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Agriculture Secretary Vilsack on Priorities for the 2012 Farm Bill

--Remarks As Delivered--

ANKENY, Iowa, Oct. 24, 2011 – Today, Agriculture Secretary Tom Vilsack spoke at the John Deere Des Moines Works on USDA priorities for the 2012 Farm Bill. Below are the Secretary's remarks as delivered:

“I appreciate the opportunity to be here at John Deere to talk about a subject which I think is a very, very important; and that is about the priorities for the upcoming legislation, often called the Farm Bill.

“Now, this legislation and the bills that Congress will pass is really about keeping pace with the changing needs of agriculture and the challenges which face rural America. It's about providing an adequate food supply for our nation and the world. And the choices that these lawmakers will make will help shape agricultural, food, and rural development policy and will help determine what our farms and our rural communities look like.

“It's also going to determine where our energy supply comes from and if we all eat. So we need to think bigger than the words "Farm Bill" suggest. After all, for decades this bill has been about a whole lot more than just farming. It's been about energy, it's been about nutrition, it's been about jobs. Now, some may keep calling it the Farm Bill out of convenience, or maybe even out of tradition; but I think we're doing it a disservice.

“If we want this legislation to have the support of the other 98 percent of Americans who don't farm, we've got to remind those Americans why this legislation matters to them and to their families.

“Now, first of all, I want to acknowledge that there are considerable external pressures that will affect this effort. Fiscal and political realities about the size of our debt and the deficit have inspired a very tight budget environment.

“Last week a bipartisan leadership group in Congress submitted a proposal to the Joint Select Committee on Deficit Reduction, also known as the Supercommittee, to cut \$23 billion out of the bill over the next ten years. And though these numbers are by no means final, it is a reminder to all of us that if we want this legislation to accomplish a lot, we have to understand that there will be considerably less funding in which to do it. So our priorities must be clear. We simply need to do more with less.

“We have to simplify existing programs; we need to reduce redundant provisions; and we need to put a premium on creating innovative solutions to address our current and future problems, also recognizing the importance of making targeted investments to keep

agricultural productivity high and our rural communities vibrant. So today I want to offer some thoughts on those priorities.

“Let me begin with our responsibility to strengthen American agriculture. Many folks don't realize this, but American farmers and our agricultural industries contribute in no small way to the economic health and strength of our great country.

“Agriculture is responsible for one out of every twelve jobs in our economy. The folks who work here, the UAW machinist folks who I met with earlier, they can tell you the work in this plant is directly tied to how significant and strengthened the agricultural economy is.

“What we do on the farm ripples through the economy and helps to create jobs, particularly when agriculture is thriving. What's more, the productivity of American farmers and ranchers help American families stretch their paychecks.

“Americans spend, on average, about 6 to 7 cents out of every dollar they earn on food. This is far less than families around the world. It gives us the freedom and the flexibility to spend or invest in other parts of the economy. And today I'm proud to say that agriculture is a bright spot in the American economy.

“After adjusting for inflation, farming income today is at its highest level in nearly 40 years, farm debt is falling, and farm equity is growing. In short, American agriculture is on sound footing. But we didn't get here by accident.

“We're here because of the policies and the investments that have been made over the course of many decades. We're here because we've focused on three core principles that have helped to shape the success of American agriculture, and those principles need to be protected and advanced as Congress works on legislation.

“The three principles can be simply stated: We need to maintain a strong safety net, we need to support sustainable productivity, and we need to promote vibrant markets. As they work on this bill, Congress must agree on the right mix of policies to provide an adequate safety net for those who need it. High input costs means agriculture will always remain a high risk. A bad crop, ruined by a natural disaster or an unpredictable price collapse, can put a hard-working farm family out of business quickly. These families rely on a strong safety net.

“This year I visited farms across the country who were devastated by natural disasters. I met farmers this spring who were never able to plant a crop because their land was flooded. I saw fires and droughts in the southwest destroy forests and grazing land. And this fall I stood in fields of fruits and vegetables that were ready for harvest but were ruined by Hurricane Irene. It was a visceral reminder of how important the safety net is for our farmers, ranchers, and our producers.

“In my conversations with these producers, I heard about parts of the safety net that are working pretty well. I also heard about parts that weren't. The SURE program isn't sure enough or swift enough, ACRE is not simple enough, and crop insurance may not cover enough.

“There are a few things that came up over and over again in my conversations with these farmers, and they need to be addressed in the next Farm Bill. Farmers recognize that the safety net makeup will likely change, but the production and protection it affords ought not to be compromised. And here are several keys to make sure that that protection and production are protected:

“First, producers need assistance quickly after they lose their crops to a natural disaster. Their bankers are not going to wait two years to make loan payments and receive those loan payments, and they can't expect -- nor can we expect -- our producers to wait two years to have the safety net kick in.

“Second, the safety net needs to reflect the diversity of American agriculture. That is to say, it needs to work for all kinds of farms. It can't favor the planting of one crop over another. It needs to make sense for farmers, and it needs to work for ranchers. It's got to work for row crop farmers in Iowa, specialty crop producers in upstate New York, cattle ranchers in Texas, or rice or cotton farmers in Louisiana.

“Third, the programs that comprise the safety net have got to be simple and understandable. Programs shouldn't discourage farmers from applying, they shouldn't be too costly to attain, or too slow to matter.

“And, finally, the safety net has got to be accountable and justifiable to the 98 percent of us who do not farm. We have a responsibility to the American people to use their resources wisely and to provide assistance only when it's needed. Congress has a tremendous opportunity to make sure the safety net works for all of our producers, and it's extremely important that they get it right.

“As I said, agriculture will always be risky, but good policy can avoid needless risks. While established farmers may have enough equity in their farms and ranches to survive a bad year or two, that's not necessarily true for beginning farmers or ranchers. The program design also needs to take that distinction into account and appreciate that distinction. So as we strengthen the safety net, we should also make it easier for young people or older people, who have never done it before, to begin farming.

“Why is this important? Well, it's simple. America has an aging farming community. In the past five years, we've seen a 20 percent decrease in the number of farmers under the age of 25; and based on the last ag census; the average American farmer is 57 years of age. Nearly 30 percent of American farmers are over the age of 65, which is almost double the number of folks in the workforce over 65. Now, some of these folks want to slow down or retire; but they have no one to take over the farming operation. That

challenges us to find new ways, through tax policy, through regulations, through our credit programs or other programs, to help transition farms to the next generation.

“We'll need a community effort to recruit, train, and support this new generation of farmers and ranchers; and we need to make sure that it's for operations of all sizes.

“Now, the second key principle I alluded to earlier centers on sustaining agricultural productivity. Farmers and ranchers and growers must be able to produce an affordable and appealing product each and every year.

“Our farmers are the most productive in the world, and that leadership position must be maintained. Today there's no question that American farmers can produce enough to feed our nation, but that hasn't always been the case. Over the past 60 years, yields per acre of major crops -- corn, soy, wheat, and cotton -- have doubled, tripled, and in some cases even quadrupled.

“At the same time, livestock production and specialty crop production have become far more efficient. Now, this evolution was not pre-ordained. Producers embraced new science and new technologies and production techniques we see here at this plant. We laid the foundation for this incredible productivity through a sustained investment in research; and Congress must find ways to support research that is focused on crop production and protection, on livestock production and protection.

“Studies have shown that public investments in agricultural research earn a 20 dollars-to-1 return of investment in the U.S. economy. Once that information is disseminated to farmers, ranchers, and producers, they take it and make -- make it work. And these benefits extend beyond just economic returns. Research also leads to improved soil and water and air quality, and they help us to design strategies that will enable us to deal with the impacts of the changing climate.

“Public funding for agricultural research has remained basically flat-lined since the 1990s, clearly not keeping pace with other federally-supported research; and a recent USDA study sounded a warning signal to all of us that there is a direct link between increases in agricultural investment on research and agricultural productivity. If we continue to flat-line our commitment to research, our productivity will likely suffer; this at a time when our productivity will have to continue to increase to meet the global demand for food.

“Now, in addition to research, conservation is also an equally important component and strategy for sustainable productivity.

“In the 1930s a terrible drought and years of overworked farms led to the Dust Bowl, and millions of tons of soil were swept into the air. Since then USDA has worked with farmers and ranchers and producers to improve the land and make it more productive through conservation.

“USDA has forged voluntary partnerships with land owners yielding real public benefits. In the last 30 years producers have reduced soil erosion by more than 40 percent, and agriculture has now become the leading cause of restoring wetlands, whereas before, it was the leading cause of wetland loss.

“All of this is providing cleaner and better water for American people. Farmers understand why all of this matters. They understand the need for healthy and productive soil and the need for a plentiful water supply, and they appreciate that voluntary conservation programs support both needs.

“Now, in the past three years, USDA has looked for better ways to target conservation investments; and as a result, today we have a record number of acres enrolled in conservation programs. Guided by science, farmers will work to use the right conservation program and practices in the most critical areas of their farms.

“An analysis proves that this approach of voluntary conservation works; but, clearly, we cannot afford to let up. That's why we're maximizing our efforts by embracing locally-driven conservation programs and by entering partnerships that focus on large landscape-scale conservation programs. We have one here in the upper Mississippi River. We should also combine that strategy with an approach that gives farmers and ranchers regulatory certainty when they adopt certain conservation practices.

“I want to encourage Congress to continue their commitment to improve conservation programs, to maintain a robust investment in voluntary conservation assistance and to encourage our efforts towards regulatory certainty tied to conservation. Fewer programs, more flexibility, simpler applications, and a streamlined process for applying will help target our resources effectively and efficiently.

“Now, given limited federal resources, we also need to find creative ways to incent the private sector to invest in conservation.

“Now, if we can measure, and if we can verify the positive results of conservation, we can encourage the development of local markets in which businesses can purchase that result which will allow them to meet one of their regulatory requirements. Leveraging private sector resources will avoid a decline in conservation practices in the face of fewer dedicated federal resources.

“Now, the final principle for promoting our agricultural productivity and protecting our farms obviously involves promoting strong markets. Now, as Congress works on this bill, they should recognize we need vibrant, fair, and diverse markets at home and abroad for our farmers, ranchers, and producers of all types and all sizes.

“USDA has expanded markets for American goods abroad for decades, working aggressively to break down trade barriers with our global partners. At home we're reaching out to producers and enterprises of all sizes with information about how they

can get into the export game, how they may be able to export their goods, and how they can make the financing to make it work. And these efforts have had a real impact.

“Over the past five years, U.S. agricultural producers have doubled the total value of their exports; and this year will be the best year we've ever had for American exports. They'll top \$137 billion, \$20 billion more than last year. This will allow us to have a record trade surplus in agricultural production and products of \$42 billion; and this will support, as importantly, nearly a million jobs.

“Just last week, to help build on this success story, President Obama signed trade deals with Colombia, Panama, and South Korea. And this is going to add an additional \$2.3 billion of agricultural exports for a range of products.

“Every additional billion dollars of agricultural sales helps to generate 8400 jobs at home. So it not only helps improve the bottom lines for farmers and ranchers, but it also puts people to work. Congress can continue this success story and build on it with continued investments in USDA's trade promotion programs, which studies have shown return a -- \$31 for every dollar we invest return on investment.

“Frankly, folks, the American brand of agriculture is the envy of the world. We need to make sure that it always remains that way. Now, at the same time we look to expand opportunities here at home for producers, we also have to look at folks and opportunities for ways in which producers can access local and regional markets.

“Local food is one of the fastest growing segments of agriculture. In the past decade direct consumer sales have doubled. Making connections so that a farmer can sell at a local school or hospital, or even a neighbor down the road, creates good-paying jobs in our rural communities and keeps the wealth created from the ground close to home.

“Congress should continue the work that was started in 2008 to support our specialty crop producers with improved risk management tools and expanded market promotion.

“Now, this is more than just a Farm Bill. It also deals with nutrition. That's why farmers aren't the only ones that need a safety net. In a tough economy, families that struggle through tough times and seniors living on fixed income may also need help as well. That's why we have the Supplemental Nutrition Assistance Program.

“Today, through that program, which we commonly refer to as SNAP, 44 million low-income Americans can put healthy, nutritious food on the table. That number's coming down from an all-time high earlier this year as more Americans are finding work with the creation of nearly 2 million private- sector jobs over the last 19 months.

“For many families SNAP is a bridge to self-sufficiency. In fact, you may be surprised to know that half of all new SNAP participants leave the program within eight months. To many Americans, they have an incomplete picture of who actually receives these SNAP benefits and who's benefiting from them.

“I suspect virtually everyone in this audience probably knows someone at some point in time who's a beneficiary of this program. Now, over the last 20 years that program has transitioned from a welfare program to one that is primarily utilized by working families and seniors. Children of those working families are nearly half of all of the SNAP beneficiaries, and the elderly make up nearly 8 percent. At the same time, only 8 percent of SNAP beneficiaries are those who receive cash welfare.

“In other words, 92 percent do not. That's not what most people in America think. So we've got to continue to impress upon Americans the importance of this program, but we also have the responsibility to strengthen it. And since the beginning of the Obama administration, we've worked to eliminate waste, reduce inefficiencies, and combat fraud in the program. As a result, SNAP's error rate last year was the lowest in the program's history.

“By conducting more than 850,000 investigations into suspected SNAP fraud last year, we stopped payments to tens of thousands of individuals who weren't qualified and sanctioned more than 1800 stores for improper trafficking of SNAP benefits or other violations. And we want to work with Congress to continue this work, to improve our data collection, to reduce our error rate, and to stop fraud.

“Any legislation considered by Congress involving farming in rural areas of America must also address the needs of the nearly 50 million people who live in those areas who don't necessarily farm.

“Now, there are bright spots in rural America today. Production agriculture has had a significant success; emerging renewable energy strategies show great promise; consumers' interest in food that's created locally has created new opportunities for small and large firms involved in those local and regional food systems; and USDA has helped to drive job creation with the effective use of taxpayer dollars.

“For instance, we've helped to create or save nearly 105,000 jobs in rural America by partnering with local financial institutions to lend over \$5 1/2 billion to several thousand rural businesses that were locating or expanding into America. These resources leveraged another 15 to 20 billion dollars of private investment. We've helped to finance over 435,000 home loans in over 20,000 rural communities; 5,100 rural water and wastewater projects have been funded by USDA, putting people to work and providing clean water for nearly 17 million rural Americans; and we continue to invest in rural electrification, nearly \$18 billion in the last two and a half years, to modernize that system.

“Now, by structuring our fees and our interest rates properly, these programs cost little, if anything, to the federal taxpayers; but all of them help to create jobs and improve quality of life. With this in mind, Congress should seize the opportunity to improve rural development programs in this next Farm Bill to make sure that the federal government is

the best possible partner it can be for businesses and for people who want to live, work, and create business opportunities in rural communities.

“We need to make it easier for people to access USDA-supported programs, we need to reduce the number of programs, we need to simplify the process for applying for those programs, and we need to focus our efforts on firms that wish and need capital to invest in rural America. We need to promote regional development to leverage our resources to the fullest extent.

“Now, one area of determined effort needs to continue to be a focus on the growing biobased economy, with a particular emphasis on renewable energy and biofuels.

“Rural America has done a great job of helping to develop the domestically-produced renewable energy and fuel. That job must continue because when we create those opportunities, we create jobs, we reduce our reliance on foreign energy sources, and we enhance our national security.

“USDA has to have the tools to be able to continue to help this biobased and biofuel and renewable energy economy, and we need to make sure that it's vibrant in all regions of the -- of the country. Continuing our investment in renewable energy, biofuel, and biobased products will improve the bottom line for farmers as we find creative ways to use that which they grow.

“It will help create jobs in rural America simply because many of the businesses, the biorefineries, and the industries, will be located where the product is, and we will substantially reduce our reliance on foreign oil.

“Just in the last couple of years, as a result of the expansion of the biofuel industry, we've gone from importing 60 percent of our oil to 52 percent.

“The President has challenged us to reduce our dependence on foreign oil by one-third in a decade. That's roughly 18 percent. That 18 percent is roughly equivalent to that which we currently import from the Middle East, a fairly unstable part of the world; and that instability reflects itself in the prices we pay at the pump.

“As a result of our biofuel industries, consumers across America are paying about \$0.90, on average, less for gas than they would otherwise pay. So it's a great opportunity for consumer choice, it's a job creator, and it improves income opportunities for farmers.

“Now, I recognize that the assistance we provide to this industry will likely be more targeted and more limited in the future; but we have momentum in many areas of the country to focus on nonfood feed stocks which will allow us to expand the production of advanced biofuels. I'm committed to working with Congress to build on that momentum.

“Just recently we announced an opportunity with the Department of the Navy and the Department of Energy to build a drop-in fuel for aviation from nonfood feed stocks that will be grown and created in rural America.

“The Navy has agreed to purchase the fuel produced by biorefineries that we're going to help build. The commercial aviation industry is excited about this opportunity because this fuel will allow them not only to have more stable pricing, but also will enable them to deal with whatever greenhouse gas regulations may be imposed upon them by other countries in the future. This is an absolute opportunity for us to grow thousands and thousands of jobs in rural America.

“This is the type of program, this is the type of effort that needs to be continued. That's why I'm hoping that Congress, as it looks at the Farm Bill, understands and appreciates the significance of the BCAP program and the REAP program, two programs that are continued -- worthy of continued investment.

“Just in 2009 and 2010 USDA invested in more than 22,000 renewable energy projects. We're pursuing this next generation of advanced biofuels by helping communities and companies invest to build those biorefineries, we're funding regional research, and we're helping farmers to establish those biofuel crops. We're supporting the farmers, ranchers, and businesses taking risks to pursue those new opportunities, and we're helping to establish the infrastructure to put renewable fuel in all of America's gas tanks. Congress's effort has got to continue to offer strategic support to these important industries.

“Now, today, I believe very, very strongly, as I stand here today, in a bright future for American agriculture in rural America. In fact, for American agriculture, it's as bright as it can be. That's why this farm, food, jobs bill -- whatever you'd like to call it -- has got to build on the agricultural economy that we have today.

“We have to improve that economy with a strong safety net, a commitment to conservation, and a focus on market development; and this bill must also continue to provide for food assistance for families that are playing by the rules, working hard to provide for their families.

“And, finally, the bill has to give renewed life to rural America by leading our nation's effort to, once again, get back in the business of what's done here at this plant of making, creating, and innovating things that not only we need in this country, but the rest of the world wants and desires. That will allow us to export, helping to create jobs here in America.

“It's been a long time coming, but rural America's making a comeback, and Congress's important work on this bill will lead to a much brighter, more hopeful, and more optimistic future for rural America. And I'm here today to tell you that USDA stands ready to help.

Thank you all very much.”