The sixth annual Farm Journal Forum, held in Washington, D.C. November 27-28, was attended by farming industry representatives, government officials and others. This year’s speakers included U.S. President George W. Bush, U.S. Environmental Protection Agency Administrator Christie Whitman, former U.S. Central Intelligence Agency Director R. James Woolsey, Senator Pat Roberts and U.S. Secretary of Agriculture Ann Veneman.

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USDA Secretary Ann M. Veneman

(Prepared remarks)

“I would like to highlight a few of the issues we have faced.

Homeland Security and the Protection of our Farms

“In wake of the foot and mouth scare in Europe this year, we began an intensive review of our programs and have strengthened critical areas to ensure the protection of our livestock.

“Since September 11th, we have been working with the newly created Office of Homeland Security, our states, and other federal agencies to examine our immediate emergency needs and act on our longer-term concerns relating to the protection of our food and agricultural systems.

“Our FY 2001 and 2002 budgets reflect nearly $400 million in new spending for our plant and animal protection systems, including over $80 million in emergency relief this year.

“These investments over a two-year period will help bring staffing at our ports of entry to some of the highest levels ever.

“Even with these important funding increases, we cannot take these vital programs for granted.

“We must ensure that they remain strong and viable to meet future challenges.
Emergency Relief for Farmers

- “We worked hard to quickly distribute emergency funds to farmers when natural disasters occurred.
- “We’ve cut down the processing time when emergency relief is requested by states.
- We’ve made distribution of payments a high priority.
- “In fact, we began distributing the checks for the $5.5 billion in supplemental assistance to farmers less than one week after the President signed the bill into law in August.

Food Safety

- “We have moved forward with regulations to strengthen food safety programs.
- “We have fully funded food inspection systems and increased spending by $20 million for this fiscal year.
- “Later this week, we will announce the findings of a risk analysis on BSE (mad cow disease) conducted by Harvard University – and describe how the government will continue to maintain and strengthen the firewalls we have in place to keep BSE out of the United States.

Farm Policy

- “The Administration released its principles for new farm policies more than a year before the current farm bill expires.
- “That publication, Food and Agricultural Policy: Taking Stock for the New Century has received recognition from industry, states, and even the media, for its forward-looking approach.
- “In fact, there have been dozens of editorials in newspapers across the country praising the conclusions of this stocktaking exercise.
- “We have also worked with the Congress to provide assistance as they have moved forward in their legislative process.

Trade

- “We’ve just launched an historic new round of trade negotiations and agriculture is at the heart of the discussions.
- “We went into the negotiations in Doha saying we would aggressively seek language that would tear down the walls that other countries have built that hurt our farmers -- particularly the large export subsidies of the European Union.
- “We came home with a victory -- a framework that sets a positive stage for future negotiations.
- “The list goes on and on…it has been a long, busy year….and I haven’t even discussed with you energy, forest service, or food & nutrition issues…to name a few more.
- “Rest assured, in these and other areas, we continue to work hard on behalf of America’s farmers and consumers, managing our programs effectively with a forward-looking approach to governing.
- “The timing for this Forum could not be better, because today our food and agricultural system is grappling with a series of particularly challenging and difficult issues.
- “With the war against terrorism, we are intensifying efforts to maintain the safety of our food supply and protect the nation’s agricultural production systems.
“At the same time these new issues have emerged, we also have before us enormous opportunities to lay a foundation for economic prosperity for agriculture.

“We can do this through the development of a new generation of domestic policies that enhance our competitiveness abroad and continue to strengthen animal and plant protection and food safety systems here at home.

“The Doha Declaration sets the stage for helping expand and revitalize the global economy.

“It also sends a powerful signal that the world’s trading nations support peaceful and open exchange and reject the forces of fear and protectionism.

“We now have a clear and ambitious direction to move forward on agricultural trade reform: to substantially reduce tariffs and increase market access, to work toward eliminating export subsidies, and to reduce trade-distorting domestic supports.

“We were successful in several areas that are crucial to agriculture’s future economic health.

“One achievement is in the area of trade and environment.

“The Doha agreement closed the door on the use of environmental measures as unfair trade practices and we kept the Precautionary Principle at bay.

“And, the entry of China and Taiwan into the WTO represents a significant milestone in furthering the cause of open markets, rules-based systems for trade, and opportunities for U.S. farmers and exporters.

“It is estimated that this will result in approximately $2.5 billion in new food and agricultural sales annually for U.S. farmers.

“Removing trade barriers around the world is fundamental to keeping the U.S. on the path of prosperity and long-term economic growth for the food and agriculture sector.

“That’s why the Congress needs to give the President Trade Promotion Authority.

“Farm and food policy must reflect the realities of the global marketplace.

“The increased reliance on foreign markets means that we must pay greater attention to the compatibility of domestic farm programs and our international undertakings and activities.

“Some today would suggest that domestic policies and trade policies do not go hand in hand.

“Look at the statistics, and you will clearly see where the road to new markets leads.

“Half the wheat our farmers grow is sold in the international marketplace.

“We export more than 40% of all the cotton we produce and approximately one in every three rows of soybeans.

“But it doesn’t end with bulk commodities.

“High-value products such as meats, processed foods and fresh produce provide an enormous opportunity for our producers to market to consumers around the world.

“Without export markets, farm and ranch income would be significantly lower today.

“And, so would asset values.

“All evidence points to developing and middle-income countries as the main source of future growth in food demand, especially the newly-emerging middle class in many of these countries.

“For example, research by the International Food Policy Research Institute suggests that by 2020, 85 percent of the increase in global demand for cereals and meats will occur in developing countries.
To capitalize on these opportunities, we need to diversify well beyond the current pattern of export concentration; where over 60 percent of U.S. agricultural exports go to 8 country markets.

Reaching the burgeoning middle class in developing and middle-income countries will be key to expanding U.S. agricultural exports.

Increased openness and participation in trade will boost economic growth and development for both developed and developing countries, and demonstrate that economic growth and increased trade are inextricably linked.

Farm Bill

That brings me to the new farm bill that is moving through the Congress.

The legislative process is now at the point where it presents some clear choices.

And, we must work together to build consensus that continues moving agricultural policy in a direction that is forward-looking and global.

Farm policy should ensure compatibility between domestic and trade objectives, support open markets, provide for a market-oriented farm safety net, and not create undue uncertainty for farmers and ranchers who already operate in a very uncertain world.

In conducting the Administration’s stock taking exercise, we looked very carefully at the performance of farm policy over the past 70 years.

Our principles reflect the lessons learned and the choices that should be taken to set America’s farmers and ranchers on a course of durable economic growth and sustainable use of natural resources.

Policies should not distort market signals or encourage long-term dependence on government programs.

We have concerns about some programs that have been proposed.

The Senate Committee bill would authorize two new dairy programs --- counter-cyclical payments to dairy producers and a national dairy compact.

In their current form, these programs would add billions in new spending and threaten our WTO obligations.

These proposals would also lead to a disjointed set of regional dairy programs that would raise the price consumers pay for fluid milk and create regional pricing distortions that would cause economic harm to many producers.

The Senate Committee bill also seeks 10 to 20 percent increases in the price support loan rates for food grains, feed grains and cotton.

Artificially high loan rates insulate producers from market signals and slow production adjustments.

Excess commodity production beyond market demand pushes prices down still further.

This creates pressure for more government payments, thereby creating a self-defeating and ultimately unsustainable cycle.

Moreover, the loan program benefits are subject to discipline under the World Trade Organization because they are based on current production and prices.

The increase in loan rates in the Senate bill could add billions of dollars per year in amber box payments and, combined with other provisions in the bill, could exceed the $19.1 billion ceiling we’ve agreed to uphold under our current WTO obligations.
“If that limit were to be exceeded, the Secretary is directed to reduce payments to producers to meet the limit.

“This ad hoc approach creates a new uncertainty for producers—would they get the payments or would the payments have to be pared back?

“Another area of concern with both the House and Senate farm bills is the attempt to provide additional support in the form of new counter-cyclical payment programs.

“Both versions reintroduce the target price concept that was eliminated in 1996.

“The bills would provide target price payments in addition to continuing current loan programs and fixed, decoupled payments.

“These new target price payments could push us over our WTO limit, again raising the specter of uncertainty for farmers.

“The objective for commodity programs under a new farm bill should be to structure a farm safety net that is market oriented, yet adequate to meet the unexpected declines in prices or incomes beyond farmers’ control.

“Such a safety net should help those that truly need assistance and be compatible both with today’s dynamic marketplace and our nation’s trade obligations.

“A farm safety net should not only encompass traditional notions of farm support but also broader tools that address risk management.

“In that light, the bill offered by Senator Lugar, as well as the Cochran/Roberts proposal provide innovative thinking that we find compatible with our policy principles.

“In particular, the Cochran/Roberts proposal, which was narrowly defeated in Committee helps build consensus.

“It retains loan programs and increases the fixed, de-coupled payments farmers now get, but in place of the target price program adds a farm savings account similar in concept to Senator Lugar’s bill.

“These savings accounts would be available to all producers to help manage market and production risks.

“The Cochran/Roberts proposal, much like the House Bill, provides market-oriented loan rates, using a formula based on past market prices and re-balances the soybean rate.

“Both proposals hold loan rates at current levels that help reduce market distortion.

“The Congress should consider these more market-oriented safety net approaches as they move forward.

“The House and Senate Agricultural Committees have devoted a great deal of time and effort to developing new farm legislation.

“And, both their bills make notable advances in other areas outside the commodity title and we believe this is movement in the right direction.

“The increased resources and innovative approaches found in trade, conservation, energy, rural development, nutrition and research are positive and forward looking.

“Many of these new concepts and approaches would greatly benefit farm and rural areas.

“They reflect our view that it no longer makes sense to speak of the “farm economy” as if it exists in a vacuum.

“Today, we must look at the entire food chain and the rural economy in which farms operate.

“More resources are needed to address an increasingly complex area for U.S. agriculture—it’s relationship with and impact on the environment.
“Conservation policy should pursue a portfolio of instruments, including stewardship incentives on working farmland.

“There is also an opportunity in the next farm bill to address some immediate and highly critical issues to our farmers and ranchers – and the food sector as a whole.

“In the wake of September 11th, there is heightened need to look at the core infrastructure of our current systems and programs to ensure they are ready to meet today’s challenges.

**Infrastructure**

“Some in Congress, including Senator Roberts, have raised the need to strengthen our infrastructure and biosecurity programs, and deserve credit for keeping these issues in the forefront.

“Throughout the year – particularly at the height of the foot-and-mouth scare—many of you have heard me talk about the need to maintain strong infrastructure programs, particularly our pest and disease protection, research, laboratory and food safety systems.

“We are fortunate in this country to have a strong system in place that stands ready to protect American agriculture and consumers against risks, whether the threat is intentional or unintentional.

“However, our research, laboratory and APHIS programs, are long-term investments and require time and more resources to modernize and strengthen.

“As I said earlier, this Administration has already begun to make some of those critical investments.

“Our FY 2001 and FY 2002 budgets included increased funding for plant and animal disease protection, food safety and research.

“Funding has also been requested to begin much needed improvements to our Ames Iowa Research facility, as well as other modernization projects.

“We have been – and continue to make our protection systems a top priority at USDA.

“While making prudent investments in these areas, we must not underestimate the need to strengthen these programs even further over the next several years.

“In addition to laboratories that require major renovations, we have research needs that could improve our ability to detect diseases earlier and help control animal disease outbreaks through improved vaccinations.

“And, we need to continue to strengthen our state and federal partnerships to ensure the protection systems and staffing at the local level are at adequate levels.

“We are currently examining the best and most responsible ways to accomplish these tasks and keep our safeguarding program strong and vigilant.

“Today, we have come to the fork in the road for new farm, trade and infrastructure policy.

**Conclusion**

“And following Yogi Berra’s advice, it is time that we take it.

“This Administration is fully committed to good, sound food and agriculture policies that move our nation forward.

“Our farmers and ranchers, who work tirelessly throughout the year, deserve no less.
“And the American taxpayer expects our government programs to be fair, responsible and efficient.

“There are opportunities before us…but there is still work to be done.

“We have an obligation to our farmers, ranchers and consumers to do it right.”