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Agricultural Outlook Forum

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KEYNOTE ADDRESS

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Agricultural Secretary, USDA

**Transcript of Agriculture Secretary Mike Johanns remarks to The 2006
Agricultural Outlook Forum Farm Policy: A Portfolio of Economic Opportunity for
Rural America Washington D.C.**

February 16, 2006

SECRETARY JOHANNNS: Thank you. Thank you. Chuck thank you for those great comments and the introduction. I appreciate it immensely. I understand this is a record, 1400 or 1500 or 1600. That's outstanding. I look out there and see Greg Ibach from Nebraska. He's Director of the Department of Agriculture out there. You know, whenever I see people from Nebraska I tell them I've got a mission for you. When you get back tell the kids I found work in Washington.

I do appreciate the introduction. But I also appreciate the work of the Deputy. I could not be more blessed in terms of a gentleman to work with who is just a great guy. With all of my travels around the world, he has done an outstanding job filling in when I have to be gone. I always feel very, very secure leaving the Department in his hands. J.B. Penn always does a great job. J.B. Penn and I have visited many, many places over the last year and when it comes to foreign issues and trade, J.B. really is a world expert.

I also want to thank our Chief Economist, Keith Collins. I wonder how many people come to the Outlook Forum to hear what Keith has to say? I bet it would be a high percentage. I am always fascinated by his statistics and analysis and his straightforward way of presenting things. Let me also extend my thanks to Tom Dorr. Tom Dorr was the one who pushed the theme of "Prospering in Rural America." Tom does a great job. We appreciate his work.

In a few minutes, after I'm done speaking and take a few questions we will hear from Ambassador Rob Portman. Rob is a great guy we've been shoulder to shoulder in our trade discussions. I'll share a story with you. We were in Hong Kong and the first night we worked until about 1:30 in the morning and I thought, man, this is going to be hard to sustain for 10 days. But that's as good as it got. After that it was pretty well around the clock. There was one day and evening and then into the next day. It was about 10 a.m. in the morning and we had not slept. We had not broken the negotiations and so we are walking down the escalators and there at the bottom of the escalators it looked like every media person from everywhere in the world.

So I hurry and put my tie up. And you can imagine, I'm starting to look a little bit seedy. It's been 24 hours since I've seen my room. And we go down and we give this interview. I'm done giving the interview, and Rob has things to say. And, so finally done. We're walking away. And Rob looks at me, and he said, Mike, you need a shave.

[Laughter]

So today I shaved before I came here.

For those of you attending the dinner tonight, I should mention that former Congressman Cal Dooley will be speaking. And we appreciate his willingness to do that.

Well, to all of the speakers, too numerous to mention, I do want to thank you for being here. This is an important event. It is, for us, I think our largest event. And it really gives us an opportunity to not only talk about but to showcase agriculture in the United States.

I'd like to start my comments today if I might by borrowing a quote from Christine Hamilton. It caught my eye in the Speaker's Handbook. Christine operates a fourth-generation farming and ranching business in Central South Dakota. Christine, if you're in the room, thank you for this quote. It says: "Many times we don't know what we don't know, and the competition is neither complacent, nor is it inexperienced."

Christine is absolutely right about that. We all make better decisions with better information. This forum is an opportunity to learn and to gauge the changes in agriculture and to get our bearings if you will, not only for the next year but for our future.

I found the same to be true over the past months as we traveled across this great country doing our Farm Bill Forums. Those forums were the place to gain some perspective on the future of agriculture and farm policy and to hear directly from farmers and ranchers.

You know we started the forums with Orion Samuelson and I in Nashville, Tennessee. We had a list of six topics, but we pretty quickly realized that the best forum was to just simply let the mike be open. And so people literally drove and stood in line to have an opportunity to speak to us. It was really a remarkable experience.

Well in about six months' period of time we hosted 52 forums, and I conducted over 20 of those sessions myself listening and taking stock in listening to people. What's on your mind, we would ask. These are the people that put food on our table.

For me there's no better way to understand this great industry than to get out of Washington and listen to what folks have to say.

But we heard ideas and concerns that differ from one crop to the next, and as you might expect from one region of the country to the next. But interestingly enough -- and I started talking about this about halfway through the forums because I found it so interesting -- interestingly enough we heard unanimous support for our Rural Development efforts.

Last year we helped to provide housing for more than 100,000 people. Because of our efforts more than 30,000 jobs were created or were saved. At one of our Farm Bill Forums a Missouri producer spoke to us very passionately about the business support provided by USDA Rural Development. This person said, and I'm quoting, "These Rural Development programs are what is keeping the heart-blood of the nation's business going and keeping us in a global economy and part of the edge of innovation."

At another forum in Florida a woman by the name of Pamela had this to say, and again I'm quoting: "Equally important is the need to maintain a rental assistance program which is currently assisting approximately 10,000 hurricane evacuees as well as tens of thousands of rural citizens on a regular basis."

USDA quietly went about our work to deliver assistance in many forms to those that were impacted by the hurricanes. We continue to do so. Our Rural Development efforts have been among the most publicly applauded. Yesterday it happened when I was before the House Subcommittee on Ag Appropriations. We appreciate that.

When thousands were left homeless, our Rural Development team was in the trenches helping people find shelter. Rural Development invested \$239 million in housing, economic and community development recovery, and rebuilding efforts to help rural families put their lives back together and their communities back together. We helped to

place more than 10,000 evacuees in 45 states and helped 22,000 families literally pay the mortgage.

But USDA Rural Development is of course much more than disaster assistance. As I travel the country I heard how the support was a true difference-maker in community after community. A gentleman by the name of Bob from Minnesota said, and I'm quoting again, "About three years ago Sleepy Eye Medical Center took on a building expansion. We built a new physician clinic, a new emergency rooms and a new radiology addition. To help make this project a reality we obtained a \$4.5 million low interest loan from USDA Rural Development. We created new jobs and increased the quality of our health care. We're proud of our facility." And he wrapped up his comments by saying, "We're very thankful for the loan."

Another gentleman from Oklahoma, a guy by the name of Cliff, talked about the Rural Development program relative to water and wastewater, and he said, "There are 100 rural water districts, small communities and towns that benefit from your program. And we were able to go out and train operators and bookkeepers and all sorts of things that would upgrade the living standards of our rural population."

Marge in Nebraska, a place of course near and dear to my heart, praised our Rural Development value-added grants. She said, "Those grants have led to the development of a very successful ethanol plant." And then she went on to say, "So I encourage you to keep that program up and to expand it if you can."

After hearing such compelling stories about the importance of Rural Development, I came back to Washington eager to examine the state of our rural economy. As I've grown accustomed to doing, I would like to share the results of that examination with you if I could.

At the very foundation of the changing rural economy is a simple fact. It won't come as any surprise I suspect. There are fewer people contributing to the rural economy than when I grew up on that dairy farm in Iowa. There was a day when five families lived on one section and agricultural producers really built the economy of the rural communities. Now it's not five families per section; in some areas it's one or two families farming five sections or more.

So the portion of the farm economy that contributes to our rural economy is dramatically different than it was not all that long ago. There's no shortage of statistics at USDA. And I found some that shed additional light on the trend.

Today about 160,000 farm households are responsible for 75 percent of all cash receipts. In 1987 that number was nearly double with about 295,000 farm households in that category. Today those 160,000 account for 33 percent of "land in farms," as the ag census refers to it. It's only about one-third of agricultural land that generates the vast majority of farm revenue.

What does that tell us about what is occurring on the majority of ag land and the income source for the majority of those producers? Reality is that 92 percent of producers, those who manage about two-thirds of ag land, rely heavily on off-farm income. They choose to carry on the great tradition of American agriculture, but they do not depend on it as their sole source of income or in many cases even as their primary source as income.

These statistics help to bring clarity to the reasons behind the changing face of the rural economy, which helps us to explain the resounding praise for our Rural Development efforts, which was echoed across the country unanimously.

I am here today to assure all those who stood in line at the forums, I was listening. Now today I'm not prepared to present a detailed piece of legislation but I can tell you that I believe future policy must acknowledge what I have just laid out in terms of the changing face of our rural economy. We must provide greater economic opportunity for people to choose a rural quality of life, a lifestyle that upholds the values and principles upon which this great nation was truly built.

If most agricultural producers are dependent on off-farm income, then we must pay special attention to our support of rural economies and beyond agriculture. To quote from a report recently released by the American Farm Bureau Federation: "Farmers are more dependent on rural communities than rural communities are dependent on farmers."

It brings me if I might to maybe a few thoughts about future farm policy. Federal programs should enable farmers and ranchers to come together with rural communities to create economic opportunity. I believe we owe it to Pam in Florida and Bob in Minnesota and to all of those others who maybe talked at those forums and many who did not but who share the same view that all rural residents need to be a part of examining future farm policy.

I have said many times that I believe the 2002 Farm Bill was the right policy for the times, but times do change.

Which brings me to a question some have raised about the possibility of just extending the 2002 Farm Bill. Some have suggested that the Farm Bill should be extended for a year, maybe more, to allow the Doha Round of world trade negotiations to wrap up. I firmly submit to you that such an extension in my judgment is the wrong course for rural America.

This belief should not be interpreted as any sign of declining enthusiasm for the Doha Round. Quite the opposite is true. I want to be very, very clear about my commitment to that round, a successful conclusion of the round is critical, it's right for the world. It's right for the United States, and it's right for American agriculture in rural America. It can level the global playing field by removing barriers to trade and investment.

As you know, the Bush administration made a generous offer last fall to substantially cut and eventually eliminate tariffs and trade-distorting subsidies in exchange for reciprocal cuts and market access. This proposal dramatically changed the dynamics of those negotiations, and now we're asking that countries match our ambition.

Why is the round so important for the world? Well, there are several reasons, and there are reasons right here at home. Here at home 27 percent of farm cash receipts come from trade, so market access is critical for U.S. agriculture. And of course there's the global picture. Two-thirds of the WTO member countries are developing countries; 32 are considered least developed countries, truly the poorest of the poor. And these countries over 70 percent of the poor live in rural areas, and there agriculture is the employer.

The Doha Round could literally lift millions out of poverty.

Ladies and gentlemen, I feel very strongly we have a once-in-a-generation opportunity here. We have to seize that opportunity because lost it will pass us by.

Ambassador Rob Portman is going to share his insights about the Doha Round, and let me just express, he's doing a great job for us. So I'm not going to go into further detail, but I do want to make an important point. This round is extremely critical. As critical as Doha is though, it should not be the only consideration when we talk about the time of a new Farm Bill and farm policy.

I believe we have an obligation to listen to those who spoke so passionately at the forums about the unintended consequences of farm policy. While trade is a key consideration, it is one part of a large portfolio of Farm Bill programs that address rural economic prosperity. Conservation is a part of that portfolio as are our Rural Development programs, our energy programs, our research programs, and we can go on and on.

I worry about postponing our efforts to determine what the new portfolio of programs should look like. Waiting for a Doha resolution to develop farm policy or extending the Farm Bill would be foregoing an opportunity to lay a foundation for rural farm economic growth for the next decade.

We have an opportunity to develop farm policy that recognizes that this farm economy has changed. With fewer producers overall and the majority of farm production accounted for by a small percentage of producers, we must thoughtfully consider how we deliver support to rural America. I heard that message loud and clear during the forums, and I'm eager to engage in further dialog, not only with you but with stakeholders across this nation.

In fact I'm eager to discuss at greater length some of the ideas generated by the forums. I learned a great deal from folks across America.

Although I focused on rural development this morning, I realize there's a spirited debate occurring across the country about farm support programs. Now having grown up on a farm I recognize that there's always disagreement about who should receive the support, how it should be delivered. But the current farm support structure really is leading to greater debate.

Again let me turn to the facts if I might.

The largest 3 percent of farms receive 30 percent of the support program; 92 percent of commodity program payments go to five crops. When combined they represent a quarter of U.S. production value. Two-thirds of all farmers receive really minimal support, one could argue really very little support, because they raise what is described in our parlance as "non-program crops."

Which brings me to a very interesting statistic that Keith Collins presented to me yesterday in a briefing for my speech today, but he's also now presented it to you. He pointed out that the value of specialty crops is now equal to the program crops. Let me repeat that. The value of specialty crops is now equal to the value of program crops. And they've continued to grow over the last couple of decades.

Think about that for a moment. That means that while five program crops receive more than 90 percent of the subsidies, specialty crops now equal in value to the program crops really receive nothing out of that subsidy program.

The concern about this inequity was made very crystal clear to me yesterday when I testified before the House Agriculture Appropriations Subcommittee. I was asked very, very pointedly by a member of the House what we were going to be doing to support program crops. That member expressed, "Look, we have to step up on this issue or it's going to be very, very difficult to get their support for trade agreements."

I do not believe another Farm Bill will be passed without providing answers to that question. I believe we owe it to all those who took time to articulate their views during our Farm Bill Forums to act on their ideas. Extending the same Farm Bill would send a message that those concerns fell on deaf ears, and I think that would be unfortunate.

If I were to delay action based on the Doha negotiations, in my judgment we might as well hand over the Farm Bill to the WTO.

Trade is critically important to agriculture, don't get me wrong. I've stressed that over and over again. I will continue to fight for market access.

I believe given the opportunity the U.S. farmer and rancher can compete with anybody in the world. I know that. But trade is just one of the many pieces of a very large and a very complex portfolio that we call farm policy. The time really has arrived for us to once again roll up our sleeves, to look at the statistics and the numbers, to listen to the people and to develop farm policy that is equitable, predictable and beyond challenge. That process as you know has begun at USDA. We're compiling ideas during the forums, ideas that are already inspiring. We're looking at the research just like we've presented to you today.

Once that process is complete we will move forward with determination to develop thoughtful farm policy proposals. I can assure you we are not waiting for a resolution in the Doha Round to propose what we believe is the right course for the future of rural America.

Some people lament the trends I have presented this morning. They are fearful of a new course for rural America. My heart is on that quarter section farm back in Iowa. I understand. But I challenge all of us to embrace the future and become actively engaged in Farm Bill discussions. Hold those of us in Washington accountable for the policies we enact and the policies that you believe in. I welcome your scrutiny because I did not accept this position looking for the easy road. I accepted it because I believe in rural America. I believe in its future, and I am prepared to do everything in my power to ensure that our policies lay a pathway for the future.

I know with certainty the future of rural America is filled with promise. I see it. How can I be so sure of that? Because our rural communities are the heart of American innovation and ingenuity, tremendous quality of life out there. Because our agriculture producers are the most tenacious and competitive anywhere in the world. I can say that because I grew up pitching hay for one of those tenacious producers, John Johanns. My confidence is also based though on six years as governor of a largely rural state, the state of Nebraska, right there in the center of the country.

No challenge it seemed was ever insurmountable for the producers and rural residents there who led the charge to remain on the cutting edge and to strengthen their

communities. Ladies and gentlemen, they were enormously proud of those communities, and it came out when they spoke of them. They believed in their future.

Now that I have a year under my belt as the Secretary of Agriculture I can tell you that for all of our differences farmers and ranchers across the nation are as tenacious and as competitive as those I grew up with and those I was proud to serve as governor.

What we as policymakers owe are policies that recognize the changing face of rural America -- it has changed -- and provide support that is equitable, predictable and beyond challenge. And I want you to know I stand ready to work with Congress and with you to deliver that support in policy.

God bless each of you. God bless America. Thank you.

[Applause.]

SEC. JOHANNNS: Thank you very much. Thank you very much. I think what we'll do now is take questions. We have people out there with microphones, so if you can stand and wave we'll get a microphone in your hand so everybody can hear your question. And we'll just go at this for a few minutes here until our next speaker arrives, or thereabouts.

QUESTION: Mr. Secretary, Rich Feltes, Mann (sp) Financial in Chicago. As you know the CAFTA vote last year was very close, closer than many in this room would have thought possible given the well-known benefits of free trade. Two-part question. Why do you think that vote was so close, and what does that close vote portend about moving future trade agreements through the Congress?

SEC. JOHANNNS: Why do I think it was close? You know if you look back there were some noncontroversial trade agreements as you know or trade issues that move through, don't get a lot of attention. But if you look at those agreements that tend to pop up above the surface they are very, very close. The extension of TPA, the CAFTA vote, there's probably others that I'm not recalling at the moment.

I think there were a couple of issues. One is that a discussion got started about what CAFTA was and wasn't. And we needed to get better information out about CAFTA.

You know I traveled a lot on CAFTA, and when I looked at CAFTA it was very, very clear that the big winner here was U.S. agriculture. I mean contemplate this. This was an agreement where 20 to 25 years ago we agreed to assist these countries that they would have access to our market by and large duty free. That went on for a long time. Well I said to Congress, congratulations, your policy worked, we saw a strengthening of their economies. We saw democracy taking hold. This was very encouraging. Their policy worked. And those concessions were made with huge bipartisan support. In fact I think the last vote on this in the Senate was--I don't know if anybody opposed it. Maybe just a handful opposed it. It was just an unbelievable statement of support.

Well then 25 years later, we decided well it's time to kind of level the playing field, and let's bring down the barriers for our products going into the CAFTA countries. And we ran into this discussion about this not being good for agriculture. Excuse me.

It was tremendously good for agriculture. Now admittedly we also ran into issues on sugar and we had to get information out there and clarify that and deal with that issue.

But I would be less than candid with you if I ignored the impact of that sugar debate out there.

But in the end it was all put together, and it made it across the finish line in both the House and the Senate, although admittedly very, very close.

What are the prospects for future trade agreements? Let me lay the foundation here. What if I were to come in this morning and said to you, I've been thinking about this for a year and I've got a great idea. I think I should be the kind of Secretary that adopts policies that jeopardize 27 percent of the income for agriculture. Well you'd be on your feet booing. You would want me out of here; you would want me out of Washington; you'd want me out of the country.

Now let me put some perspective to that. Twenty-seven percent of our income in agriculture comes from trade. I had rice growers in recently, just this week as a matter of fact, and we were talking about trade issues and I said, you know somebody in the room tell me how much rice depends upon trade. And it's like 50 percent.

Well I believe what I'm really getting to here is this. We've got to do everything we can to get out and tell producers how terribly important this is, and I believe we can deal with that protectionistic approach to things because for agriculture, trade is terribly important.

One last thought because I see the ambassador is here.

Think about the hurricanes this year. We had a very short disruption of our main vehicle to get our grain products down the river, out the New Orleans port. I'm talking about the disruption because of the hurricanes. And what happened? It rippled across the United States. Prices collapsed. And that really was a fairly short-term disruption.

Start adopting policies that not only are a short disruption but a long-term disruption, and every farmer and rancher in America will pay a very, very heavy price, a very heavy price.

And I will tell you without any doubt what I said in my comments, I have no doubt that U.S. farmers and ranchers can compete in this world stage. I have no doubt about it whatsoever.

One more question and then we'll bring the ambassador up.

QUESTION: Mr. Secretary, I'm Marcia Taylor from Top Producer Magazine. And you mentioned the importance of horticultural crops to the ag economy and to our balance of trade. But those crops are predicated largely or a big portion on immigrant labor that is used in this country. In fact, Farm Bureau has just done an analysis that says that 500,000 of the 1 million nonfamily workers on U.S. farms would be affected by the legislation now in Congress that would make those undocumented workers illegal for hire. Farmers are very concerned about this. What is USDA doing or what can it do to help rationalize our use of immigrant labor and border security issues?

SEC. JOHANNIS: Your analysis of this is right. When we would move into areas of the country where there would be nursery, fruits, vegetables, this was usually the top issue. And it came up in all of our forums where we were in that part of the country. Just labor issues were a huge issue. The President has been very, very clear in his goal of bringing about immigration, a comprehensive immigration reform package forward. I believe

very, very strongly that that is important. It is not a package based upon amnesty. It is a package based upon people complying with the law. But it's also based upon a package that if there are jobs that we can't fill here in the United States, no other U.S. worker wants those jobs, then people can work through the process to get the permit or whatever and be able to do the work.

I come from a state where we had the largest beef processing, and I met with these workers because in many areas 85 percent of the workers at those plants were Hispanic background. And one of the things that became clear to me after visiting with these folks over a period of time was that they were just looking for certainty. You know? They might have been fully documented, legally here, but they had maybe a family member that wanted to be here and work. And what they were looking for was just some direction and certainty. That's why I believe the President's plan has so much promise and hope. It is not an amnesty plan. But it provides some certainty.

And then the other piece of it of course, we need border enforcement. We all recognize that. This is a different world today than it was on 9/11. And I don't think we're going to get really any debate about it. It's how do we do that.

But I just forcefully believe that's going to be part of whatever we do.

So we understand it's an important issue, and I believe the President's on the right track here.

With that I will sit down. Thank you very much.

[Applause.]