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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

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RICHARD J. KESSLER, STAFF DIRECTOR
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Via Electronic Transmission

The Honorable Thomas J. Vilsack
Secretary
U.S. Department of Agriculture
Jamie L. Whitten Federal Building
1400 Independence Avenue, SW
Washington, DC 20250

Dear Secretary Vilsack:

In a February 2013 letter to the Senate Committee on Appropriations regarding sequestration, the U.S. Department of Agriculture (USDA) threatened to reduce Women, Infants, and Children (WIC) program assistance to as many as 600,000 women and children and to eliminate rental assistance for more than 10,000 rural residents, including the elderly and disabled.¹

This same letter noted some ways in which USDA was achieving savings, such as reducing unnecessary travel and printing costs, consolidating “more than 700 different cell phone contracts,” and closing more than 250 offices “while ensuring that their vital services they provide are not cut.”² USDA and the U.S. Agency for International Development also recently canceled the annual International Food Aid and Development Conference this year because of “U.S. government agencies facing a difficult budget environment and being urged to minimize conference events in light of these budget constraints.”³ Certainly it is more important to feed the hungry than to talk about feeding the hungry.

I believe with continued leadership such as this, USDA can accomplish its important primary missions while meeting the goals of sequestration without the dire consequences the department outlined earlier in the year. This letter outlines a number of USDA initiatives that could be canceled or scaled back to help ensure appropriate resources are available to accomplish its mission.

¹ United States Department of Agriculture letter to the U.S. Senate Committee on Appropriations, February 5, 2013, accessed at <http://www.appropriations.senate.gov/ht-full.cfm?method=hearings.view&id=17d3dc99-c065-4bec-a7c8-cfd374bf41a3> .

² *Id.*

³ Jay Sjerven, “U.S.D.A. and USAID: There will be no food aid conference in 2013,” Food Business News, May 22, 2013; http://www.foodbusinessnews.net/articles/news_home/Regulatory_News/2013/05/USDA_and_USAID_There_will_be_n.aspx?ID=%7B82AC9744-8472-477A-AAEB-50421AE9D841%7D&cck=1 .

Subsidizing Island Homes for the Rich and Famous While Evicting the Elderly and Disabled

With its Victorian cottages, private beaches, and isolated mansions, Martha's Vineyard off the coast of Massachusetts has long been an enchanting get-away for the rich, the famous, and the powerful.⁴ This is not the type of community one would expect needs public assistance or would be negatively impacted by sequestration. The "cheapest home" listed for sale on the island is "a two-bedroom condo listed at \$260,000."⁵ As it turns out, Martha's Vineyard is actually receiving federal housing and other assistance despite sequestration.

Sequestration went into effect March 1. A month later on April 4, several representatives from the USDA Rural Development Office held "a workshop on their agency's economic development and affordable housing programs" for island residents. An announcement from Martha's Vineyard Commission noted "municipalities and public/private non-profit entities are eligible to apply for USDA Grants and Programs particularly projects and initiatives related to infrastructure such as wastewater or solid waste in addition to affordable housing."⁶

The entire island of Martha's Vineyard has been designated as a rural area eligible for taxpayer backed home loans by USDA. As a result, USDA Rural Development's housing programs provides financing assistance for new or improved housing for individuals "who wish to live in rural areas or rural cities and towns" with "no down payment and at favorable rates and terms" to the borrowers.⁷ "If a borrower defaults on the loan, Rural Development pays off the loan."⁸ While this is a great deal for the borrowers, it is not such a great deal for others taxpayers who could be put "on the hook" for the mortgages of those seeking to buy homes on Martha's Vineyard. These loans are "100% financing" with "no down payment required" and "no loan amount limit," according to USDA's "Overview of the Guaranteed Rural Housing Loan Program New England Handbook" issued in March 2013.⁹

USDA backed "loans and guarantees are available to public entities such as municipalities, counties, and special-purpose districts, as well as to non-profit corporations and

⁴ Kitty Bean Yancey, "Celebrities fit right in on Martha's Vineyard," USA Today, August 20, 2009;

http://usatoday30.usatoday.com/travel/destinations/2009-08-20-marthas-vineyard_N.htm .

⁵ John Carney. "No Money Down Mortgages in Martha's Vineyard," CNBC, June 5, 2013;

<http://www.cnbc.com/id/100789787> .

⁶ Martha's Vineyard Commission press release, "RE: United States Department of Agriculture's (USDA) Rural Development Office Workshop on Economic Development and Affordable Housing Programs," accessed June 12, 2013;

http://www.mvcommission.org/doc.php/USDA%20Rural%20Development%20Office%20Workshop%204_13%20v2.pdf?id=4625 .

⁷ "SOUTHERN NEW ENGLAND ANNUAL REPORT 2010," USDA Rural Development, accessed June 12, 2013;

http://www.rurdev.usda.gov/SupportDocuments/MA_2010MACTRIAnnualReport.pdf .

⁸ Al Jones, "AmeriFirst Home Mortgage of Portage declared No. 1 rural development lender in Michigan," MLive Media Group, June 11, 2013; http://www.mlive.com/business/west-michigan/index.ssf/2013/06/amerifirst_home_mortgage_of_po.html .

⁹ "Overview of the Guaranteed Rural Housing Loan Program New England Handbook," USDA Rural Development, March 2013; http://www.rurdev.usda.gov/SupportDocuments/MA_GUARANTEED_RH_HANDBOOK.pdf .

tribal governments” on Nantucket, another well-to-do Massachusetts island, as a result of “financing through two USDA programs.”¹⁰

Apparently, inhabitants of these affluent summer vacation getaways—and other prosperous communities across the country—are not among the 10,000 rural residents threatened with losing rental assistance by USDA as a result of sequestration.¹¹ Before USDA evicts elderly and disabled from rural housing, the department should end its subsidies for summer island homes for the rich and famous.

Serving Free Lunches to the Affluent While Cutting Nutrition for Needy Women with Children

No one in America should ever go hungry. Our nation and our communities have both the resources and the commitment to make sure everyone, especially children, has access to nutritious meals. But not everyone needs a free meal. Yet, in Tulsa, Oklahoma, USDA will be providing free meals to *all* children 18 years of age or younger this summer through the Summer Café program of the Summer Food Service Program (SFSP) regardless of need.¹² Summer Café provides meals “free of charge” with “no paperwork or documentation necessary” at 65 different sites in Tulsa this summer.¹³

While most Americans would support ensuring every kid has a nutritious meal, it makes little sense to be giving free meals to those not in need while cutting assistance to 600,000 women and children who rely on WIC for food and health care services.

SFSP was “established to ensure that low-income children continue to receive nutritious meals when school is not in session,”¹⁴ but the program is instead providing free meals to anyone regardless of income or need. And it is not the only USDA program to do so. The Community Eligibility Option (CEO) program also provides free meals to students in ten states regardless of financial need. The supervisor of Michigan’s school nutrition programs notes, “one of the best features of the CEO program is the fact that it removes the stigma of receiving free or reduced-price meals” so that now “everybody can have a free lunch.”¹⁵

Simply requiring participants of these duplicative programs to demonstrate a reasonable economic need to receive free meals could allow services to be better targeted to those truly in

¹⁰ “USDA/RURAL DEVELOPMENT,” Coastal Community Capital - A Division of Cape & Islands Community Development, Inc. website, accessed June 12, 2013; <http://www.coastalcommunitycapital.org/content/usda-rural-development/>.

¹¹ United States Department of Agriculture letter to the U.S. Senate Committee on Appropriations, February 5, 2013, accessed at <http://www.appropriations.senate.gov/ht-full.cfm?method=hearings.view&id=17d3dc99-c065-4bec-a7c8-cfd374bf41a3>.

¹² Kit Hines, “Summer Café Keeps Kids Fed During Summer Break,” Tulsa Schools website, May 17, 2013; http://www.tulaschools.org/2_News/01_PUBLIC_INFO/news_item.asp?ID=14115.

¹³ “SUMMER CAFE,” Tulsa Schools website, accessed June 11, 2013; <http://www.tulaschools.org/summercafe>.

¹⁴ “Summer Food Service Program (SFSP),” USDA Food and Nutrition Service website, accessed June 11, 2013; <http://www.fns.usda.gov/summer-food-service-program-sfsp>.

¹⁵ Lynn Moore, “Under new federal program, all Muskegon Height students get free meals,” *Muskegon Chronicle*, September 30, 2011;

http://www.mlive.com/news/muskegon/index.ssf/2011/09/all_muskegon_heights_students.html.

need and alleviate some of USDA's planned cuts to other program that will impact hundreds of thousands of low-income women with children.

Taxpayer's Subsidies

A USDA Rural Development press release issued last month read "Wine Barn LLC received a Value-Added Producer Grant to assist in marketing and increasing production of its Kansas produced wine. The United States Department of Agriculture (USDA) remains focused on carrying out its mission, despite a time of significant budget uncertainty. Today's announcement is one part of the Department's efforts to strengthen the rural economy. Wine Barn, LLC received a \$25,000 USDA Value-Added Producer Grant (VAPG). The VAPG program helps agricultural producers and small businesses increase their income by expanding marketing opportunities, creating new products or developing new uses for existing products. USDA funding will assist Wine Barn to ramp up production of its wine by more than 40 percent in the next two years, as well as overhauling the company's website."¹⁶

So, despite the aforementioned dire predictions about how sequestration will impact USDA's ability to fulfill its core missions, the department has been spending hundreds of thousands of dollars subsidizing wine, wine trails and wine festivals and other projects around the country.

Last month, the USDA Rural Development also announced it is funding wine related initiatives through the Specialty Crop Block Grant Program, including more than \$300,000 to the Mackinaw Trail Winery in Michigan "to facilitate a major expansion of their wine sales and marketing,"¹⁷ \$162,500 to the Old Westminster Winery in Maryland,¹⁸ \$100,000 for the Appleton Creek Winery in New York,¹⁹ \$49,900 for marketing and operating costs for processing Nebraska sandhills grapes into wine and selling to local markets,²⁰ nearly \$49,000 for marketing of Fireside Winery in Iowa,²¹ and \$9,000 to "be used for market and business planning" of another winery in northwest Iowa.²²

¹⁶ "USDA AWARDS A KANSAS WINERY WITH A VALUE-ADDED PRODUCER GRANT," United States Department of Agriculture Rural Development press release, May 8, 2013; <http://www.rurdev.usda.gov/STELPRD4020554.html> .

¹⁷ "VALUE-ADDED PRODUCER GRANTS SUPPORT LOCAL PRODUCERS, BIOBASED INITIATIVES," United States Department of Agriculture Rural Development press release, May 1, 2013; <http://www.rurdev.usda.gov/STELPRD4020487.html> .

¹⁸ "USDA Rural Development Value-Added Producer Grant Program Grant Awards for Fiscal Year 2012," U.S. Department of Agriculture Rural Development website, May 1, 2013; http://www.rurdev.usda.gov/supportdocuments/rdVAPGFY2012Awards5_1_2013.pdf .

¹⁹ "VALUE-ADDED PRODUCER GRANTS SUPPORT NEW YORK PRODUCERS," United States Department of Agriculture Rural Development, May 1, 2013; <http://www.rurdev.usda.gov/STELPRD4020479.html> .

²⁰ "VALUE-ADDED PRODUCER GRANTS SUPPORT LOCAL PRODUCERS, BIOBASED INITIATIVES-- NEBRASKA RECEIVES NEARLY \$367,000," United States Department of Agriculture Rural Development, May 1, 2013; <http://www.rurdev.usda.gov/STELPRD4020435.html> .

²¹ "FOUR IOWA BUSINESSES RECEIVE \$262,910 IN VALUE-ADDED PRODUCER GRANTS FROM USDA RURAL DEVELOPMENT," United States Department of Agriculture Rural Development, May 1, 2013; <http://www.rurdev.usda.gov/STELPRD4020437.html> .

²² "Iowa Businesses Receive \$262,910 in Value-Added Grants," Iowa Ag Connection, May 10, 2013; <http://www.iowaagconnection.com/story-state.php?Id=464&yr=2013> .

This is not the only USDA program underwriting wine projects. In the last year, more than 20 wine projects were supported by USDA's Specialty Crop Block Grant Program, including the Hawaii Food and Wine Festival, the development of a Massachusetts wine trail app for iPhones and other smartphones, and a Wine Pavilion at the South Dakota State Fair.²³ Since sequestration went into effect, the program announced awarding \$300,000 to the 3 Horse Ranch Vineyards in Idaho,²⁴ \$30,000 to the Sunnyslope Wine Trail Group "to conduct an advertising campaign" and \$40,000 to the Idaho Wine Commission "to raise awareness of the state's wine industry."²⁵

And it's not just wine, USDA is providing funds for:

Vodka. Covington Spirits, a North Carolina distillery is seeking to turn leftover sweet potato spuds into "a premium grade beverage with the goal of 'ending America's dependence on foreign vodka,' as its slogan goes." The company, which bottled its first batch in January, received a Value Added Producer Grant from USDA to explore the feasibility of this endeavor.²⁶

Bloody Marys. Fish Hawk Acres in West Virginia will spend a \$45,000 Value-Added Producer Grant to market its Bloody Mary mix.²⁷

Hard Cider. Showalter Orchard and Greenhouse in Virginia was awarded a grant to process and market hard cider. These funds "will be utilized to purchase inventory, implement a marketing and promotional campaign, make web page improvements, seek legal representation and training" for turning apples into hard cider.²⁸ Full Moon Farms in Utah, which also produces hard ciders, was recently awarded a Value-Added Producer Grant.²⁹

With sequestration being blamed for cutting services to those in need, it is time to sober up with how federal funds are being spent and focus on serving people rather than drinks.

With Celebrity Chef Junkets, Pizza, and Ice Cream, Austerity Does Not Appear on the Menu at USDA

²³ "Specialty Crop Block Grant Program Fiscal Year 2012 Description of Funded Projects," U.S. Department of Agriculture Agricultural Marketing Service website, accessed June 10, 2013; <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5100734> .

²⁴ Tim Hearnden, "Farms in West receive \$2.7 million in Value Added grants," Capital Press, May 13, 2013; <http://www.capitalpress.com/content/Grants-w-photo-infobox-051313> .

²⁵ Sean Ellis, "Idaho specialty crop projects receive \$892,000 in funding," Capital Press, June 10, 2013; <http://www.capitalpress.com/content/SE-specialty-grants-main-061413> .

²⁶ Paul Stephen, "N.C. distillery turning leftovers into sweet-potato potable," Wilmington Star News, June 3, 2013; <http://www.jdnews.com/news/business/n-c-distillery-turning-leftovers-into-sweet-potato-potable-1.152741> .

²⁷ "Local business receives grant," The Inter-Mountain, May 8, 2013; <http://www.theintermountain.com/page/content.detail/id/561565/Local-business-receives-grant.html?nav=5287> .

²⁸ "VALUE-ADDED PRODUCER GRANTS SUPPORT LOCAL FARMERS; Farms, dairies, orchards, greenhouses and aquaculture facilities to benefit," Virginia Department of Agriculture and Consumer Services, May 2, 2013; <http://www.vdacs.virginia.gov/news/releases-b/050213grants.shtml> .

²⁹ "TWO VALUE-ADDED PRODUCER GRANTS AWARDED TO UTAH GROWERS, SUPPORT LOCAL PRODUCERS," U.S. Department of Agriculture Agricultural Marketing Service news release, May 1, 2013; <http://www.rurdev.usda.gov/STELPRD4020443.html> .

From pizza and ice cream promotion to international celebrity chef competitions, there appears to be little evidence of a spending diet at USDA.

Three weeks after sequestration went into effect, the U.S. Meat Export Federation used the U.S. Department of Agriculture's Market Access Program/Global and Broad-based Initiative to put on the United Tastes of America-Asian Chef Challenge, an Asian chef competition held March 26. The winning team from that competition will "face off against the other winning chefs from Tokyo, Shanghai, and Hong Kong at the grand finale at the USA Pavilion during the Taipei International Food Show in June 2013."³⁰

Just last month, USDA awarded over 100 Value-Added Producer Grants for questionable projects, such as social media for pickles, marketing of pizza and ice cream, and researching fish food. Some examples include:

- MeadowCroft Farm in Virginia was awarded a grant for social media and marketing of pickles and other produce;³¹
- The Indiana Soybean Alliance received \$15,000 to study the feasibility of producing fish food in Indiana;³²
- Glenmary Gardens in Virginia will spend \$213,000 to expand the processing and marketing of ice cream, flavored syrups, and jellies;³³
- Idaho agricultural products, including potatoes, onions and wine, will be promoted with a \$157,000 grant. This will support three weeks of television, radio, print, and online advertising. It will also pay for staff members to attend farmers markets, festivals, and trade shows, to host a chef tour to encourage chefs to incorporate specialty crops in their menus, and to launch a "Dinner on the Farm series, which will include dinners set for an orchard, a vineyard, a farm, and a ranch."³⁴ and

³⁰ Katherine Lee, "United Tastes of America – Asian Chef Challenge Pits Taiwan's Top Chefs Head-to-Head at Taipei Prelim," USDA Foreign Agricultural Service Global Agricultural Information Report," April 26, 2013; http://gain.fas.usda.gov/Recent%20GAIN%20Publications/United%20Tastes%20of%20America%20%E2%80%93%20Asian%20Chef%20Challenge%20Pits%20Taiwan's%20Top%20Ch_Taipei%20ATO_Taiwan_4-26-2013.pdf .

³¹ "VALUE-ADDED PRODUCER GRANTS SUPPORT LOCAL FARMERS; Farms, dairies, orchards, greenhouses and aquaculture facilities to benefit," Virginia Department of Agriculture and Consumer Services, May 2, 2013; <http://www.vdacs.virginia.gov/news/releases-b/050213grants.shtml> .

³² "Grant to Allow Indiana Soybean Alliance to Study Feasibility of Aquaculture Feed Mill," The Indiana Soybean Alliance, May 20, 2013; <http://www.indianasoybean.com/news-resources/news-releases/277-grant-to-allow-indiana-soybean-alliance-to-study-feasibility-of-aquaculture-feed-mill> .

³³ "Value-Added Producer Grants Support Local Producers, Biobased Initiatives," United States Department of Agriculture press release, May 1, 2013; http://www.usda.gov/wps/portal/usda/usdahome?contentid=2013/05/0082.xml&navid=NEWS_RELEASE&navtype=RT&parentnav=LATEST_RELEASES&edeployment_action=retrievecontent .

³⁴ Carol Ryan Dumas, "Grant helps Idaho Preferred promote Idaho ag products," Capital Press, June 11, 2013; <http://www.capitalpress.com/content/CRD-Idaho-Preferred-060713> .

- Broadfork Farm in Virginia was awarded a grant to expand the processing and marketing of pizzas³⁵.

If budgets need to be tightened to provide nutrition services for women and children or housing for the elderly and disabled in rural areas, it is unclear why USDA is funding these projects when there is already a market for all of these products. The federal government should not be screaming for ice cream when it is screaming about sequestration.

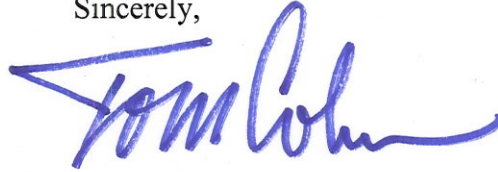
Please provide answers to the following questions:

- 1) Please provide the list of savings and program efficiencies that USDA has implemented to reduce the impacts of sequestration. Please provide the list and a line-by-line estimate of the savings
- 2) How many participants already enrolled in WIC have been dropped from the program since March 1 as a result of sequestration?
- 3) How many eligible participants have been denied rental assistance by USDA since sequestration went into effect March 1? How many participants already receiving USDA rental assistance were dropped from the program since March 1 as a result of sequestration?
- 4) How many home loans with a sale price of \$500,000 or more has USDA backed this year to date? How many loans of such homes did USDA back in 2012?
- 5) How many home loans with a sale price of \$500,000 or more backed by USDA are delinquent or have defaulted over the past five years? What is the estimated cost to USDA for these late payments and what is the estimated foreclosure liability for these properties?
- 6) Over the last five years, provide the annual amount USDA spent to promote and otherwise support wineries, wine, and other alcoholic beverages.
- 7) Please provide a list of USDA nutrition assistance programs intended to provide food for needy individuals, families, or communities that do not require individuals to demonstrate some proof of financial need?
- 8) Including the pickles mentioned in this letter, what other fruits, vegetables, and produce is USDA marketing through social media accounts? Include the amount spent on each.

³⁵ "VALUE-ADDED PRODUCER GRANTS SUPPORT LOCAL FARMERS; Farms, dairies, orchards, greenhouses and aquaculture facilities to benefit," Virginia Department of Agriculture and Consumer Services, May 2, 2013; <http://www.vdacs.virginia.gov/news/releases-b/050213grants.shtml> .

Please provide a response to this letter by no later than July 22, 2013. If you have any questions regarding this letter, please contact Brian Downey of my Committee staff at (202) 224-4751 or brian_downey@hsgac.senate.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Coburn". The signature is stylized and cursive.

Tom A. Coburn, M.D.
Ranking Member