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Jason Huffman and Bill Tomson with Secretary of Agriculture Tom Vilsack

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**Mr. Jason Huffman:** Well, on February 7<sup>th</sup> we'll be celebrating the one-year birthday of the farm bill. This is a piece of legislation that had quite a trial to get through Congress and afterwards gave USDA a big job to do. It's been a year. How is it going? How far along are you in implementation?

**Sec. Vilsack:** Well, I'm really proud of the team at USDA. I think we've made significant progress in all the chapters. There were 450 actions that had to be taken by USDA. It's nearly a trillion dollar bill, impacts and affects every single American. Obviously focused on agriculture and rural America, but every American gets impacted positively by the farm bill.

We've sent out over a half a million payments to disaster...for disaster assistance to producers who suffered livestock disasters, we've set up our new safety net programs, we've got signup for the new dairy program. We're interested in seeing how people react to the new safety net, what choices they make and elections they make. The new foundation, the research foundation's been set up. The board is meeting, actually, today and tomorrow to discuss the strategic plan for the research foundation, which is critically important.

A lot of work being done on conservation. Very excited about the Regional Conservation Partnership. A hundred and fifteen projects have been funded now. Three hundred and seventy-two million dollars will be matched, at least dollar for dollar, by the private sector and nonprofit folks, so a lot more conservation's going to get done. So it's been a good, good solid year. Trade promotion continues. Record levels of exports in ag. So I'm very, very pleased with the performance to date.

**Mr. Huffman:** It's quite a task list. If you had to put a percentage on how far along you are in implementation, is there a way to do that?

**Sec. Vilsack:** Well, I would say we're probably 80 to 85%.

**Mr. Huffman:** Wow.

**Sec. Vilsack:** There's still a couple of issues that are left undone in terms of definitions and things of that nature, but the bulk of what needed to be done, that folks really absolutely had to have done quickly has been done, and I know that the Farm Bureau believes that this is one of the best implementations they've seen in quite some time. So our team worked very, very hard, and now we're basically rounded out the edges and rough...the rough edges of the bill and making sure that we continue to promote rural America and American agriculture.

**Mr. Bill Tomson:** Let me crawl into that 20%. You mentioned definition. In this tenure, a trillion dollar farm bill, one of the things that Congress couldn't decide is who is a farmer.

**Mr. Huffman:** They gave the job to you guys.

**Mr. Tomson:** They punted. They asked you to do it. It's a really big issue because, as you know, whoever...when you...if you're a farmer you get to collect government subsidies. And it seems like you've got a chance here to save the taxpayer hundreds of millions of dollars.

**Sec. Vilsack:** Bill—

**Mr. Tomson:** Have you decided what a farmer is yet?

**Sec. Vilsack:** I'm not sure that that... Let me just put this in the proper perspective. I think basically what Congress had a difficult time determining is when a non-farm family individual is actively engaged in farming enough so that they qualify to participate in some of the safety net programs. This is a notion of actively engaged, who is actively engaged in terms of providing management responsibilities.

This involves a very narrow percentage of folks who are in the business of farming, primarily limited partnerships, general partnerships. It doesn't involve family farms, it doesn't involve family farm corporations. So our expectation is that probably one to two percent, or perhaps even fewer of the overall farmers are going to be impacted by however we define actively engaged.

We're working through that process and I think we have a pretty good handle on it. We're working it through the regulatory process right now, and I would anticipate and expect sometime in 2015, relatively shortly, we'll be coming out with how we define it and asking for comment on whether or not we've got it right or not.

The reality is that this has been a loophole that has been utilized by folks in partnerships to allow for many, many, many people to qualify as actively engaged, when in fact they might be only engaged in a conference call or in a very narrow sense participating in the decision-making in a farming operation. So

we will close that loophole to the extent that we can, but Congress is not giving us a whole lot of room to do that.

**Mr. Tomson:** Well, so can we expect, just in a general sense, that a lot of people that, you know, perhaps have never put foot in a farm, never, you know, never got muddy, never sat in a tractor, that there could be quite a few people that used to qualify that won't qualify?

**Sec. Vilsack:** I think you can expect us to have some framework and some structure to this definition so it'll be easier and more specific in terms of who qualifies. And I think you'll probably see a lot of folks who in the past had been in an office, say, in a big city, who had an interest in a farming operation for tax purposes may not get the benefits that they got before. In terms of how many people that is, time will tell. But again, the vast, vast, vast majority of farm families and farm corporations, they're not going to be impacted or affected by what we propose because Congress has exempted them from our definition.

**Mr. Tomson:** Still, can you save a hundred million dollars, a couple hundred million dollars do you think?

**Sec. Vilsack:** I think it's too early to tell in terms of the savings. I think that there are more critical issues in terms of the savings in the farm bill that are focused on how the safety net's going to react and how we're going to deal with crop insurance in the future.

**Mr. Tomson:** Good, can we jump into those topics right now?

**Sec. Vilsack:** Sure.

**Mr. Tomson:** There's a lot of estimates out there that because of the low commodity prices and the revenue nature of one of the big subsidy programs, that spending could be a lot higher than Congress anticipated. We've seen a few of those. What's USDA's expectations? What are you hearing from your economists?

**Sec. Vilsack:** Well, first of all, I think it's important for folks who are watching this to understand why we have a subsidy program. The reality is that without subsidy programs we would probably have a lot of ad hoc disaster assistance programs aimed at trying to address particular issues and concerns when prices go down or there's a problem in the ag economy. Overall, the belief is that this probably will save taxpayers money by having a structure and a game plan, if you will.

The expectation and anticipation was that the agricultural risk coverage program and the price lost coverage program would not be triggered until a couple years down the road, and when they were triggered, commodity prices were expected to be a lot higher than they are today. So we're going to see assistance and help occurring earlier, and because of the deep decline in many commodity prices, probably going to see potentially double what we anticipated and expected in the

next couple of years. That's essentially going to eat into the projected savings on the safety net side.

On the nutrition side, there were expectations that we would save money as well, and I think we'll actually do...we actually will save money on the nutrition side, but perhaps in a slightly different way. I think the expectation there was that closing the loophole, the low income heating assistance loophole, would result in savings, but I think we're likely to see more savings coming from the fact that there are fewer people in need of SNAP, and over time, as the economy improves, we'll probably see continued declines in SNAP participation, saving money.

**Mr. Tomson:** That leads into a good question. So are you saying this \$8 billion, we already saw that a lot of states are avoiding this, that that \$8 billion in cuts is just not happening, the LIHEAP cuts, as you mentioned. Are they going to get any savings out of this?

**Sec. Vilsack:** In terms of the SNAP program, yes, again, I think because we've seen declines in participation. And I am very hopeful that the farm bill that created a \$200 million pilot program to try to better link people with work opportunities who are currently receiving SNAP will be effective in developing the best practices in terms of getting able-bodied people who are looking for work, giving them an opportunity to work, those who are in the workforce get better paying jobs so they don't need as much or SNAP at all.

The reality is that states in the past, during the tough times, waived the work requirement and the education requirement that's in SNAP. We're beginning to see states lift those waivers, so there will be greater pressure on all of us to help folks who need help and want help, and want to get to work to get to work, and I think we'll be successful at doing that.

We're already seeing the numbers coming down. We anticipate probably as many as a million fewer people in need of SNAP over the course of the next 12 months. That's good news for those million folks who have job opportunities and are getting themselves out of the program. It's also good news for the overall cost of the program. But it shows that the program works. When people need help, they get help.

**Mr. Tomson:** I've seen those projections, but there's still a movement, there's still talk up on Capitol Hill about taking SNAP, the supplemental—

**Mr. Huffman:** Yeah, Rep. Conaway was at a meeting yesterday and made some comments about splitting food stamps off [within] legislation.

**Sec. Vilsack:** Well, I understand and appreciate that some folks may be concerned about future farm bills, so obviously our focus is on getting this farm bill implemented. Again, I think people that do not realize that there is a connection between the SNAP program and the farm economy. To the extent that you have people able to buy groceries, they will in fact buy groceries, and to the extent that they buy more

groceries, it obviously impacts and affects the market for those commodities, so there is a connection.

And I think honestly, with due respect to the chairman, I know he's got a lot of questions about SNAP, and I think he's going to be focusing his attention and time on this, but I don't think the idea of separating the two is going to be particularly effective. I think, frankly, it will make it much more difficult in the future for farm bills to be passed if, in fact, there is a separation. I think there is a good, longstanding coalition between urban and rural interests when we discuss and debate farm bills, and the reality is we did get a farm bill through the process, and one of the few major legislative accomplishments of the last Congress, so I'm confident that in the future we'll continue to see farm bills passed.

**Mr. Tomson:** One of the things that stood out for the farm sector, anyway, in President Obama's budget is a proposed cut in crop insurance spending. USDA spends about ten billion, nine, ten billion dollars a year on the crop insurance program.

**Sec. Vilsack:** [*Nods.*]

**Mr. Tomson:** Three to four billion go directly to private insurers. You've cut spending on this before. I know that you'd like to do so again. Are these private companies getting too much taxpayer dollars? Is there anything you can do about that?

**Sec. Vilsack:** Well, again, it's important to know why we have crop insurance. It's again designed to prevent those ad hoc disaster bills from going through the Congress that become extremely expensive. It is a partnership between producers and the insurance industry and the government. And the President has proposed a number of reforms.

One of those reforms would be to take a look at what the average rate of return is on crop insurance. Today it's roughly 14, 15% on average of return on investment. The reality is that this entity and this operation could be quite effective at a 12% return on investment, and I think most taxpayers would be happy if their portfolio was growing by 12%. So I think first and foremost it's a question of what's a reasonable rate of return in a government sponsored and government supported program.

Secondly, to the extent that we are currently subsidizing crop insurance, which is to say that we, as the federal government, and taxpayers, pay, for example, in the revenue programs that have a harvest loss protection, we pay roughly 62% of the premium and the farmers pay 38%. The President has suggested that it needs to be more of a 50-50 split and he's proposed a reduction in the level of subsidy. There is also—and by the way, that's very consistent with what the General Accounting Office suggested we should be looking at from the congressional side.

On our side, our Office of Inspector General took a look at what is called preventive planting coverage. This is a situation where, because of a flood or

because of a circumstance, individuals are prevented from planting the crop they would otherwise plant. It seems as if our system has an incentive not to plant a second crop, not to try to get a second crop in the ground, and so the President has suggested, as OIG proposed in its audit, that we take a look at that and that we perhaps be not quite as generous on the preventive planting side and encourage folks to consider planting that second crop. So those are, I think, reasonable requests.

I think you have to also put it in the context of the overall budget savings that we are projecting for this farm bill. Clearly some folks are asking questions about the nutrition side. I think it's equally important, if questions are going to be asked in terms of savings, that we take a look at the fact that agricultural risk coverage and price loss coverage may cost several billion dollars more than we anticipated; where is that savings going to come from.

Do we want to cut back on ARC and PLC? Probably not. Is there an opportunity for discussion about crop insurance? There seems to be bipartisan...a series of questions from a bipartisan group of senators and representatives about crop insurance, so at least we need to put it on the table as part of the conversation.

**Mr. Tomson:** So let's just say if you collect because you can't plant, you just, you know, that there's a disincentive to...because if you plant the second crop then you're not going to get the return, as much a return on the payout.

**Sec. Vilsack:** Essentially what it says is that if you plant a second crop, then the following year the basis for crop insurance changes to the point where you're only likely to get 60% of what you would normally get. If you don't plant a crop, if you don't try that second crop, that 60% rules doesn't apply. So it acts as an incentive not to plant at a time when we ought to be thinking about encouraging people to do what they want to do, which is to farm.

**Mr. Tomson:** Looking ahead again, one of the things coming up is farmers are going to have to sign a contract to follow USDA's conservation rules in order to qualify for the crop insurance that we're talking about. This came out of the farm bill. It's a new development.

**Sec. Vilsack:** Not quite new, Bill, because—

**Mr. Tomson:** Well, it used to be tied to direct payments—

**Sec. Vilsack:** Right.

**Mr. Tomson:** —and now it's tied to crop insurance.

**Sec. Vilsack:** Right.

**Mr. Tomson:** So...but there...A, why is this important, and B, there's some concern out there that you sign this contract and then you violate the conservation rules,

whether it's, I don't know, you fill in a creek, you do something, and there's some concern that you get your policy taken away. Is that a valid concern?

**Sec. Vilsack:** Well, first of all, before we had direct payments, there was a linkage between crop insurance subsidy and assistance and conservation compliance. And it seems like a reasonable deal. If taxpayers are paying 50, 60, in some cases as much as 80% of the premium on crop insurance, then the societal benefit of making sure that that farmer is also taking good care of their land and making sure that they're doing proper stewardship seems like a reasonable deal, and a reasonable requirement and responsibility.

This particular provision really only involves a very small number of producers, in the sense that most producers had already agreed to conservation compliance. It essentially involves about six to seven thousand producers who, for whatever reason, were not utilizing crop insurance and...or as a result of making too much money were not receiving a great deal of direct payments. Because they're now involved in this system, they have to basically sign up. So it's a relatively small percentage of folks who are impacted by the change.

Is it a good thing? I think it is. I think it's reasonable to request people to be conscious of the impact that their practices have on the soil, on water quality and water quantity. And in fact if folks do not live up to the plan that they've put forward, there obviously has to be some responsibility, some accountability. I would fully expect, given the fact that farmers are very serious stewards of the land and very deeply concerned about the condition of soil and water quality, I don't think this is an over burdensome requirement, and I would suspect that most farmers see it as a reasonable request.

**Mr. Huffman:** We're just about out of time. I think we have time for maybe two more questions. One of the questions I had was just kind of a general question, and that is what is the biggest unexpected challenge that you've run into so far in implementation of the farm bill?

**Sec. Vilsack:** Really, we anticipated a lot. We've actually set up in place a team of people that looked at farm bill provisions in advance of the farm bill being signed so that we were in a position to really get started. And we have a weekly conveners meeting where folks get together around the table, they discuss whatever the burning issue is, and then they make recommendations to me and I sign off on those recommendations.

So I wouldn't say that we were surprised by anything. We probably had a challenge with a thing called annual production history as it relates to setting up assistance and help for farmers. The belief was that we weren't going to be able to do everything we needed to do on the crop insurance side.

**Mr. Huffman:** That was one that Congress really wanted.

**Sec. Vilsack:** But because of the efficiency of the process that we used, our folks at RMA were able to accelerate the pace of implementation to allow us to do, for the most part, the APH stuff and avoid the problems that members of Congress were concerned about. So I really don't think we were surprised by anything. I thought your question was going to be what I was most surprised about generally in terms of this job.

And the answer to that question is a simple one, which is that I don't think very many people in this country or even in this capital fully appreciate and understand the significance of the department and the department's work, and the reach of the department's work. I can't tell you how many people I have said, who ought to know, that when we explain that we've done 905,000 home loans or we've done nearly 5,000 water projects, or that we help build hospitals and schools, people look at me and they go, what, you're the Department of Agriculture. Well, in a sense we're also the Department of Rural America.

And it is important for people to understand the breadth of what USDA does because I think that enhances its significance in terms of the 15% of America's population that live, work and raise families in rural America. And it's an important place. It's a place where our food's grown, where our water comes from, where our energy comes from, and it's a place that disproportionately is represented in military service. So it's an important place for America to invest in and to be concerned about.

**Mr. Tomson:** Well, seeing as this is Politico—and I think I've asked you this before—but you've been the head of USDA for what, six years now?

**Sec. Vilsack:** [*Nods.*]

**Mr. Tomson:** Advocating for farmers' rights, biotechnology issues, ethanol, you name it. You're now implementing a wildly popular farm bill. That's got to make you a pretty popular guy in Iowa, not to mention the rest of the country. What are your prospects for 2016? You ran for President before. Have you talked to the Clintons? Are you on the list for a running mate?

**Sec. Vilsack:** Well, first of all, I don't think Secretary Clinton's made a decision about whether or not she is in fact running, and if she has, she certainly hasn't announced it to the rest of the country. You know, 2016 is going to be an interesting year in politics, obviously. It's an opportunity for us to have the big debates.

I just hope that regardless of who the nominees are and who decides to run that they do spend some time speaking directly to rural America. I think far too often politicians essentially look at rural America as flyover country. They don't pay attention to those good people that are sending their kids to military service in disproportionate numbers, they don't understand the significance of the economy of agriculture. And I think it is high time that those who do run for President spend a little time acknowledging and expressing appreciation for folks who live

in rural America and making sure that they have an agenda that speaks to the needs of rural Americans.

One message point. Eighty-five percent of all the persistently poor counties in this country are located not in inner city counties, but in rural counties. The highest levels of child poverty in this country are in rural areas. So it is important, I think, for us to have a conversation about the needs of folks who live and work and raise their families in rural America, in the hopes that we can encourage young people to see opportunity there. And so whoever runs, regardless of what party they come from, I hope they address those issues.

**Mr. Tomson:** Are you going to stick with the job until the administration is done?

**Sec. Vilsack:** You know, Bill, I'm going to just take this day by day. I honestly don't know what my future is. You know, I enjoy the job that I'm in, and certainly appreciate the hard work of the people that are in the department. I have a tremendous deputy who has just done a phenomenal job. I've been blessed with two good deputies. So I don't know what the future is going to hold. But today I'm focused on the farm bill. Today I'm focused on the President's budget and the middle class economy, and I'm focused on making sure people pay attention and understand and appreciate rural America.

**Mr. Tomson:** Thank you, sir.

**Mr. Huffman:** Thank you very much.

**Sec. Vilsack:** You bet. Thank you.

**Mr. Huffman:** Every Wednesday we'll do this, right?

**Sec. Vilsack:** Hey, I'm game. I'm game.

*[End of recording.]*