Testimony of Secretary Thomas J. Vilsack
U.S. Department of Agriculture
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Thank you, Chair Stabenow, Ranking Member Boozman, and Members of the Committee for the opportunity to come before you today to provide an update on the state of rural America, and the work the U.S. Department of Agriculture (USDA) has been doing over the past three years of the Biden-Harris Administration.

USDA's work touches every community, and nearly every landscape, across the entire country. The People's Department provides safety nets to farmers, nutrition assistance to some of our country's most vulnerable citizens, support for renewable clean energy, firefighters to keep our communities safe, food safety inspections—and much, much more. It is an honor to lead this department, and I am excited to share with you some of the progress we have made over the past three years to support America's farmers and ranchers, create opportunity in rural areas, improve USDA's processes and customer service, and protect forests and other natural resources. In order to capture that progress, it is important to discuss where we started at the beginning of this Administration, and then look at how far we have come.

Every year, USDA's Economic Research Service (ERS) publishes a report called "Rural America at A Glance." The Rural America at a Glance report published in November 2021 captured the state of rural America in late 2020 and early 2021, which of course was at the height of the COVID-19 pandemic. At the time, ERS wrote that people in rural or less densely populated areas might be less resilient than urban and suburban communities to shocks from the pandemic, and they could face greater challenges with recovery since they already experienced greater economic challenges accessing products, services, or commuting to work. Much of the report explored how a relative lack of broadband access in particular, and the prevalence of persistently poor communities among America's rural areas, might also contribute to the challenges these communities face during recovery. Of the 353 counties classified as experiencing persistent poverty at the time, 301 were in nonmetropolitan areas. In the months leading up to the pandemic, only 72 percent of rural residents and only 63 percent of rural residents in persistent poverty counties had moderate- or high-speed broadband available in their census blocks, the report found.

While the pandemic put rural challenges under a microscope in ways that made it easy to see exactly what needed to be addressed, these challenges predated COVID-19. The report noted that over the decade leading up to its publication, the rural population declined 0.6 percent while the urban population grew 8.8 percent. The picture was much bleaker for rural counties with persistent poverty, whose populations declined by 5.7 percent. The report also noted that the average annual employment growth rate prior to the pandemic in rural areas was so low that rural America still had not recovered from the Great Recession by 2019. So, while unemployment remained somewhat steadier in rural areas compared to urban areas during the pandemic, ERS' outlook for rural America at the time of the report had not been hopeful for years due to longstanding systemic issues, and they did not predict a strong turnaround.

However, the 2023 Rural America at a Glance report, published this past November, paints a much brighter picture. This report notes that the rural population is growing again after a decade of overall population loss, with growth of approximately a quarter percent from 2020 to 2022. It also showed that rural employment levels and annual growth rates have nearly returned to those seen in the years prior to the pandemic. In particular, the emergence of the clean energy economy is a growing employment sector, with clean energy jobs employing more than 243,000 workers in nonmetropolitan counties in 2021, and those jobs have continued to grow through our investments since. The rural population is also experiencing a decline in poverty. In 2021, 9.7 percent fewer nonmetropolitan counties experienced persistent poverty (county-level poverty rates of 20 percent or higher over the last 30 years) compared with a decade earlier.

Certainly, these are not real-time statistics, nor is it possible to record all of the factors that contribute to improving circumstances in rural areas. Even so, we know that some factors are likely to have contributed and continue to do so in the period following what was captured in the latest report. First, net farm income has been at an all-time record high in recent years.

Specifically, farm income over the 2021-2023 period represents the highest level of farm income in the last 50 years – with 2022 attaining a record high and net cash farm income for 2023 being one of the best years on record at 16 percent above average for the last two decades. We saw that the bulk of that income has been driven by the market, namely high commodity prices and the three highest years on record for agricultural exports, and not by farm safety net payments. And while the first farm income forecast of 2024 indicates net farm income this year will return to prior levels that are slightly below these historic levels for farm income, this forecast underscores the critical importance of USDA's ongoing work to help foster prosperity for producers and the communities they love by supporting an economy that grows from the bottom up and the middle out, and by creating new market opportunities that promote competition in the marketplace that can help combat low prices and high input costs. At the end of the day, a strong farm economy inarguably contributes to a strong rural economy and makes rural communities a more attractive place to live – and we are doing everything within our control to focus our efforts on enhancing economic resiliency.

The historic years of farm income mirror the stronger economy that President Biden and his economic team have advanced coming out of the pandemic; the U.S. economy grew 3.1 percent over the past year while adding 2.9 million jobs and with core inflation moving back down to the pre-pandemic benchmark over the last six months. And thanks to strong wage gains and higher job growth than expected, more families are benefitting. As a result, our policies have contributed to wages, wealth, and employment that are higher now than they were before the pandemic. This is just a snapshot of the steady improvement we have seen under this Administration, with the economy adding 14.8 million jobs overall with two full years of unemployment under four percent.

Another factor benefitting rural communities is an unprecedented investment to improve and modernize infrastructure. From water and waste treatment to electric power and telecommunications services to modernized schools and hospitals, the Biden-Harris Administration and USDA have been laser-focused on bringing rural community infrastructure and services into the 21st century. Since the beginning of this Administration, we have also been able to connect nearly 600,000 people across 35 states and territories to high-speed internet. This much-needed infrastructure is improving the quality of rural life and making it possible for more people to enjoy the beauty of rural America.

Despite this good news, we are all aware that systemic challenges remain, and we have yet to see rural areas reach their full potential. Rural poverty has declined in most, but not all, rural counties. Food insecurity also remains more common in rural areas than suburban areas.

And, even with higher farm income, farming still remains an incredibly risky business. Given tightening conditions and high interest rates, compounded with rising production costs, it is increasingly difficult for some farms to be able to meet short-term debt commitments. We also know that over half of farm households had negative farm income, and 84 percent of farm families obtain the majority of their income from off the farm.

Over the past several decades our economy has been focused on efficiency and productivity with businesses across the spectrum—manufacturing, retail, services, technology, agriculture—consolidating. Case in point, U.S. agriculture policy has, counterintuitively, encouraged a system that inherently shrinks opportunity, rather than grows it. The "get big or get out" paradigm established under Secretary Butz in the 1970s instructed bigger farms to expand, and the consolidation that followed significantly reduced the viability of small and mid-sized farming operations. All farmers strive to be efficient, but our current system supports production of limited crops at an enormous scale. That kind of system demands a need for bigger farms, but fewer farmers. This concept of shrinking opportunity isn't theoretical – it's proven. We have lost 155.6 million farming acres and nearly 545,000 farms since 1981. That number of farms is equivalent to the loss of every farm in North Dakota, Minnesota, Wisconsin, Illinois, Iowa, Nebraska, Oklahoma, Missouri, and Colorado in 2023.

Having fewer farmers predictably has led to high concentration of income. Despite record-breaking farm income, in recent years, typically about 7 percent of U.S. farms receive 85 percent of overall farm income, which means the remaining 93 percent of our farms share only 15 percent of farm income. On top of this, farmers are receiving less of the food dollar today than ever before.

It is clear that we are at a pivotal moment today, where we have the ability to choose a more expansive set of options to create, not diminish, opportunity. USDA is using the American Rescue Plan Act (ARPA), Bipartisan Infrastructure Law (BIL), and Inflation Reduction Act (IRA), as well as the Commodity Credit Corporation (CCC), to take a comprehensive approach to create opportunity for rural communities and invest in farmers, ranchers, and small businesses. While some of these investments are still nascent, we are beginning to see the fruits of this expansive policy framework that adds value for farms of every shape and every size and is designed for the real needs of rural America.

The Biden-Harris Administration's historic investments in infrastructure and new market opportunities have provided USDA with a powerful set of tools for restructuring our food and agriculture economy so small- and mid-sized producers get a fair shake, catalyzing strong rural economies where people have the opportunity and tools they need to build a good life in the communities they love.

Through the President's Investing in America agenda, we are supporting projects to lower input costs for rural producers and businesses, which increases their net income and improves their bottom line. In 2023, we provided funding for projects that will help farmers and rural small businesses reduce their energy costs – in some cases up to 100 percent – with over 2,000 investments totaling over $397 million, most of which were made possible by IRA funding for the Rural Energy for America Program (REAP). We also began addressing the strain placed on producers by higher fertilizer costs driven by Russia's war of aggression against the people of Ukraine thanks to the flexibility offered by the CCC. For example, a grant in Wisconsin is helping a dairy farm convert manure to fertilizer through the construction of a nutrient concentration system that reduces greenhouse gas emissions. We are investing $900 million in solutions like these to increase, or otherwise expand, the manufacturing and processing of fertilizer and nutrient alternatives in the United States. In a short period of time, USDA has already announced $166 million in investments to 40 American companies, with many more to come.

We are also giving producers new options to manage their land and creating new, climate-focused markets. With funding made available through the IRA, USDA has enrolled more farmers in voluntary conservation programs than at any point in history. In 2023, USDA enrolled nearly 5,300 additional producers in conservation programs and awarded 5,287 IRA applications for a total of $391 million. Even with those awards, the agency still had 5,986 applications on hand going into this Fiscal Year 2024. In our core farm bill programs, we're also seeing great producer interest. Since 2021, the Grassland Conservation Reserve Program (CRP) has enrolled a historic 6.8 million acres on over 10,000 farms. These programs are supporting farmers, important stewards of our land, in the work they are doing to provide productive and sustainable lands.

USDA is also increasing market opportunities for producers to sell their products. We are strengthening local and regional food systems and providing producers with more options to market their products. USDA invested millions to help businesses stay in operation or build new processing capacity in 2023 as part of the Biden-Harris Administration's $1 billion commitment to expand meat and poultry processing capacity for small- and mid-sized processors. Because of investments like these, a company in Bidwell, Ohio will be able to increase their processing facility by 50 percent, and another company in Mills County, Iowa will expand processing capacity by 1,500 head of cattle per day and employ up to 800 workers. Through the Meat and Poultry Processing Expansion Program and the Meat and Poultry Intermediary Lending Program, USDA has awarded funding to 66 entities across the country, creating 4,207 jobs and increasing processing capacity by 337,770 shackle spaces.

USDA has also capitalized on its role as a major food buyer. In Fiscal Year 2023, 63 percent of USDA's purchases for domestic nutrition programs came from small businesses. This is an increase of eight percent over Fiscal Year 2022. With this increase, USDA is creating more opportunities to bolster rural communities, support small businesses, and connect small and mid-sized farmers to new markets. USDA signed Local Food Procurement Agreements with 50 states, 35 Tribes, and three territories to purchase local food for food banks, schools, and other nutrition assistance programs. One such agreement in Oklahoma is identifying and reaching out to underserved producers to provide them with an opportunity to distribute their food to local underserved communities, helping to expand economic development for both the producers and communities they serve. These programs create jobs, lower costs for consumers, and help farmers and ranchers attain fairer prices by giving them options closer to the farm and making our food supply chain more resilient. They also complement the important role USDA plays in reducing hunger and promoting health through our full suite of federal nutrition assistance programs. From rural areas to cities and towns across the country, USDA reached one in four Americans with healthy food, nutrition education, and other related resources in 2023.

And for the rural Americans who do not have the tools to take advantage of these opportunities, this Administration launched the Rural Partners Network, which brings a whole of government approach to delivering technical assistance and resources. This allows us to lift up rural communities with a focused approach and ensure the people who are looking to take advantage of these opportunities are able. Through Rural Development programs such as ReConnect and

Emergency Rural Health Care Grants we are expanding access to high-speed internet and helping rural communities maintain access to healthcare, two critical resources for thriving rural communities. In 2023 alone, USDA helped more than 250,000 people in rural communities access affordable, high-speed internet benefitting over 11,000 farms, 7,300 rural businesses, and nearly 500 educational facilities. Additionally, thanks to 806 grants provided to health care institutions under this Administration, more than 22 million people have greater access to health care and nutrition, which is critical for not only emergency needs but also to ensure access to primary care, rehabilitation, and long-term care for millions of Americans.

We are also working hard to bring a whole of USDA approach to address other systemic issues, such as lack of equity and inclusiveness in our programs, to make USDA a great place to work and to do business. USDA's Equity Commission has made recommendations that are informing USDA's policy decisions so that the Department's programs, services, and decisions reflect the values of equity and inclusion. We acknowledge we have not done enough to provide all farmers and ranchers an equal chance of success and prosperity and are actively working to change that. As of the beginning of this month, USDA has helped more than 37,000 farmers and ranchers who were in financial distress stay on their farms and keep farming, thanks to resources provided through Section 22006 of the IRA. At the same time, under the guidance of our Deputy Secretary, USDA has modernized its processes. For example, we have greatly improved the Farm Service Agency's (FSA) loan application processes to better serve farmers, in part through lessons learned from Farm Loan Borrower Relief Program implementation. USDA has streamlined FSA loan applications from 29 pages to 13, dramatically reducing the amount of time it takes to apply for a loan and making the process less onerous. In addition, in December 2023, USDA announced an online, interactive, guided application that can simplify the direct loan process for the more than 26,000 customers who apply each year and make it more accessible for those in remote areas or who may not have time to leave their operations and visit an FSA office. We have also recently added the option for FSA borrowers to make payments on their loans online and will continue to modernize our systems to make it easier for producers to manage their loans and time. Additionally, we are also making great progress in rebuilding our workforce. USDA agencies have increased their use of recruitment and retention incentives to bring pay more in line with market levels. As a result, more candidates are accepting job offers – and we are especially proud of how well this is working with pathways hires at FSA and the Natural Resource Conservation Service (NRCS).

If we are going to create an agriculture system that works for the many and the most, I believe the answer is a holistic approach. Not one focused just on bushels per acre, but one that also measures success as rural families being able to pay their bills, preserving our lands, and making their communities a place our children and grandchildren can call home. Producers of all kinds should be able to make a living and support their families through farming, not just those with the biggest operations. As decision makers in USDA and Congress, we should use the market, climate-based tools, and food systems to create new income opportunities and value for producers and rural communities.

I welcome this opportunity to discuss these important issues with you further and help you learn more about the great successes and progress we have seen in the last year. In turn, I urge you to bear in mind that we have a choice before us. We can continue on the path that this Administration has taken that leads to an even better and stronger rural America, or we can hold tight to the old model and continue a system that limits opportunities for producers and rural communities. At this critical moment, are you okay with losing another 400,000 farms in the next 30 years? What would it take to ensure our young people can see a future for themselves in agriculture and in rural America? I worry that turning back will further entrench consolidation, fragile food supply chains, nutrition insecurity, and high barriers to entry into agriculture. It will also likely perpetuate trends we are already seeing, including loss of farmland, and generational poverty. Together, we can tackle these critical issues and create a healthy, equitable, and sustainable food system that strengthens our farms and our rural communities for generations to come.