

Secretary of Agriculture Tom Vilsack

During “Q and A” at the National Ethanol Conference (Las Vegas, Nev.)  
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Keith Good  
FarmPolicy.com, Inc.  
Champaign, IL  
[www.FarmPolicy.com](http://www.FarmPolicy.com)

*Sequestration, Budget, and Farm Bill Issues*

Now, we're facing a challenge. And the challenge is, first and foremost, the budget. You know, in the next couple of weeks, Congress has a pretty important decision to make whether or not they're going to trigger what is called sequester. And what that is, is essentially, if they fail to act, then automatically, on March 1<sup>st</sup>, what goes into effect is an across-the-board cut for virtually every agency, every line item of every agency. The effects will be extraordinary. I'll just give you one effect.

It is likely, if sequester is triggered, that in our food safety area we will have to furlough workers for a period of a couple weeks. Now you say, well, you know, everybody gets a couple weeks' vacation. The problem is, as soon as you take an inspector off the floor, that plant shuts down, so it's not just the inspectors, it's the hundreds of thousands of people who are in the processing business. Those plants shut down.

Now, what impact and effect is that going to have on markets? It's billions and billions of dollars of impact on the markets. What happens when supply gets shorted because we aren't processing? Prices go up for consumers. That's one tiny, tiny implication or consequence of sequester.

Now you take that across the entire federal government. It's a terrible way to do business. Sequester could have an impact on the farm bill, because in order to avoid sequester, some folks may say, well, you know what, here's what we're going to do. We're going to do some deficit reduction. We're going to take some money from those farm programs and we'll use it for deficit reduction now, not in the context of a new farm bill, but just to avoid sequester.

But when they do that, it makes it more difficult to write that farm bill, because if you're going to do away with direct payments and you're going to try to save the \$48

billion that direct payments represents, and you're going to try to plow some of that back into a new system that takes care of rice producers, and cotton producers, and soybean producers, and corn producers, and wheat producers, etc., but yet you also have to have some for deficit reduction, the smaller that pie is, the more difficult it is to write those programs.

And then if you can't solve the dairy issue, where the Speaker of the House has some concerns about supply side management, then all of a sudden you get stuck, nothing happens, they continue the programs, but as they do, the risk of that direct payment money going away for some other purpose increases. So it's a dicey time. It's a very dicey time.

And it's just been really hard to manage the departments, because we don't have a budget for 2013, we don't know whether we're going to be faced with this cut, and if we get a cut, we have to institute it in six months, the remaining six months of the fiscal year, so whatever the percentage is, let's say it's a 5% cut, it actually is the effect of a 10% cut because it's 5% over the course of the entire year, but you've only got a half a year to institute it, so it's a 10% cut. And we've already had our budget cut by 12 and a half percent.

So in an area where you're so heavily dependent on people, there's just only so much you can do. We've already saved over \$100 million at USDA by cutting travel, conference, strategic sourcing. We have a very aggressive and very comprehensive effort to try to become more efficient, but it takes time to create those efficiencies.

So strong energy title, but there are serious challenges to getting the bill through. That's why I've been talking about the political relevance of rural America and the importance of creating strategic alliances, of constructively engaging even people who don't necessarily agree with us so that we broaden our base, so that we get more political support to either stop things like eliminating the RFS or promote things like a farm bill that has a strong energy title.

*[End of recording.]*