane handling and slaughter, and are in regular contact with FSIS in-plant inspection program personnel regarding humane enforcement issues. As part of their routine, ongoing and continuous inspection and enforcement duties, all FSIS inspection personnel are expected to take appropriate actions, including suspending operations, if appropriate, of a livestock slaughter establishment if they observe any violations of HMSA. Further, all FSIS inspection personnel are trained and held accountable for enforcing HMSA during the slaughter process.

DVMSs, during their audits, work with FSIS in-plant personnel to identify observation locations from which FSIS officials can verify humane handling and slaughter activities of plant employees without knowledge of USDA's presence and observation. FSIS also continues to refine humane handling verification and tracking procedures for inspection program personnel. On February 18, 2005, the Agency issued FSIS Notice 12-05, to provide inspection personnel with additional information for humane handling and slaughter verification activities related to animal stunning and procedures for checking for conscious animals. The Notice also provides inspection personnel with clarification regarding the information they are to record in the HAT system, which are verified by DVMSs, and on noncompliance reports issued for humane handling violations. For veterinarians covering multiple plants as part of a patrol assignment, FSIS has assigned HAT activities to be conducted whenever these veterinarians have cause to visit these plants during their work day.

Second Suggestion.—The Committee expects FSIS to consider a number of objective scoring techniques to measure more precisely the extent to and the occasions in which regulatory actions may be appropriate, and means by which FSIS personnel can actually document improvements or failures in animal handling and slaughter operations. Further, the Committee believes other scoring protocols will serve as useful tools to the agency in directing limited resources. Such protocols may include assigning overall facility ratings in regard to layout and adoption by facility management of a systematic approach to monitor and comply with HMSA requirements.

Agency Response.—FSIS has considered scoring methods, but feels that scoring could jeopardize the Agency's zero-tolerance policy for violations of the HMSA. The Agency continues to encourage industry to implement good management practices for the humane handling of animals, and requires industry to abide by all of the requirements of USDA's regulations and HMSA. On September 9, 2004, FSIS published a Notice encouraging establishments to use a systematic approach to ensure that they meet the requirements of the law during handling and slaughter.

With a systematic approach, establishments focus on treating livestock in such a manner as to minimize excitement, discomfort, and accidental injury the entire time they hold livestock in connection with handling and slaughter. Also, establishments have been encouraged to design facilities and implement practices that will mini-

mize discomfort and injury in accordance with existing regulations. Plants should periodically evaluate their system for effectiveness and improve or adjust operations accordingly.

Third Suggestion.—The Committee encourages FSIS to enhance capabilities to observe animal handling and slaughter operations through the use of location or technological opportunities to make unannounced observations that will allow the initiation, when appropriate, of regulatory actions.

Agency Response.—The Agency supports use of unobserved locations for verifying humane handling and slaughter activities. DVMSs and other in-plant FSIS veterinary and inspection personnel conduct unannounced—including off-hour—visits to observe humane handling and slaughter activities by plant personnel. In addition, FSIS officials use observation points in which plant employees conducting slaughter activities are unaware of USDA's presence and observation. The DVMSs, during their audits, work with FSIS in-plant personnel to identify observation locations from which FSIS officials can verify humane handling and slaughter activities of plant employees without knowledge of USDA's presence and observation. Ongoing inspection, beyond routine antemortem inspection, and enforcement responsibilities pursuant to HMSA are routinely unannounced. Moreover, all FSIS livestock inspection program personnel are trained in humane handling, and understand that they are required and obligated to take immediate enforcement action when a humane slaughter violation is observed.

FSIS does not believe that video cameras are a substitute for the ongoing, intensive, and random verification of establishment humane handling and slaughter obligations as documented in this 3 month analysis. The use of video surveillance from a remote location for HMSA enforcement would not be viable alternative for assessing the consciousness of animals.

Question. Out of the total inspections that FSIS carries out in regard to humane slaughter, what percentage of them occur unannounced or without notice to the establishments?

Answer. The vast majority of humane handling and slaughter verifications conducted by FSIS inspection program personnel occur unannounced or without notice to the establishments. This is due to the fact that humane handling and slaughter verification activities are ongoing and continuous throughout the entire slaughter process, rather than at specific times or announced points in the process.

Question. What has been the effect of the September 9th notice that encouraged establishments to use a systematic approach in ensuring humane slaughter? In what ways has it changed industry operations regarding humane handling and slaughter of animals?

Answer. FSIS believes the Notice is having a positive effect in encouraging establishments to use a systematic approach to humane handling and slaughter activities. In addition, the Notice provides FSIS inspection personnel and industry with a common framework for discussion on how the Agency believes plants can be most successful in meeting their obligations under the HMSA.

Question. Other than publishing the notice on September 9 regarding humane slaughter, what else is FSIS doing to encourage industry to change and improve their practices regarding humane handling of animals?

Answer. FSIS conducts daily verification of humane handling through the HAT system and holds routine discussions with plant management during weekly meetings.

Question. Does FSIS monitor facility design and improvements to measure how the industry is changing in plant designs regarding humane handling? Are the plants' "periodic evaluations" made available to FSIS, and what are the results?

Answer. FSIS monitors facility design and improvements as part of the Agency's verification of facility regulatory requirements. The DVMSs also have access to an establishment's periodic evaluations during their audits. However, facility designs and establishment periodic evaluations are considered proprietary information and cannot be shared with the public.

Question. How many FTEs will be dedicated to humane handling in the fiscal year 2006 budget?

Answer. The Consolidated fiscal year 2005 Appropriations Act conference report requires that no fewer than 63 full time equivalent (FTE) positions above the fiscal year 2002 level be employed during fiscal year 2005 for purposes dedicated solely to inspection and enforcement related to HMSA. During fiscal year 2006, FSIS will more than meet this requirement for the number of FTEs.

HMSA ENFORCEMENT

Question. In a January, 2004 GAO report regarding humane slaughter, GAO stated that they could not determine the amount of resources necessary to ensure humane handling of animals in all establishments. Since then, significant attention and funding has been provided to ensure that humane handling of animals is a priority of FSIS, and FSIS has announced several ways in which it is working to improve HMSA enforcement.

Taking into account all of the efforts, changes and increased funding for HMSA enforcement that have occurred since that GAO report, are you now able to provide a resource level you believe would be fully adequate to ensure HMSA enforcement throughout the country?

Answer. We believe we have adequate funding for HMSA enforcement.

Question. If you believe the current funding level is adequate, on what do you base that determination?

Answer. We continually evaluate data on HMSA enforcement to assess our performance. The DVMSs assess trends for non-compliance reports and track any trends in humane handling slaughter violations that result in suspension actions.

 QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

CONSERVATION SECURITY PROGRAM

Question. Participation in the first CSP sign-up was much lower than NRCS expected, but they still spent \$40 million in 18 watersheds. This year with expenditures capped at \$202 million for contracts in 220 watersheds, there will be much less money per watershed for new contracts. The President's Budget proposes capping CSP at \$274 million next year. All of these numbers are far less than the farm bill provides for this program. As discussed at the hearing, you would respond for the record to the following questions.

How much of the \$274 million for 2006 would be available for new contracts and how much of it would go to making payments on contracts signed in 2004 and 2005?

Answer. NRCS estimates show that for fiscal year 2006, approximately \$110 million would be available for new contracts and \$123.2 million would be used for prior year contracts. The balance of \$41.4 million would be used for technical assistance by NRCS to deliver the program.

Question. How many new contracts will be signed in 2005, this year, and how many fewer contracts will be signed in 2006 with only \$274 million?

Answer. NRCS is estimating that more than 13,000 contracts will be signed in fiscal year 2005, and approximately 9,400 contracts will be signed in fiscal year 2006.

Question. It seems clear that if the President's Budget prevails, 2006 will be a year of substantially diminished new enrollments and expectations for CSP, correct?

Answer. The Administration's fiscal year 2006 Budget request reflects a strong future commitment to the CSP with a request of \$273.9 million, an increase of \$71 million, or 36 percent, over the fiscal year 2005 funding level.

AMES ANIMAL DISEASE FACILITY

Question. Modernizing USDA's National Animal Disease facilities is of critical importance for animal health, animal agriculture and for human health as well. This work is under way, with \$404 million appropriated for the project thus far. The President's budget proposal calls for an additional \$58.8 million, indicating this amount of funds will complete the project. This remaining amount of funds is dedicated to completing the so-called low containment large animal facilities.

There are strong indications that this figure of \$58.8 million proposed in the budget is not adequate to complete these animal holding facilities properly. I understand that because of the shortage of funds, the Department has developed several options for asking for bids to construct only a part of the major lab building in this fiscal year.

I have had an extremely hard time getting to the bottom of this issue of what the correct figure is for the amount of funds needed to complete the modernization of these facilities properly. This renovation has to be done right, but my staff has been unable to get documents and information USDA has about what is really needed.

As discussed at the hearing, please furnish to the Subcommittee and to me, without delay, (1) a copy of the June 2003 program of requirements that laid out the requirements for the Ames animal disease facilities and (2) a copy of the full report

of the international review team in January 2001 that laid out their views of the adequacy of these facilities?

Answer. The President's budget proposes \$58.8 million to complete the National Animal Disease Center in Ames, Iowa. With the proposed level of funding, the facility will meet the original program requirements as outlined in the June, 2003 Program of Requirements (POR). A POR is an internal planning document that provides the costs of various options and alternatives which the Agricultural Research Service (ARS) uses to assist in defining research program needs and related technical requirements. The document serves as just one of several factors management considers in making final decisions on project scope, budget, and other project-related policy decisions. A copy of the POR was sent to the Subcommittee staff. A copy of the full report of the International Review Team has been provided for the record.

Question. Exactly how will the current plans for the low bio-containment holding facilities fall short of the June 2003 program of requirements?

Answer. The original program requirements have not been compromised. The low bio-containment holding facility will be completed to meet all original programmatic requirements.

Question. Also, as discussed at the hearing, please inform the Subcommittee promptly—that is prior to conference on this bill—(1) if the bids received for constructing the main laboratory building show that costs will exceed cost estimates used to this point and (2) if the Department is delaying any part of the bidding for constructing the main laboratory building because of cost concerns. What response to these questions can you provide at this time?

Answer. We fully expect that the Ames modernization will be completed within the total funding requested in the fiscal year 2006 budget. ARS expects to open bids on the first of several construction packages for the Laboratory/Office complex in the August-September, 2005 time frame. The Department will keep the subcommittee informed on the bidding process.

BIOBASED PRODUCTS PROCUREMENT

Question. I asked Chuck Conner at his confirmation hearing about the regulations that are long delayed for the Federal biobased purchasing preference program. He assured me that he would make it a top priority, which has not heretofore been the case.

I would like to know what biobased products USDA is purchasing right now to meet its statutory and leadership obligations? I know that the Beltsville ARS facility, for example, has been a leader in its use of biobased products—everything from biodiesel to cleaning products—but what is USDA doing right now, nearly 3 years after the passage of the farm bill, to actually buy products, and lead in this area as a model agency for all the others?

Answer. The biobased product procurement program is a priority for USDA. In addition to the well-known biobased purchasing efforts of the Agricultural Research Service's Beltsville facility, USDA is currently procuring biobased products in many areas. We have also completed many leadership activities to support the program and currently plan many more to increase the purchase and use of biobased products. Additional details are provided for the record below.

[The information follows:]

Some of the biobased products that USDA is procuring include, but are not limited to, the following:

- Soy-based inks in its printing plant;
- Biobased oils, lubricants and hydraulic fluids for its people movers (elevators, escalators, etc.) in the USDA headquarters building complex (solicitation is currently out for bid);
- Biobased signage to replace wooden signage made from traditionally harvested forest materials in national forests;
- Materials for the South Building modernization, such as polylactide fabrics, a corn product, for systems furniture, and laminated wheat board desktop workstations;
- Carpet with soy-based backing;
- Biobased ice melt; and,
- Biobased cleaning solutions.

Additionally, USDA has completed the following leadership activities to support the increased purchase and use of biobased products:

- Issued Secretary's Memorandum 1042-003 and Departmental Regulation 5023-2, which establish the USDA Biobased Products Leadership Council (BPLC) and basic USDA procurement policy on biobased products. The Deputy Secretary of Agriculture chairs the BPLC;

- Issued a final rule in the Federal Register on January 11, 2005 establishing the framework for biobased product designation;
 - Developed the Federal Acquisition Regulation (FAR) case for biobased products. The Civilian Agency Acquisition Council (CAAC) Law Team has assessed the case, and forwarded it to the Civilian Agency Acquisition Council and the Defense Acquisition Regulatory Council (DARC) for further review and initiation of the rule making process.
- During the remainder of calendar year 2005, highlights of planned USDA activities include:
- Publishing in the Federal Register the first proposed rule to designate items for preferred procurement, and pursuing the publication of a final rule;
 - Publishing two subsequent proposed rules to designate items for preferred procurement for which we have developed the required tests and analytical information (each with 10 items) and clearing them through USDA and OMB;
 - Publishing in the Federal Register the proposed rule for the voluntary labeling program;
 - Identifying existing biobased products available on General Services Administration schedule contracts and make them readily available for purchase by USDA purchase cardholders using the USDA Advantage! virtual storefront;
 - Developing a tabletop biobased products display to increase USDA employee awareness of these products, their benefits, and the need for USDA to take a leadership position in their purchase and use;
 - Developing and implementing an on-line biobased product awareness training module thru USDA's AgLearn e-learning system; and,
 - Pursuing the acquisition of undesignated products consistent with existing procurement law and regulation to show leadership as the product designation effort continues.

LIVESTOCK AND MEAT MARKETING STUDY

Question. On June 18, 2004, USDA announced that it had contracted with the Research Triangle Institute (RTI) to conduct its livestock and meat marketing study. This was roughly a year and a half after receiving funds to conduct the study from the fiscal year 2003 omnibus appropriations bill. It was my understanding that this study could not be started until the Office of Management and Budget (OMB) cleared the data collection packages to be used for the study. The comment period for the two data collection packages did not end until December 3, 2004.

At this time, has USDA received clearance from the Office of Management and Budget (OMB) for USDA and the Research Triangle Institute to begin data collection for the livestock and meat marketing study? If so, when was the start date?

Answer. No, USDA will submit the data collection plans to OMB for clearance in the near future.

Question. Please provide me a time frame and project completion date for the livestock and meat marketing study.

Answer.

[The information follows:]

TIMELINE FOR MAJOR STEPS FOR LIVESTOCK AND MEAT MARKET STUDY

2003

Feb 20—\$4.5 million appropriated for study

Feb-May—Interagency working group (GIPSA, OCE, AMS, ERS, NASS, WAOB, DOJ, CFTC, FTC) defined scope of study necessary to meet Congressional objectives and comply with Information Quality Guidelines.

May 30—Published purpose and scope of study in Federal Register with 30-day comment period. Received 23 comments.

July—GIPSA reviewed and summarized comments. GIPSA worked with APHIS contracting office in Minneapolis to establish type of contract to award and to determine the contracting officer. Drafted AD-700 required to initiate contracting procedures.

July-Aug—Interagency working group reviewed comments and confirmed scope and objectives. GIPSA drafted Statement of Work (SOW).

Sep-Oct—Working Group reviewed and commented on SOW, GIPSA finalized. GIPSA worked with APHIS contracting personnel in Minneapolis to incorporate SOW into formal request for proposals (RFP) in accordance with FAR.

Nov 17—Pre-solicitation notice published in Federal Business Opportunities in accordance with FAR.

Nov-Dec—Transitioned from APHIS Minneapolis contracting officer to Riverdale contracting officer to expedite contracting process. GIPSA worked with OGC to es-

establish initial protocols for confidentiality provisions and non-disclosure agreements. GIPSA and APHIS contracting officer finalized RFP.

Dec 3—APHIS published RFP in Federal Business Opportunities, GIPSA placed copy on agency Web page in accordance with FAR.

Dec 16—Contracting officer and GIPSA held pre-proposal conference with potential contractors in accordance with FAR.

Dec-Jan—GIPSA and contracting officer prepared responses to questions raised at pre-proposal conference and released responses as amendment to RFP. GIPSA and contracting officer prepared and published additional amendments to RFP to enhance confidentiality provisions with the Confidential Information Protection and Statistical Efficiency Act (CIPSEA).

2004

Feb 9—Received proposals.

Feb 9—

Jun 14—Selection team from interagency working group reviewed initial proposals; offerors in competitive range submitted revised proposals; selection team evaluated revised proposals, negotiated with highest-ranked offerors on cost and deliverables to arrive at final proposal selection in accordance with FAR for competitive contracting procedures.

Jun 14—Award of \$4.3 million contract to RTI.

July-Aug—GIPSA established a peer review panel to review technical performance of contractor. RTI prepared initial data collection plans.

Sep 9—Published in Federal Register summary of data collection plans with 60-day public comment period in accordance with PRA requirements.

Oct-Nov—RTI pre-tested data collection plans consistent with PRA requirements. Peer review panel reviewed collection plan and offered comments to meet Quality of Information guidelines.

Nov 8—Extended comment period on Federal Register notice of data collection plans from Nov. 8 to Dec. 3 based on public requests.

Dec 3—Received 19 comments on data collection plans. Comments addressed burden/scope, authority to collect data, MPR data use, and security of data.

Dec-Mar—RTI revised data collection plans based on public and peer group comments.

2005

March 21—Update Report sent to the House Appropriations Committee.

Nov-Mar—RTI conducted informal interviews of 27 entities to address objectives 1 and 2.

Planned Activities

May—Send final transactions and survey data collection plans to OCIO for submission to OMB, and publish notice in Federal Register.

May—OMB reviews data collection plans for the final report and makes plans available to public in accordance with PRA requirements.

Jun—RTI issues interim report on objectives 1 and 2.

Jul—RTI begins collection of transaction data from 400 largest entities.

Aug—RTI begins mail out survey of 6,800 entities.

2006

Jun—RTI issues final report.

Question. In addition, why has development of the framework of this study taken so exhaustively long when funds were appropriated for it in February 2003?

Answer. Statutory and regulatory requirements including the Paperwork Reduction Act (PRA), the Information Quality Guidelines issued by the Office of Management and Budget (OMB), and Federal Acquisition Regulations (FAR) impose significant time-consuming requirements on implementing a study of this scope. The steps are outlined in the attached timeline, and are summarized below.

In order to insure that the study meets Congressional objectives and complies with the OMB Information Quality Guidelines, Grain Inspection, Packers and Stockyards Administration (GIPSA) formed an interagency working group consisting of five USDA agencies with unique areas of expertise in economics, marketing, research, and data collection-processing and three other departments with expertise in market regulatory issues: Office of Chief Economist (OCE); Agricultural Marketing Service (AMS); Economic Research Service (ERS); National Agricultural Statistics Service (NASS); the World Agricultural Outlook Board (WAOB); Department of Justice (DOJ); Commodities Futures Trading Commission (CFTC); and Federal Trade Commission (FTC).

Three months after the appropriation, GIPSA published a notice in the Federal Register that reflected the working group's interpretation of the scope of the study needed to effectively address the Congressional request. The public was given 30 days to comment on the scope of the study. GIPSA received comments from producers, packer trade associations, and universities. The working group considered the comments and refined the final scope into a request for proposals (RFP).

GIPSA published the RFP on December 3, 2003. In consultation with the APHIS contracting officer and to conform to FAR requirements, GIPSA allowed approximately 2 months until February 9, 2004 for potential submitters to review the initial RFP and subsequent amendments and prepare proposals. GIPSA also published a pre-solicitation notice to comply with Section 508 of the Rehabilitation Act, 29 U.S.C. § 794d. After GIPSA received the proposals, an evaluation committee composed of members of the working group reviewed and ranked the proposals. GIPSA gave the submitters of the highest-ranking proposals the opportunity to revise their proposals in accordance with FAR-established procedures. These proposals were then re-evaluated. The re-evaluation included negotiations between the evaluation committee and submitters of the highest-ranked proposals, during which the submitters responded to questions from the evaluation committee about the proposals.

Once the contract was awarded, GIPSA and RTI implemented the procedures required by the PRA for review and approval of the data collection plan. First, RTI developed an initial data collection plan. In accordance with PRA requirements, RTI published its plans in the Federal Register, and the public was given 60 days to comment on the plans. GIPSA extended the comment period after several potential respondents requested additional time to file comments. GIPSA received ten comments from packers and six comments from packers' trade associations. To meet Information Quality Guidelines Requirements, RTI pre-tested the plans with potential respondents during the comment period, and GIPSA's independent peer reviewers reviewed and commented on the plans. RTI then revised its initial plans after considering the public comments, comments from the peer reviewers, and the results of the pre-tests. The revised plans must be reviewed by OMB and published in the Federal Register for an additional comment period by the public.

QUESTIONS SUBMITTED BY SENATOR BYRON L. DORGAN

BUDGET

Question. In an interview with the Des Moines Register on Sunday, you said this about the budget: "Bad budget policy is not good for agriculture no matter what the short-term gain is. It's not good for interest rates. It's not good for stability in the international marketplace. There's nothing good in it for agriculture."

I agree with you completely; bad budget policy is bad for agriculture. That's why I can't understand the President's fiscal year 2006 Budget request. The President's Budget would cut funding for food stamps and rural development programs. It would cut discretionary spending on conservation programs by \$185 million, and cut funding for the Resource, Conservation and Development Program by 50 percent.

The President's fiscal year 2006 Budget would impose a new, \$40 million-a-year tax on sugar processors, which would cost nearly \$6,500 each year to a farmer growing 500 acres of sugar beets, and it would cut \$5.7 billion in farm programs over the next 10 years. I asked the Congressional Research Service to calculate the impact of the President's Budget request on average North Dakota farms; they told me an average North Dakota farm would have its farm payments cut by as much as 29 percent.

Even though agriculture spending is less than 1 percent of the Federal budget, the Administration is trying to squeeze out 16 percent of its savings from agriculture programs.

Mr. Secretary, when I travel back home to North Dakota, I meet with family farmers who ask me the same question over and over again:

"What is the President trying to do to us with this budget? Doesn't he understand how difficult it is to stay on the farm, even without these budget cuts? So I would ask you the same question.

Answer. We both agree that good budget policy is good for agriculture and good for the Nation. And as I've noted before, agriculture is only one of several areas where the President has proposed reforms to reduce the budget deficit. I fully support the President's proposals. Certainly spending reductions can be painful in the short run, but the longer term benefits are worth some short term sacrifice. The President's proposals for agriculture are intended to spread the impact across the range of program participants in an equitable manner.

The proposals do leave the farm safety net in place, albeit at modestly reduced levels. While the reduction in loan deficiency payments could be significant in some years, as you note, total payments would be reduced by far less since the Administration proposes direct and countercyclical payments be reduced by 5 percent. Since the latter payments make up the bulk of the total payments which producers receive in most situations, the total reduction is likely to be much closer to 5 percent. And for the farm sector as a whole, I note that aggregate farm income is at record levels and the financial health of the sector is robust.

So I believe now is a good time to begin the task of reducing the deficit. I recognize that the proposals do involve sensitive issues as some suggest and I stand ready to work with the Congress to help contribute to "good budget policy" with some sensible and modest reforms which are consistent with "good agricultural policy."

CAFTA

Question. On Monday, you held a press conference with several agricultural organizations in support of the Central American Free Trade Agreement. But many in the agricultural community do not share your enthusiasm for this agreement. I have heard from cattle ranchers and wheat and corn and soybean producers in my State who think that the promises of a new market for our farm exports will never materialize. And I have heard from farm groups, like the National Farmers Union, the American Corn Growers Association, R-CALF USA, the National Family Farm Coalition, the American Sugar Beet Growers Association, the American Sugar Cane Alliance, and dozens more who think this agreement will hurt American agriculture. Additionally, the National Association of State Departments of Agriculture has taken a position against CAFTA.

So my question is, are all of these groups simply wrong?

Answer. The Department firmly believes that CAFTA-DR is a good agreement for American farmers and ranchers. This view is supported by numerous agricultural organizations, such as the American Farm Bureau Federation, National Association of Wheat Growers, National Cattlemen's Beef Association, American Soybean Association, and National Corn Growers' Association. All of these groups and scores more—56 leading food and agricultural organizations in all—wrote a letter to all Members of Congress on April 4, 2005, urging support for CAFTA-DR.

Question. Two weeks ago, you held a press conference on CAFTA at which you said: "There's one group that works hard on these trade agreements to defeat them. And that's the sugar industry. . . . Every which-way I look at this agreement I don't see that it has a negative impact on the sugar program."

As you know, the sugar program established in the 2002 Farm Bill only stays in effect as long as we import less than 1.53 million tons of sugar a year. If we ever import more than that, the sugar program is suspended, any excess sugar held by our producers gets dumped on the market, and the price of sugar plummets.

The only reason we're less than 1.53 million tons now is because we've not been importing very much sugar from Mexico. But the Mexican government is negotiating with us to increase their exports and, as soon as those exports pick up again, we'll be right at the 1.53 million ton limit. You've said before that CAFTA won't hurt our sugar producers.

But how do you reconcile that claim with the fact that CAFTA's sugar imports will put us over the limit and trigger the suspension of the sugar program once we resume full imports from Mexico?

Answer. The Department is fully implementing the sugar program, including the non-recourse loans which are its backbone. The price-supporting non-recourse loans will remain available regardless of the level of imports and regardless of whether or not domestic marketing allotments are in place. Furthermore, the CAFTA-DR agreement includes a mechanism for the United States to limit levels of sugar imports under the Agreement if needed to assist in managing the sugar program.

Question. Our trade negotiators are currently working on Free Trade Agreements with more than 20 other sugar-exporting countries. Most of these countries already enjoy guaranteed, duty-free access to the U.S. market under WTO rules. If CAFTA passes, each of those more than 20 sugar-exporting countries will expect to be treated just as generously as we've treated the CAFTA Nations.

How can Congress begin work on a new farm bill in 2007 if we don't know whether our sugar program is going to be negotiated away by our trade negotiators looking for the next big Free Trade Agreement?

Answer. The Administration consults with Congress on a continuing basis as we conduct all of our trade negotiations. In future trade agreements, we will continue

to be mindful of all of our domestic agricultural programs, and continue to seek to reach agreements that promote the interests of U.S. farmers and ranchers.

COUNTRY-OF-ORIGIN LABELING

Question. On Monday, April 4, Country-of-Origin labeling for seafood went into effect across the country. For the last week, anyone who has bought fresh or frozen fish or shellfish has been able to tell its country-of-origin. This is a wonderful thing. I have long thought that it is crazy that we can tell where our shirts and our shoes were made, but not where the food that we eat comes from. COOL for seafood has been in effect for the last week, and I have not heard the industry complaining that the cost of compliance is too high; I have not heard of any consumers saying that the price of seafood has gone through the roof in the past week. In fact, USDA's own estimate says that the price for consumers will probably only increase by about two-tenths of a cent per-pound. I know that USDA has long been opposed to country-of-origin labeling.

Will the success of this program for seafood finally convince USDA to embrace this program for meat and fruits and vegetables, too?

Answer. Congress passed the Country of Origin Labeling legislation that will become mandatory for the meat and produce industry in 2006. Although the Administration has been clear that it prefers a voluntary program, if the current law requiring mandatory labeling is not changed, USDA will faithfully implement the law for the remaining commodities.

JAPAN TRADE

Question. Taiwan recently announced that it was resuming imports of U.S. beef. This is good news. Before Taiwan closed its market to U.S. beef it was one of our largest export markets.

What is the progress of your efforts to convince Japan and South Korea to reopen their markets to U.S. beef?

Answer. We have been engaged with the Government of Japan at the technical and political level since it banned U.S. beef in December 2003. For the first time since the October agreement to resume trade, we are finally beginning to see signs of progress in Japan's rulemaking.

The first decision Japan had to make as a pre-condition to rulemaking on imports is eliminating animals under 21 months of age from its mandatory BSE testing requirement. Japan is finally ready to make that change. In late March, Japan's Food Safety Commission concluded the modification in Japan's testing regulations presents an acceptable level of risk. The decision to exempt animals under 21 months of age from testing is expected to be final sometime during May.

With the decision to exclude younger animals from mandatory testing behind us, this now clears the way for rulemaking on imports. Unfortunately, we do not have a timetable for a decision on imports but the next steps are now in place. In the coming weeks, the Ministry of Agriculture, Forestry, and Fisheries and the Ministry of Health, Labor, and Welfare will deliver the Beef Export Verification (BEV) program for Japan to the Food Safety Commission. The Commission will evaluate the program, and we expect there will be consultations and public meetings. Once they have finished that process, they will make a decision. Again, we do not know when Japan will complete this work and so we will continue to press Japan at every opportunity for a decision to resume trade.

To help Japan prepare for a decision to lift its ban on imports, Dr. Charles Lambert, Deputy Under Secretary for Marketing and Regulatory Programs, has led U.S. delegations of experts to Tokyo for technical discussions and outreach activities with Japanese press and consumer groups. The outreach activities include press briefings and roundtable discussions with the media, industry, and consumers to educate them on the safety of U.S. beef.

The delegation has also visited Korea for extensive technical discussions. The consultations have been led by experts from USDA and FDA who have reviewed U.S. BSE measures and U.S. beef safety with officials from the Korean Ministry of Agriculture.

BROADBAND FUNDING

Question. Last year Senator Burns and I met with Secretary Veneman about the fact that Congress was providing the RUS with funding for loans yet RUS was slow in getting the loans out the door. Secretary Veneman did report some improvement, and I hope that you will remain committed to this program and to achieving the meaningful deployment of broadband services, particularly since broadband deployment has been a goal expressed by this Administration.

Can you please walk me through your loan approval process? How long does it take the average borrower to make it through all the steps before getting final approval by USDA and provided with the actual money to build out the broadband service?

Answer. I will ask USDA's Rural Development staff to provide a detailed explanation.

[The information follows:]

Once the application is received, it goes through an initial review process with one of the following decisions being reached: (1) the application is considered complete and goes to the final review stage; (2) the application is returned and cannot be processed; or (3) additional information is requested before the application can be considered complete. Once the application is considered complete, it goes through an in-depth financial and engineering review. The loan is then presented to the Assistant Administrator's Loan Committee for approval. If approved, the loan will be reviewed by the Senior Loan Committee. When the loan is approved the loan documents are sent to the applicant for signature. Once the documents are signed, funds are then made available for drawdown.

In fiscal year 2003, 42 applications were received and returned with an average processing time of 7 months each; 31 applications were considered complete with an average processing time of 6 months each; and 26 applications were approved with an average processing time of 9 months each. Once the loans were approved, the average processing time of the loan was 6 months. Funds for 16 of these applications were made available to the borrower in an average of 14 months. Of the 16 applications, 10 have not completed the approval process. Of these 10, 8 are pending a borrower action and 2 are pending an RUS action.

In fiscal year 2004, 25 applications were received and returned with an average processing time of 4 months each; 14 applications were considered complete with an average processing time of 3 months each; and 11 applications were approved with an average processing time of 3 months each. Once the loans were approved, the average processing time of the loan was 7 months. Funds for 2 of these approved applications were made available to the borrower in an average of 11 months. Of the 11 approved applications, 9 have not completed the approval process. Of these 9, 7 are pending a borrower action and 2 are pending an RUS action.

So far during fiscal year 2005, three applications received have been returned with an average processing time of 1 month; 5 applications have been considered complete with an average processing time of 2 months; and one has been approved with an average processing time of 5 months. This application is pending both an RUS and a borrower action.

NATIONAL VETERINARY MEDICAL SERVICE ACT

Question. Many rural areas of this country face a severe shortage of veterinarians. I understand that there are one-half as many veterinarians available to respond in the event of an animal disease outbreak as there were 20 years ago. The National Veterinary Medical Act would help solve this shortage by providing loan repayments to veterinarians who agree to practice in areas with a serious veterinary shortage. At this time, USDA has not included for the National Veterinary Medical Act in its budget. I understand that the program could be administered on a trial basis with approximately 15–20 veterinarians for \$1 million.

Would you be willing to implement the National Veterinary Medical Act on a trial basis, in a limited number of states? Would you later consider expanding such a trial or pilot program if analysis proves the efficacy of the program in reducing veterinary shortage problem?

Answer. The President's budget does not include funding to implement the National Veterinary Medical Act, which seeks to place practicing veterinarians in rural areas.

RURAL DEVELOPMENT FUNDING FOR RURAL EMPOWERMENT ZONES AND OTHER GRANT PROGRAMS

Question. For the fourth year in a row, the Administration proposes no funding to follow through on the commitment that USDA made to rural empowerment zones. This year, the approach is a bit different by proposing to consolidate the program in the Administration's Strengthening America's Communities Initiative at the Department of Commerce but I believe the result for the rural empowerment zones will be the same—no funding next year. I have one of these zones in my state, the Griggs-Steele Empowerment Zone, focused on out migration—a very serious problem in North Dakota.

If the Administration's proposal was accepted, what guarantee-if any-would rural EZs have for funding in fiscal year 2006?

Answer. The President's Strengthening America's Communities Initiative will include eligibility criteria that will ensure funds are directed to those communities most in need of development assistance. We feel confident that rural communities will fare well when these criteria are used. We will continue to work with the Department of Commerce on the technical details of program delivery, particularly as it affects rural areas. Under the new Initiative, rural community organizations would have access to a substantial portion of a total program level exceeding \$3.5 billion.

Question. You also propose consolidating several other rural development programs besides rural empowerment zones including rural business enterprise grants and rural business opportunity grants.

What assurances can you give this Subcommittee that rural communities would be able to compete with urban ones for these grant dollars if we accepted the Administration's proposal to consolidate these programs into the Department of Commerce?

Answer. USDA is working with the Department of Commerce on the development of this initiative, which will include criteria to ensure that funds are directed to the most needy communities. Moreover, USDA's Rural Development field staff will be available to help rural communities qualify for assistance. We are confident that rural communities will receive a fair share of the funding under the initiative.

RESOURCE CONSERVATION AND DEVELOPMENT COUNCILS

Question. You have proposed reducing funding for the Resource Conservation and Development Program within NRCS by about 50 percent. I have heard from many RC&D Councils in North Dakota concerned about their viability if such a large cut is enacted.

Can you please tell me what the effect of this proposed budget would be on councils in my state?

Answer. Under the budget proposal, the Federal role of providing seed money or serving as an incubator will cease after 20 years of support in the interest of reducing the deficit and redirecting funds to other higher priority conservation work. In North Dakota, six of the eight RC&D areas have received Federal funding for more than 20 years and will graduate from the program. They include: Dakota Prairies, Lake Agassiz, Dakota West, Northern Plains, South Central Dakota, and Red River. While these affected councils will no longer receive Federal financial support, they will retain their Internal Revenue Service (IRS) non-profit status and may continue to function as designed RC&D areas, participating in other Federal, State, and local programs and with non-Federal entities in rural communities across the country.

ARS RESEARCH IN NORTH DAKOTA

Question. I see that virtually all of the congressional earmarked ARS research projects are eliminated again this year. This includes almost \$4 million in earmarks for the Fargo ARS and other ARS facilities in Mandan and Grand Forks.

What would you propose happen to the researchers who are working on projects such as sunflower research at the Fargo ARS proposed for termination?

Answer. ARS has requested the termination of ongoing, unrequested earmarks in the fiscal year 2006 budget to finance new and expanded priority research initiatives that target national agricultural and food needs. ARS impacted researchers will be reassigned to the new initiatives where possible or offered positions funded from existing vacancies located throughout the country.

Question. The Administration is requesting an increase of \$6.8 million for nutrition survey research and \$1.5 million for research to address the Obesity Epidemic and to Promote Healthier Lifestyles.

Can you please tell me what portion of these funds will be spent at the Grand Forks Human Nutrition Center, which is one of our Nation's most outstanding human nutrition research facilities?

Answer. Of the \$6.8 million increase requested for nutrition survey research, \$6.4 million will be allocated to Beltsville as it is the ARS nutrition center that is responsible for conducting nutrition monitoring. In addition, ARS plans to provide \$400,000 to the Grand Forks Human Nutrition Research Center to carry out research on obesity in Native Americans. The remaining \$1.5 million increase is requested for research on obesity prevention and will be allocated to nutrition centers in Little Rock, Arkansas; Davis, California; Boston, Massachusetts; and Houston, Texas.

HATCH ACT FUNDING CUT

Question. The Administration also proposes a 50 percent cut in formula funds under the Hatch Act for agricultural research at the 1862 colleges (\$89.4 million) stating that "this is the first phase of a plan to shift funding from this program to competitively awarded grants." I am concerned that there are many policy flaws in this plan that haven't been considered by the Administration.

In 1887, Congress passed the Hatch Act which authorizes Federal research funds for the State agricultural experiment stations, such as NDSU, on a formula basis. The money is intended to solve problems for farmers by developing new technology, plant varieties and ways to combat crop pests and disease. Those funds pay salaries of scientists, something not possible with competitive grants because the money cannot be counted on year to year.

How does the Administration propose to deal with this problem if the President's proposal is accepted by this Committee?

Answer. Recipients of formula funds have considerable flexibility to use these funds to support research projects, infrastructure, and personnel. The allocation of formula funds to support personnel varies widely from institution to institution depending not only on the size and needs of the institution but also on the institutional management of financial resources from Federal and non-Federal sources. While the amount of formula funds available to institutions in fiscal year 2006 will be reduced and eliminated in fiscal year 2007, it will ultimately be up to each institution to determine how to allocate the resources available to support personnel. However, the fiscal year 2006 budget proposes full indirect cost recovery as part of competitive funding which will allow institutions to support faculty, staff, and other infrastructure needed to support agricultural science. In addition, the State Agricultural Experiment Station Competitive Grants Program proposed in the President's budget will provide a source of funding for functions currently supported by formula funds.

NORTHERN GREAT PLAINS REGIONAL AUTHORITY

Question. Can you tell me how the Department is proceeding with the establishment of the Northern Great Plains Regional Authority and which agency within USDA will be charged with administering the Authority?

Answer. The \$1.479 million in the fiscal year 2005 Appropriations Act will be administered by USDA's Rural Development mission area pending the establishment of the Authority. These funds are for activity by the Northern Great Plains Regional Authority in fiscal year 2005 and fiscal year 2006 and cannot be used until the Authority is established. Since the legislation authorizing this regional authority calls for the Federal members to be appointed by the President and confirmed by the Senate, the Presidential personnel staff is working to identify candidates for nomination.

Question. Also, when can we expect the fiscal year 2005 funding to be released? The legislation also calls for the appointment of a Federal and a tribal co-chair.

Answer. Funds cannot be released until the Authority is established, which cannot occur until the Federal and tribal co-chairs have been appointed. The authorizing legislation for the Authority calls for the Federal members to be in place before the Authority is officially established. The Presidential personnel staff is working on identifying candidates for nomination.

Question. Can you tell me what the process will be to make these appointments and what the status of this process is?

Answer. Since the legislation authorizing this regional authority calls for the Federal members to be appointed by the President and Senate-confirmed, the Presidential personnel staff is working to identify candidates for nomination.

APHIS BLACKBIRD CONTROL

Question. What are WS methods for managing the blackbird problem for sunflowers? I understand one method, the Wildlife Conservation Sunflower Plots, are showing promise as a method of reducing damage and is supported by various ornithological groups. What resources would be needed to conduct a large-scale (100 20 acre plots) evaluation of this concept?

Answer. APHIS WS manages blackbird damage to sunflowers using various methods such as aerial application of aquatic herbicide on cattail-choked wetlands, which serve as roost sites for blackbirds. Additionally, WS provides technical assistance through information sharing and the loan or distribution of damage abatement equipment as well as through monitoring annual bird populations and annual sunflower damage assessments. WS is also involved in various research projects to

manage blackbirds, such as investigating blackbird migratory routes and evaluating blackbird repellants as well as the ability to divert blackbirds from commercial sunflower fields into 20-acre sunflower “lure plots.”

Research projects provide an incentive for local farmers to participate in the projects. Financial incentives are \$3,000 for each 20 acre plot, and therefore, 100 20 acre plots would require \$300,000.

Question. Through this Subcommittee, I have been successful in adding funding to enhance blackbird control efforts in North Dakota. I have been told that APHIS doesn't see this action as enhancing their budget and funds have been directed away from blackbird control efforts in North Dakota such as the test plots to enhance APHIS' base budget. Can you tell me if these funds have all been applied for blackbird control in North Dakota and what overhead APHIS charges for this work?

Answer. Each year since fiscal year 1989, APHIS appropriations included \$335,000 to North Dakota and \$33,000 to South Dakota for blackbird damage control activities. Since fiscal year 2002 an additional \$240,000 in annual funding has been provided to strengthen our control efforts in North Dakota.

In fiscal year 2005 North Dakota received \$257,000 of the \$335,000 provided by congressional earmark in the fiscal year 1989 appropriation and \$186,000 of the \$240,000 provided by congressional earmark in the fiscal year 2002 appropriation for blackbird control efforts. The balance of the earmarks is being used to fund program management and operations, agency-wide support activity assessments, and department-wide central charges. In addition, North Dakota received \$77,612 for cattail management efforts.

QUESTIONS SUBMITTED BY SENATOR RICHARD J. DURBIN

BSE POLICIES

Question. In your February 3 testimony to the Agriculture Committee, you testified that “the single most important thing we can do to protect human health regarding BSE is the removal of SRMs (specified risk materials) from the food supply.”

I agree that the removal of these materials—SRMs—is essential to our Nation's BSE prevention and control efforts. This is why I was concerned when I learned last December that the head of the food inspectors' union had raised some very important questions about USDA policies for SRM removal. I sent then-Secretary Ann Veneman a letter SRM removal but have not gotten answers to some of my specific questions. USDA has also refused to meet with my staff about this issue.

Who is determining the age of cattle?

Answer. Slaughter establishments are required to identify the age of animals. FSIS' scientifically trained Public Health Veterinarians and other similarly trained inspection personnel are responsible for verifying the development, implementation, and maintenance of establishment control procedures for determining the age of cattle. All FSIS inspection program personnel are fully authorized and expected to take immediate regulatory enforcement action in the event of noncompliance.

Question. Specifically, SRM removal requirements depend on the age of the animal: more types of tissues need to be removed from animals over 30 months of age, for example, then from cows younger than 30 months. Yet, it is not clear to me who is making this determination of cattle age, and what kind of training or qualification requirements this person must meet. Are slaughterhouse employees (rather than government inspectors) the ones who are determining the age of cattle at slaughter?

Answer. The January 2004 BSE regulations and notices to FSIS employees provide clear and specific direction to plants regarding their responsibilities to have written plans and procedures in place to identify age and ensure the removal of specified risk materials (SRMs). Failure to comply with these requirements is a violation of the Federal Meat Inspection Act. FSIS' scientifically trained Public Health Veterinarians (PHVs) and other similarly trained inspection personnel are responsible for verifying the development, implementation, and maintenance of establishment control procedures for determining the age of cattle and ensuring the removal of SRMs.

Question. What minimum training and qualifications does USDA require for the people who are making this determination?

Answer. Establishments that slaughter cattle are responsible for having written plans and procedures for identifying the age of cattle at slaughter and ensuring the removal of specified risk materials (SRMs). Failure to comply with these requirements is a violation of the Federal Meat Inspection Act. FSIS' scientifically trained

Public Health Veterinarians (PHVs) and other similarly trained inspection personnel are responsible for verifying the development, implementation, and maintenance of establishment control procedures for determining the age of cattle and ensuring the removal of SRMs.

PHVs are highly educated public health professionals. FSIS' entry-level PHV training includes 3 weeks of in-classroom training, followed by 3 weeks of on-the-job mentoring with a trained veterinarian, and 3 weeks of Food Safety Regulatory Essentials training. In addition, we are beginning to train PHVs with 4-week Enforcement, Investigations and Analysis Officer training.

PHVs also receive training that is specific to bovine spongiform encephalopathy (BSE). During February and March 2004, all PHVs assigned to beef slaughter plants were trained on Agency policies related to BSE. During the summer and fall of 2004, PHVs were trained for their role in the USDA BSE surveillance program. Finally, all entry-level PHV training now includes BSE training.

Question. Have there been problems with non-compliance?

Answer. FSIS has conducted an intensive review of its non-compliance data related to the SRM requirements, and has not identified a systemic problem or problems with particular plants, beyond a low level of non-compliance for which regulatory action was taken. These regulatory actions, occurring at a low level, account for less than 1 percent of overall compliance actions taken by FSIS.

Question. I understand that FSIS keeps a database documenting instances of non-compliance with policies such as SRM removal. I also have heard that the Inspector General is investigating FSIS' implementation and enforcement of the SRM removal policy.

How many instances of non-compliance have been reported since the policy was implemented (January 2004)?

Answer. FSIS is in the process of reviewing records identified as potential non-compliance records.

Question. Has FSIS located the non-compliance reports that show problems with SRM removal? Have all of these non-compliance reports been turned over to the Office of the Inspector General for its investigation into the issue?

Answer. FSIS is in the process of reviewing records identified as potential non-compliance records. The agency is cooperating fully with the Office of Inspector General (OIG), and has provided them with the information requested.

Question. Will you provide copies of these reports to my staff?

Answer. Copies of these records will be made available after the agency completes its evaluation of records indicating potential non-compliance.

Question. When will the Inspector General's report be completed?

Answer. According to OIG, the report is expected to be completed in early fiscal year 2006.

Question. Is USDA's investigation of union president Stan Painter retaliatory?

Answer. USDA's investigation into the validity of allegations that Specified Risk Material (SRM) regulations are not being effectively carried out or properly enforced was conducted solely to ensure the safety of our Nation's food supply.

Question. Stan Painter, the president of the food inspectors union, set forth a series of concerns about SRM removal in a letter to the agency in early December. I understand that FSIS has responded to the letter by launching a personal investigation of Mr. Painter. In January, for example, FSIS flew Mr. Painter to Washington DC and questioned him for 3 hours, to try to get him to divulge the sources of his information. However, FSIS has a database of non-compliance reports, which should document instances in which inspectors have reported non-compliance with SRM removal.

Why has FSIS chosen to investigate Mr. Painter personally instead of addressing the questions and concerns raised by his letter?

Answer. In a December 8, 2004, letter, the chairman of the National Joint Council of Food Inspection Locals made unsubstantiated and non-specific allegations that FSIS is not properly enforcing regulations requiring the removal of Specified Risk Materials (SRMs) from beef products. Because of the serious nature of the allegations contained in Mr. Painter's Letter, FSIS immediately initiated an inquiry into those allegations which included an informal interview of the union chairman. During that interview, Mr. Painter refused to provide specific information to support the letter's allegations. That inquiry subsequently resulted in a formal investigation by FSIS to determine the validity of the allegations. As part of that investigation, Mr. Painter was formally interviewed on two occasions in January. The FSIS investigation has been completed and the allegations concerning improper enforcement of SRM regulations were not substantiated. In addition, the OIG independently sent an investigator and an audit team to examine the allegations concerning SRM regu-

latory compliance. Their observations also concluded that the chairman's allegations were unsubstantiated.

Question. Why did FSIS pressure Mr. Painter to name his sources, instead of reviewing its database of non-compliance reports for the information it needed?

Answer. FSIS took these allegations seriously and sought specifics so the Agency could follow-up appropriately. To date, nothing communicated to FSIS through interviews or data analysis, supports the chairman's charge that BSE regulations are not being effectively carried out or enforced by FSIS inspection personnel.

SINGLE FOOD SAFETY AGENCY

Question. Currently, Federal oversight for food safety is fragmented with at least 12 different Federal agencies and 35 different laws governing food safety. There are also dozens of House and Senate subcommittees with food safety oversight. With overlapping jurisdictions and scattered responsibilities, Federal agencies often lack accountability on food safety-related issues and resources are not properly allocated to ensure the public health is protected. The recent rise of concerns about antibiotic resistance transferred from food animals to humans and mad cow disease underscore the need for change. Our Federal food safety statutes need to be modernized to more effectively ensure that food safety hazards are minimized and research and education programs are bolstered. I introduced a bill last week—S. 729—that would do just that.

President Bush and former Homeland Security Secretary Ridge have both publicly discussed the concept of combining Federal food safety responsibilities into a single agency, and outgoing HHS Secretary Tommy Thompson noted in December that he had trouble sleeping at night, worrying about attacks on our food supply.

Just last Thursday, the trade press reported that Gerald Masoudi, FDA's chief counsel, said the lack of coordination among the agencies with responsibility for beef safety as one of the greatest challenges to protecting the public against mad cow disease. Masoudi said: "The responsibility of contaminated food products is spread out among three Federal agencies that do not regulate the problem in a consistent manner."

With all these high-ranking officials raising concerns about the safety of the food supply, has USDA changed its position and decided to embrace the concept of a single food safety agency?

Answer. I believe that the Federal Government has a strong food safety system in place and that USDA has a critical role to play in protecting the U.S. food supply. I will work with my colleagues at the Department of Homeland Security, the Department of Health and Human Services, and other Federal and State agencies to maintain effective working relationships.

Question. What do you see as the disadvantages of combining the Federal food safety agencies into a single agency? Are there any advantages?

Answer. The ultimate goal for Federal food safety programs must be to improve food safety and public health. The food safety system could be redesigned in an endless array of forms, but if food safety and public health are not improved, it would be a failure.

Question. Do you believe the creation of the Department of Homeland Security could serve as a model for the creation of a single food safety agency?

Answer. There are many options that would need to be evaluated before concluding that food safety functions of the Federal Government need to be reorganized.

FOOD SAFETY USER FEES

Question. USDA's Food Safety and Inspection Service (FSIS) conducts mandatory inspection of meat, poultry, and processed egg products to insure their safety and proper labeling. The fiscal year 2006 FSIS budget includes a request for \$850 million in appropriations, some of which would be reduced by \$139 million in new user fees for salaries and expenses. Acting Under Secretary for Food Safety, Dr. Merle Pierson, told the House Appropriations Committee last month that the agency would have to lay off 2,000 people if Congress does not enact this user fee proposal.

Could you verify whether this is an accurate estimate of the number of layoffs that would occur without the new user fees and elaborate on which 2,000 jobs would be eliminated?

Answer. In 2006, the President's budget includes and requests the full amount of budget authority, \$850 million, needed to operate FSIS' inspection services. We are requesting authority to charge user fees, deposit the fees into special receipt accounts, and use the fees subject to appropriations.

Question. Since Congress has been skeptical to such user fee proposals in the past, what makes this proposal different? Will you be sending up legislative language on this user fee proposal?

Answer. We continue to support the fee proposals as presented in the budget, which will shift the responsibility for funding these programs to those who most directly benefit. The legislative proposal should be submitted to the Congress shortly.

FOOD SAFETY PERSONNEL

Question. The important food safety positions in the agency have been vacant for some time now. Specifically, there has been no Under Secretary for Food Safety since Elsa Murano left in December and there has been an acting FSIS administrator in place since last March.

What is your timeframe for permanently filling these important food safety positions?

Answer. We are working to fill these important positions as quickly as possible.

NATIONAL SCHOOL LUNCH PROGRAM

Question. The Child Nutrition and WIC Reauthorization Act was signed into law on June 30, 2004. It contained several provisions based on legislation I proposed in 2003, known as the Safe School Food Act. These provisions include doubling the number of school cafeteria inspections and requiring USDA to provide training to school officials on how to include food safety requirements in their food purchasing contracts. And yet, investigations by Dateline NBC and others continue to turn up problems with rodent infestations and unsafe food holding temperatures in our Nation's school cafeterias that threaten to sicken our children.

What is USDA doing to help school cafeterias improve school lunch safety, particularly in the areas of this law?

Answer. School food safety has always been a priority for the National School Lunch Program. The Child Nutrition and WIC Reauthorization Act of 2004 provides schools additional tools to improve the safety of school meals.

The Department will shortly issue interim regulations to implement the statutory requirement of two school food safety inspections per year. In addition, the Department has taken steps to link schools with food safety regulators to put schools on the way to compliance. Earlier this year, USDA contacted the associations representing State and local food safety inspectors to inform them about the new requirement and stress their important role in helping schools comply with the law. In June, staff from the Food and Nutrition Service will attend the annual conference of the National Environmental Health Association to discuss the school food safety inspection requirement and to seek their cooperation.

USDA is also working on the implementation of the provision that requires School Food Authorities (SFAs) to establish a food safety program based on Hazard Analysis and Critical Control Points (HACCP) principles. The Department has drafted guidance with input from the SFAs, State education agencies, State health agencies, the Food and Drug Administration, and other Federal and State collaborators to help SFAs develop food safety programs that meet the needs and capabilities of different types of school foodservice operations. This document will soon be under clearance and the Department plans to distribute it to SFAs this spring.

Furthermore, USDA will continue to develop technical assistance materials and training for school foodservice operators through Team Nutrition and the National Food Service Management Institute (NFSMI) to promote food safety in the National School Lunch Program. An example of food safety material developed in collaboration with the NFSMI is "Serving It Safe". This technical assistance publication explains why school food safety is important and gives practical guidance to foodservice personnel to prepare and serve safe meals.

Question. In your February budget outline, you note School Lunch participation is estimated to reach a record 29.8 million children each day next year. Are there adequate resources in the budget for this?

Answer. The fiscal year 2006 funding request is a 5.8 percent increase over the fiscal year 2005 funding level and will be sufficient to provide reimbursement for meal service currently projected for fiscal year 2006.

SAFE SCHOOL FOOD ACT

Question. The Safe School Food Act also calls for increased testing for pathogens like E. coli, Salmonella, and Listeria in uncooked ground meats, USDA to develop a database of information on food producers who provide food to schools, and all USDA to institute mandatory recalls of unsafe food being provided to schools.

Will you work with me to pursue these measures?

Answer. Although USDA has multiple measures in place to ensure that safe food is provided to schools, I am always happy to work with Congress on issues of importance to the Nation, such as food safety.

CHILDHOOD OBESITY

Question. Obesity rates have doubled for children in the last 25 years. In adolescents, the rates have tripled. We have to do something to change the way children learn about nutrition and the way they make food choices. In Illinois, several schools are working together to test a few different strategies for improving the way students eat and we expect to know more about what's working based on what these schools are doing. But in the meantime, our kids are eating all the wrong kinds of foods. I visited a school near Chicago last week and saw students eating tabasco-spiced cheese puffs and soda for breakfast. School administrators feel they have little choice but to provide what students want.

How do you think we can improve the food choices students make when they are at school?

Answer. Getting children to eat healthy food is always a challenge for parents, caregivers and educators, especially during the school year, when schedules are the busiest. Federal school meals programs offer a critical tool to help parents and other caregivers encourage healthy eating. USDA has been working closely with schools to help them prepare meals that look good, taste good, and meet national nutrition standards.

Yet the challenges of helping kids eat healthy reach beyond these USDA-supported meals. Children's preferences are shaped by innumerable influences in their environment as they learn and grow into adulthood. Many students, enticed by high calorie low nutrient foods, do not choose healthy meals. Improved school meals are undermined by competing food sales outside of the Federal program that feature high-calorie low nutrient foods and beverage items, and the intense advertising efforts for those items.

Parents, schools, and many others in local communities have important roles to play:

- Schools, parents and others in the community can use the new MyPyramid as a tool to educate children in making wise food choices. In April, 2005, USDA introduced MyPyramid, which replaces the Food Guide Pyramid introduced in 1992. MyPyramid is part of an overall food guidance system that emphasizes the need for a more individualized approach to improving diet and lifestyle. A child-friendly version of MyPyramid for teachers and children is being developed. This version of MyPyramid is intended to reach children 6 to 11 years old with targeted messages about the importance of making smart eating and physical activity choices. USDA hopes to have the children's version available next school year.
- Parents and caregivers can influence behavior at school by offering healthful meals and snacks at home, and by leading by example, since children learn from what parents do at least as much as what parents say. Parents should eat with their children and model good eating and activity practices.
- School food service professionals can make healthful meals more appealing to students using USDA resources such as our Fruits and Vegetables Galore kit, which offers strategies to incorporate more fruits and vegetables into school meals, and promote them to students.
- Teachers can use USDA educational materials to build nutrition education into their curricula.
- School administrators can encourage or require vending machine operators, school canteens, and a la carte meal services to improve their offerings. Our Making it Happen guide describes a wide range of successful efforts to improve the nutritional environments schools across the country.
- Parents, school administrators, teachers and local communities can promote children's health through new local wellness policies. Recent legislation will encourage the development of wellness committees to develop goals and plans for nutrition education, physical activity, and other activities. USDA is working with schools to get these policies in place over the next 2 years.
- Schools and community leaders can take on the HealthierUS School Challenge to make the school environment more supportive of healthy eating and active lifestyle choices. Schools that accept the challenge will be locally and nationally recognized by USDA as being certified as a Silver or Gold Team Nutrition School, based on school meal and other food and beverage sales on the school campus, to showcase their success, and encourage others to follow their lead.

The challenge of promoting children's healthy eating and physical activity is one we must face together. The USDA offers leadership and support for parents, schools and communities in this important effort.

INTERNATIONAL FOOD AID

Question. Your budget States we are going to provide an additional \$300 million for emergency food aid funding with AID. It also states we are going to depend more on locally grown commodities in other countries rather than in our own. American-grown food assistance has long been a powerful weapon against world hunger.

If we have surplus commodities and the world has urgent needs, why not continue to provide this U.S.-grown assistance?

Answer. American farmers will continue to benefit from our international food aid programs. However, given the widely differing emergency conditions faced in the countries where we provide food aid, we need the flexibility to respond quickly and appropriately. In many emergency situations, time is a critical factor and cash for local purchases will save lives.

The Administration appreciates the benefits our food aid activities provide to the agriculture industry, and the bulk of our programs will continue to benefit these groups as it has done in the past. We believe that the groups who have historically supported these programs will continue to see the value of promoting food security abroad. From a moral standpoint, the flexibility provided by this change will enable the United States to save more lives and respond more quickly to humanitarian crises which must continue to be the primary concern of this program.

It is important to note that in situations where commodities are not available for local purchase under appropriate market conditions in developing countries, the funding could be used to purchase commodities in the United States as is now done.

Our desire is not to entirely change the way that the United States approaches meeting food aid needs, but to enhance the variety of tools at our disposal so that we have multiple avenues to combat hunger in emergencies.

QUESTIONS SUBMITTED BY SENATOR TIM JOHNSON

NORTHERN GREAT PLAINS REGIONAL AUTHORITY

Question. As a citizen of the Great Plains, you are well acquainted with the many economic challenges facing rural communities in States like South Dakota and Nebraska. In recognition of research demonstrating the benefits of regional strategies for promoting economic development, Congress established the Northern Great Plains Regional Authority in the 2002 Farm Bill. As you know, the Authority would help to coordinate policies affecting the region's economic performance. Unfortunately, our home States have still not seen more than a tiny fraction of the Authority's potential benefits.

Would you please clarify the Administration's position regarding the merits of regional development organizations such as the Northern Great Plains Regional Authority?

Answer. The President's 2006 budget shows that the Administration remains committed to providing the resources to meet the development needs of rural communities not only in South Dakota, Nebraska and the other Great Plains States, but in all parts of the country. Establishment of the Northern Great Plains Regional Authority that was authorized by the 2002 Farm Bill would not necessarily impact either the share of resources that the Great Plains States would receive or how effectively these resources would be used. Nevertheless, the Administration will continue to work toward establishing the Authority with funding provided in fiscal years 2004 and 2005.

Question. Would you also please explain how, and in what timeframe, the Administration intends to resolve the issues that have impeded the Authority's operations to date?

Answer. Since the legislation authorizing this regional authority calls for the Federal members to be appointed by the President and confirmed by the Senate before the Authority can be established, the Presidential personnel staff is working to identify candidates for nomination. The timeframe for announcing the nominations is not known.

RURAL BUSINESS INVESTMENT PROGRAM

Question. As you know, inadequate access to financing, including venture capital, is one of many factors that constrains economic growth in our region. In order to address this issue, Congress established the Rural Business Investment Program,

which is modeled on a successful program operated by the Small Business Administration. Though nearly 4 years have elapsed since the President signed the Farm Bill, which created the Rural Business Investment Program, rural entrepreneurs starved for capital are still waiting for the Administration to implement the program.

Could you please explain why it has taken so long to implement the program?

Answer. It is my understanding that the Rural Business Investment Program was difficult to implement largely because it constituted an entirely new type of assistance for USDA to provide—the guaranteeing of debentures for investment companies to finance rural entrepreneurs. However, I have been told that the program is now underway.

Question. Would you also please outline how, and in what timeframe, the Administration intends to resolve the factors that have delayed the program's implementation?

Answer. I will ask USDA's Rural Development staff to provide the details of the key steps that were taken in implementing the program.

[The information follows:]

Publication of the Interim Final Rule and Notice of Funds Availability.—The RBIP Interim Final Rule was published on June 8, 2004, in the Federal Register with a 30-day public comment period. On that same date, a Notice of Funds Availability (NOFA) applicable to the first competitive application round also was published in the Federal Register.

Application Window Closed—September 17, 2004.—The Small Business Administration (SBA) received five applications by the deadline from a geographically diverse group of applicants. In fiscal year 2005, SBA's Investment Division has completed their Initial Review Process and notified applicants of the results. On or before June 1, 2005, USDA and SBA expect to designate selected applicants as conditionally approved Rural Business Investment Companies (RBIC's) and each will be given 1 year to raise their private equity match requirement. After proof of the match and clearance of all requisite legal documentation, the conditionally approved RBIC's may be licensed and become eligible for program funds. We do not expect any investments to be made in rural enterprises until fiscal year 2006.

SUN GRANT INITIATIVE

Question. I know that you are a proponent of the increased use of biobased fuels. Are you familiar with the "Sun Grant Initiative," which provides an innovative approach for providing university-based bioproduct research and education programs at the State and local level?

Answer. Yes, I am aware of the Sun Grant Initiative.

Question. What is your opinion about possible collaborations between the Department and the Sun Grant Initiative to extend the Departments work in the area of bioproducts and the development of renewable fuels?

Answer. Funding for the Sun Grant Initiative is not in the President's Budget Proposal for fiscal year 2006. CSREES supports research on biobased products and bioenergy through the National Research Initiative and researchers could submit a proposal for university-based bioproduct research and education to this competitively awarded program to be considered for funding.

RESOURCE CONSERVATION AND DEVELOPMENT

Question. Resource Conservation and Development (RC&D) councils foster economic activity, using resources available to our rural communities. Constituents have voiced concern for the use of the Program Assessment Rating Tool (PART) in the evaluation of RC&Ds, questioning the applicability of the PART to RC&Ds given the quantitative nature of the assessment.

Would you please clarify why PART is used for the evaluation of RC&D councils?

Answer. The Performance Assessment Results Tool (PART) was developed to enable the Administration to assess the effectiveness of Federal programs and to help form management actions, budget requests, and legislative proposals directed at achieving results. The PART incorporates factors that affect and reflect program performance including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results.

Question. Are other rating tools available aside from PART that may be more appropriate for the evaluation of RC&Ds?

Answer. USDA is in the final stages of completing a comprehensive program evaluation, as required by Section 2504 of the Farm Security and Rural Investment Act of 2002 for the RC&D program. The report findings are expected to be released by June 30, 2005, and may compliment the PART evaluation.

FEDERAL FORMULA FUNDS

Question. One especially troubling proposal is the Administration's treatment of our Federal formula funds. South Dakota State University (SDSU), a land-grant university in Brookings, South Dakota, relies heavily on Hatch, McIntire-Stennis, and Animal Health Federal formula funds. The President's proposed budget would cut 45 faculty and staff at SDSU, with a 25 to 50 percent reduction in graduate students. These cuts will result in the closure of at least one SDSU research farm, and at least one SDSU public service laboratory. It is my understanding that other land-grant institutions across America are also concerned by the shift from Federal formula funds to competitive grants.

Would you please clarify how land-grant universities are expected to adjust to this funding change?

Answer. Recipients of formula funds have considerable flexibility to use these funds to support research projects, infrastructure, and personnel. The allocation of formula funds to support personnel varies widely from institution to institution depending not only on the size and needs of the institution but also on the institutional management of financial resources from Federal and non-Federal sources. While the amount of formula funds available to institutions in fiscal year 2006 will be reduced and eliminated in fiscal year 2007, it will ultimately be up to each institution to determine how to allocate the resources available to support personnel. However, the fiscal year 2006 budget proposes full indirect cost recovery as part of competitive funding which will allow institutions to support faculty, staff, and other infrastructure needed to support agricultural science. In addition, the State Agricultural Experiment Station Competitive Grants Program proposed in the President's budget will provide a source of funding for functions currently supported by formula funds.

ANIMAL IDENTIFICATION

Question. I consistently hear from producers about the lack of transparency with USDA's proposed animal identification system, including cost, confidentiality, and incorporating practical methods of identification into a national system.

Would you please indicate how producer costs will be minimized, how producer confidentiality will be maintained, and how much flexibility will be afforded producers with existing methods of identification (i.e. branding)?

Answer. The National Animal Identification System (NAIS) will contain the minimum amount of information necessary for animal health officials to be able to track suspect animals and identify any other animals that may have been exposed to a disease. Animal identification and tracking systems maintained by the States or regional alliances will be an integral part of the overall NAIS information infrastructure. The State and regional systems will be able to collect and maintain more information than is required for the NAIS, yet only the required data need to be available for the national animal records repository.

In order to secure full participation from livestock producers, the USDA is pursuing legislation to establish a system for protecting information obtained through the animal identification system established by the Secretary of the USDA.

USDA understands that there is no "one-size-fits-all" identification technology. Rather than focus on a specific technology, the focus will be on the design of the identification data system; what information should be collected; and, when the data should be collected and reported. Once the identification system is designed, the market will determine which technologies will be the most appropriate to meet the needs of the system. As specific technologies are determined, the standards for those technologies will be established to ensure compatibility across all sectors of the industry.

Producers will be able to use the NAIS in coordination with production management systems, marketing incentives, etc., allowing for the transition to a "one number-one animal" system for disease control programs and other industry-administered programs. While animals must be identified prior to being moved from their current premises, producers can decide whether to identify their stock at birth or during other management practices.

The integration of existing branding procedures into the NAIS, while integrating animal identification technology standards (electronic identification, retinal scan, DNA, etc.) will be determined by industry to ensure the most practical options are implemented and that new ones can easily be incorporated into the NAIS.

Because the NAIS is being developed as an industry-government partnership, we expect that industry and the government will share the cost of the necessary elements. At the present time, we do not envision any significant Federal funding for individual animal tags or other such devices. However, funding of select electronic

readers could be accommodated under agreements with some cooperators. A variety of identification systems are currently used in the United States to identify various livestock species. USDA continues to seek technology solutions that have proven successful in the marketplace, and we continue to rely on stakeholders to determine which animal identification methods are the most practical and effective for each species in order to minimize the costs to the producer.

SUBCOMMITTEE RECESS

Senator BENNETT. Not at all.

Thank you, Mr. Secretary. It has been a very informative morning, and we appreciate your responsiveness.

The next hearing will be tomorrow afternoon, where we will hear from the Farm and Foreign Agricultural Services, the Natural Resources and Environment activity, Rural Development, and talk about Research, Education and Economics. Senator Craig made a comment to me as he left about research and the importance of that, and while I do not presume to speak for him, I do think we need to recognize that agricultural research in many ways is our seed corn, and we ought to take another look at some of the cuts that have been proposed there.

With that, again, thank you for your participation, and the hearing is recessed.

[Whereupon, at 11:18 a.m., Tuesday, April 12, the subcommittee was recessed, to reconvene subject to the call of the Chair.]