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TRANSCRIPT

United States Department of Agriculture • Office of Communications • 1400 Independence Avenue, SW
Washington, DC 20250-1300 • Voice: (202) 720-4623 • Email: oc.news@usda.gov • Web: <http://www.usda.gov>

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Contact:
Office of Communications (202)720-4623

Remarks by Agriculture Secretary Tom Vilsack, Keynote Speaker at Agricultural Outlook
Forum 2012

Thursday, February 23, 2012, Arlington, Virginia

SECRETARY VILSACK:

I want to wish everyone a good morning this morning, and I want to welcome you all to the 2012 Ag Outlook Forum. We are honored today to be joined as Deputy Secretary Merrigan indicated, by seven former Secretaries of Agriculture. It was planned to be an eighth former Secretary, but Secretary Bergland, unfortunately, has had an incident, and we are getting him to a hospital, so our thoughts and prayers are with him this morning.

All of these Secretaries, these former Secretaries, have provided dedicated service to USDA, and they helped to build a solid foundation for the Department and in agriculture that we all enjoy today. I want to thank each of them for making this Outlook Forum uniquely special by their participation in an historic panel discussion that will take place this morning.

And speaking of historic, 2012 marks the 150th birthday of USDA, and throughout the year, we will be celebrating its history. And I want to extend an invitation to every one of you to participate in these special events as they occur in your State and as they occur here in our capital. And as important as our history is to our present, we are here today to find out what to expect in 2012 and beyond, so let me begin.

By any measure, 2012, following a record-breaking 2011, expects to be another strong year for all forms of agriculture, strong trade opportunities bolstered by the passage of three Free Trade Agreements last year, combined with Russia's possible inclusion in the WTO, recent China purchase announcements, and discussions of a Trans-Pacific trade partnership make us confident of having another strong year in trade. We project ag sales to be near the record level set last year.

At the same time, our domestic markets are expected to expand as well with an improving economy, continued population of popular local and regional food systems, and the development and the expansion of the biobased products industry. All of those bodes well for a strong farm income for 2012, which we project to be the second highest on record.

Now, any positive outlook needs to be tempered in the context of high energy costs, the

uncertainty of the European and global economy, and the fragile nature of our own economic recovery. Notwithstanding these concerns, I hope all of you leave this forum not only optimistic about 2012 but also extraordinarily proud of American agriculture.

What President Lincoln said to the Wisconsin State Agricultural Society in 1859 remains true today, and I quote, "No other human occupation open so wide a field for the profitable and agreeable contribution of labor with cultivated thought as agriculture." 150 years ago, USDA started its mission to assist in the promotion and advancement of agriculture. We remain committed to that mission, and we will be working this year to strengthen our services, notwithstanding budget difficulties and budgets that have declined in real terms over the last 2 years.

Here is what I can say with confidence about the year ahead. Producers in America will still need credit. While commercial banks are beginning to lend more, USDA will be prepared to provide credit to approximately 30,000 operators to either purchase a farm or to operate one, and this year, we announced a new effort to make it a bit easier for beginning farmers to purchase land by extending our loan guarantee program to providing a guarantee for contract sales as well.

More than 2,100 FSA offices will operate throughout the country, providing credit services to farmers in need. While we are closing 131 field offices in response to declining budgets and a declining workforce -- and to give you a sense of the decline of the workforce, just 10 years ago, we had roughly 18,000 people working for our Farm Service Agencies. Today, that number is closer to 12,000. Despite that declining budget and declining workforce, we are going to continue to invest in technology that we believe will make our services more convenient over time.

Producers in the United States will also need help when disaster strikes. At USDA, we understand the importance of a strong safety net, and I am proud of the work that our Risk Management Agency has done to expand the availability of crop insurance by providing more policies. And last year, 55 million acres of farmland experienced a devastating storm, a fire, a drought, or a flood. A combination of crop insurance, disaster programs, and a disaster assistance package ordered by Congress helped those producers survive this difficult ordeal, and during the last 3 years, more than \$20 billion of assistance has been provided to operators coping with disaster. We will continue to provide that help when it's needed, and we will continue to make sure that the premiums that farmers are paying are fair.

Last year, we announced premium reductions on policies covering corn and soybeans. We will continue this year to review data on those crops as well as wheat, sorghum, potatoes, cotton, and rice to guarantee fair pricing, and we will order premiums reduced when and where it is appropriate.

American producers will need markets here at home and abroad. The Foreign Agricultural Service operates 98 offices in 76 countries, providing services to 163 countries. FAS will continue to use all the tools available from trade shows to trade missions to market the American brand of ag products. It is a brand that is respected around the world for quality and

affordability. We want to build on the record of trade success over the last 3 years.

We intend to expand trade in South Korea, Panama, and Colombia, arising from the recently passed Free Trade Agreements; to push Congress to repeal the Jackson-Vanik Act, which will enable us to hold Russia accountable under international rules in the WTO; to take full advantage of the recently signed equivalency agreements for organic products with Canada and the EU.

And let me stop there just to make a comment about our Deputy Secretary. She has been extraordinarily involved in making sure that this aspect of agriculture is also prevalent at USDA, and she, along with our team at the Trade Representative's office, negotiated these equivalency agreements, which will open up enormous opportunities for these producers. She has been a good partner, she has been a good friend, and she has been good to American agriculture. So, Deputy, thank you very, very much.

[Applause.]

SECRETARY VILSACK: We not only want to take advantage of all of these trade opportunities, but we also want to break down the unfair trade barriers that are constructed, particularly in the areas of beef and biotechnology.

Last year along, FAS, even with reduced staff levels, confronted over 1,400 trade barriers to free and open trade. That is a record, and it is more than double the number just 10 years ago. So we obviously need to keep our eye on trade barriers.

But our work to expand markets should not be limited to foreign markets. Significant and long-term opportunities exist here at home. With rising oil prices due to the uncertainty of foreign supplies, America needs the clean energy, the clean energy future the President called for in his State of the Union Address. The nation needs a renewable fuel and energy industry now more than ever.

Over the last 3 years, we have reduced our dependency on foreign oil from importing over 60 percent of our oil 3 years ago to importing less than 50 percent now. We need to do more, and USDA is prepared to help.

Over the past 3 years, we have established five virtual Regional Research Centers dedicated to finding new feedstocks and more efficient ways to produce biofuel. During the same period, we have announced support for five new biorefineries. We are providing support to 235 advanced biofuel producers. We have identified nearly 50,000 acres in 9 project areas for the production of new feedstocks, nonfood feedstocks, under our BCAP program, and we have used the REAP program to fund hundreds of flex fuel pumps, wind energy projects, and anaerobic digesters. An innovative partnership between the Navy, the Department of Energy, and USDA holds the promise of the development of a new industry producing a drop-in aviation fuel.

When you combine this effort with the emergency of new ways to use crops, grasses, woody biomass, and livestock waste to produce chemicals, polymers, and fibers in thousands of

biobased companies across Rural America, you can understand why I am excited about the future of American agriculture and of Rural America.

Now, as Congress considers the next Farm Bill, efforts should be placed on programs and strategies to help this bioeconomy take hold. Today, 3,100 companies employing over 100,000 workers already produce nearly 25,000 products, solvents, chemicals, paints, inks, lubricants, grease, personal care products, just to name a few. Just 4 short years ago, there were only 2,000 companies employing only 50,000 workers.

To increase the opportunity for these existing companies and new start-up companies, the President recently ordered USDA to expand the product list to be used by Federal agencies in purchasing biobased products under our BioPreferred program. We expect to double the number of available products to over 18,000 that will be made available to Federal agencies to purchase for their needs, helping to grow this industry.

Just to give you a sense of the possibilities, just consider the chemical industry. The global biochemical industry alone is a \$1-trillion industry, and we obviously need to do more here in the United States to make those chemicals. We once were an exporter of chemicals, but as the world's greatest user of chemicals, we now have to import chemicals. This is a great opportunity for us to expand the biobased products industry, helping to create an American economy that's built to last.

And we also know this year that producers will continue to need conservation assistance. Farmers, ranchers, and growers understand the importance of good stewardship of our land and our water, and today, I am proud to say that a record number of acres are enrolled in conservation programs of one kind or another. With recent announcements of a general sign-up in CRP, another 750,000 acres under a continuous sign-up program for highly erodible land, and the Collaborative Landscape Initiative we recently announced at NRCS, USDA is poised to continue to provide assistance even in the face of declining budgets.

Now, landowners will need certainty that once they make investments in conservation, the government regulators will not change the rules or require more of them. Last year, we announced a partnership with the Department of the Interior to provide ranchers in the western States regulatory certainty in the event the sage-grouse was declared an endangered species. In exchange for work done now to improve habitat, ranchers making these investments would be deemed in compliance with the Endangered Species Act should the sage-grouse be declared an endangered species.

A similar arrangement was announced in Minnesota recently in connection with a water certification effort the State has announced. We are going to continue at USDA to look for innovative partnerships to encourage conservation along with trying to make our programs even more attractive in the future.

And speaking of regulatory certainty, please be reassured that the USDA will continue, as we have in the past, to visit with our sister agencies at the Department of Labor and the EPA to ensure they understand fully and completely the impact of any proposed regulation from farm

labor to pesticide application to water quality. As for our own regulations, USDA will continue to work to try to finish our efforts on animal traceability and the BSE rule that we are working on.

Now, in addition to all of this, producers will continue to need research to remain productive. The intersection of ag research and ag productivity could not be clearer. Agriculture has been the second most productive aspect of our economy since 1980, due in large part to productivity increases directly linked to research.

For example, the recent work done at USDA in plant and animal genomics holds great promise for future productivity gains. As we learn more, we can do more to protect crops and animals. That is why the President's budget has called for a 23-percent increase in our competitive research program, even though we are faced with difficult fiscal times. Research is one area of the budget that must grow if we expect to meet the global food, fiber, feed, chemical, and fuel needs of the future.

In addition, producers in this country will also need farm laborers. The sad reality of today -- and it is indeed a sad reality -- is that crops will be raised in this country this year that may not be harvested, because there simply is not the workforce to get the job done. All of America, all of America, but especially Farm Country, needs comprehensive immigration reform, and we need to now. The risk of rotting crops and with that risk, there is no excuse, there is no excuse for the effort of some seeking to demonize immigrant labor or prevent meaningful reform of a system that everyone in the Congress and in the country admits is not functioning. The country needs its elected political leaders to have the political courage to do what is right for the country and for agriculture by fixing this broken system and fixing it now.

[Applause.]

SECRETARY VILSACK: Finally, America will need more farmers, more ranchers, and more growers. It's great that the young people are here today, because this message in part is directed to young people all across the United States.

With the average age of producers near 60 years of age, all of us, all of us in the country need to pay attention to the future of agriculture in America. The FFA recently provided a report to me and to the Deputy on thoughts of the fine young people in that organization about the upcoming Farm Bill. As significant as that legislation is to the people in this room, it is probably more significant to the young people across America who are considering agriculture as their future. Their report focused on the next generation of farmers.

As Congress begins the work on the Farm Bill, there obviously will be a good deal of attention paid to how we might replace direct payments or how to make our dairy industry less volatile, on the role of crop insurance or the number and flexibility of our conservation programs or how to better promote specialty crops and local and regional food systems, not to mention dealing with all of these in the context of a reduced budget.

Now, these are important questions and significant issues, but we will have less money. We

will just simply have less money. How much less is still to be determined. Nevertheless, we obviously need a safety net that provides help when farmers need it most and relies on a continued strong commitment to crop insurance.

Our dairy industry needs price stability. We will likely have fewer conservation programs, but that will put an emphasis on the need for us to have the flexibility to tailor those conservation programs to the individual needs of each operation in the context of the watershed in which they are located. And we also ought to promote and support agriculture of all types and sizes.

You know, direct-to-consumer sales is now a fast-growing, multi-billion-dollar industry, and farmers markets have more than doubled in just the last 3 years. We need to pay attention to all of that.

However, to attract and retain the next generation of farmers, we need to be far more creative in the crafting of this Farm Bill than we have been in past Farm Bills. We must make a commitment to the next generation of farmers, and we must make that commitment as important to the nation's future as any other commitment we make to the future generations of scientists, engineers, or teachers, because, after all, nobody, nobody can do their job very well without food.

In addition to beginning farmer and rancher programs, the next Farm Bill needs to recognize and respond to the unique credit and risk management needs of new farmers. Crop insurance and credit are great for mature operations, but the reality is if you are a beginning farmer and you are struck with disaster in your first year, it could be the end of your operation. We have to make sure we have the flexibility and understanding of that.

I met recently with a farmer in Delaware. He was a returning veteran from Iraq. I was struck when I first met him, because he was in a wheelchair. He had lost both of his legs during his tour of duty. He came back to the United States with one dream, the dream of being a farmer. Through USDA programs, he received technical assistance, he planted his first crop, and disaster struck. And were it not for an understanding FSA office, that young man might have been out of business and his dream shattered.

It's important for us to understand that there are thousands of young people in this country today who want the joy of owning their own operation, who want the opportunity to have the pride of producing something that's important to their family and to their country. So, as we shape this Farm Bill, it's important that we give due consideration to the unique challenges of those who want to get started in farming.

At the same time, issues outside the context of the Farm Bill also need to be examined, and I would start with the barriers to the transfer of land that are now embedded in our current estate and income tax codes. There's really no reason for someone whose land has appreciated in value to consider the sale of that land to anybody until after they have passed away under our current system, and that creates a landlock that we need to address. And there are opportunities, should Congress so desire, to take a look at both estate and income tax to free up opportunities

for transfer.

Now, none of what I've outlined today will be easy, but all of it will be necessary. If we're to continue to write this amazing story of success of American agriculture, consider the circumstances under which this very Department, the establishment of our land-grant university system, and the Homestead Act came to be, all done in the same year by a Congress in the middle of a civil war. We can rise to the challenge of our times because, as Americans, we always have in the past.

I have on my desk three quotes that seem very appropriate today as we look to the short-term and long-term future of agriculture. One is from a Holocaust survivor, Elie Wiesel, who said, "Life is not measured in years but in moments." While we celebrate 150 years at USDA, the moment is now to assure that the next 150 years will be as meaningful as the last 150.

Another quote is from President Teddy Roosevelt, who said, "Do what you can with what you have and where you are." We are at an important juncture in American agriculture and in this new biobased economy that calls all of us, notwithstanding the challenges and difficulties of today, notwithstanding the fragile economy we live in today. It calls all of us to think big and bold.

And the last quote is from President Lincoln who once said that, "The struggle of today is not altogether for today. It is also for a vast future tomorrow." Were he alive today, President Lincoln would marvel at what American agriculture has become, but he would also challenge us to prepare agriculture and Rural America for that vast tomorrow.

I can say with confidence that USDA, America's farmers and ranchers, and those Americans who call Rural America their home stand ready to accept that challenge. May God bless those farmers, ranchers, and producers, may God bless those good souls who call Rural America home, and may God bless the great country they have all served in so many different ways, our country, the United States of America. Thank you very much.

[Applause.]

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